Illinois Energy Efficiency Policy Manual
Version 1.0

A Manual Guiding the Operation of
Illinois Energy Efficiency Programs

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Section 1: Glossary[1]

- ***Best Practices*** means any method, practice or technique that, through experience and research, has consistently shown results superior to those achieved with other means, and is used as a benchmark. Best Practices may include responding nimbly to market challenges, considering innovative ideas and approaches, statutory requirements, and regulatory directives which may be unique to the service territory.
- ***Breakthrough Equipment and Devices*** means energy-efficient technologies, Measures, projects, Programs, and/or services that the Program Administrator determines are generally nascent in Illinois or nationally, for which energy savings have not been validated through robust evaluation, measurement and verification (EM&V) efforts, in the Program Administrator service territory, or for which there is substantial uncertainty about their Cost-Effectiveness, performance, and/or Customer acceptance. Demonstration of Breakthrough Equipment and Devices is intended to support research and development activities.
- ***Business Day(s)*** means days not including Saturday, Sunday, or a State of Illinois or Federal Holiday.
- ***Cost-Effective or Cost-Effectiveness*** means the Total Resource Cost Test.[2]
- ***Commission or ICC*** means the Illinois Commerce Commission, which is created and established under the provisions of the Public Utilities Act.[3]
- ***Comprehensive Efficiency*** means a whole-building approach to saving energy that can result in the identification of the most Cost-Effective improvements and fewest missed energy saving opportunities, rather than a focus on single Measures.
- ***Customer*** means a residential or business ratepayer of Ameren Illinois Company, Commonwealth Edison Company, Northern Illinois Gas Company d/b/a Nicor Gas, Peoples Gas Light & Coke Company, or North Shore Gas Company.
- ***Demand Response*** means Measures that decrease peak electricity demand or shift demand from peak to off-peak periods.[4]
- ***Eligible Customers*** means, as applicable, all Customers under Section 8-103; all Customers except those that have opted out or are exempt pursuant to Section 8-104(m); or all Customers that are not declared competitive under Section 16-111.5B of the Public Utilities Act.
- ***Energy Efficiency*** means Measures that reduce the amount of energy, electricity or natural gas required to achieve a given end use. Energy Efficiency also includes Measures that reduce the total Btus of electricity and natural gas needed to meet the end use or uses.[5]
- ***Evaluator*** means the independent third party contractor selected by each Program Administrator to evaluate the performance of Energy Efficiency Programs.
- ***Free Rider*** means a Program Participant who would have implemented the Program's Measure(s) or practice(s) in the absence of the Program. Free Riders can be (1) total, in which the Participant's activity would have completely replicated the Program Measure; (2) partial, in which the Participant's activity would have partially replicated the Program Measure; or (3) deferred, in which the Participant's activity would have partially or completely replicated the Program Measure, but at a future time.

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[1] Any terms not defined in this Glossary should be defined based upon definitions provided in the IL-TRM, IL-TRM Policy Document, or common definitions of the terms in the industry.
[2] Public Utilities Act (220 ILCS 5/8-103(a); 220 ILCS 5/8-104(b)).
[3] Public Utilities Act (220 ILCS 5/3-102).
[4] Illinois Power Agency Act (20 ILCS 3855/1-10).
[5] Illinois Power Agency Act (20 ILCS 3855/1-10); Public Utilities Act (220 ILCS 5/8-104(b)).

- ***Low Income Customer*** means a residential Customer of a participating utility with a household income at or below one-hundred and fifty percent (150%) of the poverty level or households at or below eighty percent (80%) of the Area Median Income.[6]
- ***Illinois Energy Efficiency Stakeholder Advisory Group (EE SAG or SAG)*** means an Energy Efficiency and Demand Response advisory body established by the Commission that is open to all interested participants. SAG is a forum that allows parties to express different opinions, better understand the opinions of others, and foster collaboration and consensus, where possible and appropriate.
- ***Illinois Statewide Technical Reference Manual (IL-TRM)*** means the document updated on an annual basis that provides a transparent and consistent basis for calculating energy (electric kilowatt-hours or natural gas therms) and capacity (electric kilowatts) savings generated by the State of Illinois' Energy Efficiency Programs.
- ***Measure(s)*** means an energy-using appliance, piece of equipment, audit, or practice that will result in measurable, reduced energy usage at a comparable level of service.
- ***Natural Gas Self-Direct Program*** means a Program available for natural gas utility Customers that meet certain criteria, pursuant to Section 8-104(m) of the Public Utilities Act.[7]
- ***Net-to-Gross (NTG) Ratio*** means a factor representing net savings divided by gross savings that is applied to gross impacts to convert them into net impacts. The factor itself may be made up of a variety of factors that create differences between gross and net savings, commonly including Free Riders and Spillover. The factor can be estimated and applied separately to either energy or demand savings.
- ***Non-Participant*** means any consumer who was eligible but did not participate in the subject Energy Efficiency Program, in a given Program Year.
- ***On-Bill Financing Program*** means a Commission-approved Program for eligible residential and small commercial utility Customers to purchase Cost-Effective Energy Efficiency Measures, including Measures set forth in a Commission-approved Plan under Section 8-103 and 8-104 of the Public Utilities Act, with no required initial upfront payment, to pay the cost of those products and services over time on their utility bill.[8]
- ***Participant or Program Participant*** means a Customer that received a service offered through an Energy Efficiency Program in a given Program Year. The term “service” is used in this definition to suggest that the service can be a wide variety of inducements, including financial rebates, technical assistance, product installations, training, Energy Efficiency information or other services, items, or conditions.
- ***Plan*** means the document filed by Program Administrators for approval by the Commission that includes electric and gas Energy Efficiency Programs and electric Demand Response Programs, pursuant to Section 8-103 and 8-104 of the Public Utilities Act.
- ***Portfolio*** means a group of Energy Efficiency Programs funded by Customers that are offered by Program Administrators during the three-year Program cycle pursuant to Section 8-103 and Section 8-104 of the Public Utilities Act.
- ***Program*** means an Energy Efficiency or Demand Response Program within the Portfolio offered to Eligible Customers of Program Administrators pursuant to Section 8-103[9]; a Section 16-111.5B Program offered to Eligible Customers of Ameren Illinois Company and/or Commonwealth Edison Company[10]; and/or an Energy Efficiency

[6] Public Utilities Act (220 ILCS 5/8-103(f)(4); 220 ILCS 5/8-104(f)(4)).
[7] Public Utilities Act (220 ILCS 5/8-104(m)).
[8] Public Utilities Act (220 ILCS 5/16-111.7; 220 ILCS 5/19-140).
[9] Public Utilities Act (220 ILCS 5/8-103).
[10] Public Utilities Act (220 ILCS 5/16-111.5B).

Program within the Portfolio offered to Eligible Customers of Program Administrators pursuant to Section 8-104.[11]

- ***Program Administrator(s)*** means Ameren Illinois Company (Ameren IL), Commonwealth Edison Company (ComEd), the Department of Commerce and Economic Opportunity (DCEO), Northern Illinois Gas Company d/b/a Nicor Gas Company (Nicor Gas), the Peoples Gas Light & Coke Company and North Shore Gas Company (Peoples Gas-North Shore Gas), offering Programs pursuant to Section 8-103, Section 8-104, and/or Section 16-111.5B of the Public Utilities Act.
- ***Program Implementation Contractor*** means an organization contracting with a Program Administrator to implement an Energy Efficiency Program.
- ***Program Year*** or ***Plan Year*** means the year during which Energy Efficiency Programs offered by Program Administrators operate, from June 1 to May 31.
- ***Public Sector*** means units of local government (municipalities, townships, and county facilities), municipal corporations or special units of local government (library and park districts, public safety, water reclamation districts, airport authorities), public schools (k-12, community colleges, and public universities), and state and federal agencies, including corrections facilities and military bases.[12]
- ***SAG Facilitator*** means the independent organization under contract to facilitate the Illinois Energy Efficiency Stakeholder Advisory Group.
- ***Spillover (Participant and Non-Participant)*** means reductions in energy consumption and/or demand caused by the presence of an Energy Efficiency Program, beyond the Program-claimed gross savings of the Participants. There can be Participant and/or Non-Participant Spillover. *Participant Spillover* is the additional energy savings that occur as a result of the Program's influence when a Program Participant independently installs incremental Energy Efficiency Measures or applies energy-saving practices after having participated in the Energy Efficiency Program. *Non-Participant Spillover* refers to energy savings that occur when a Program Non-Participant installs Energy Efficiency Measures or applies energy savings practices as a result of a Program's influence.
- ***Sub-Programs*** means a Program that has a specific title, target, budget, and uses a unique delivery or marketing approach not used across the entire Program.
- ***Total Resource Cost (TRC) Test*** shall have the meaning set forth Section 8, Total Resource Cost Test.[13]
- ***Trade Ally, Trade Allies, or Program Allies*** means any independent entity that participates in an Energy Efficiency Program to enable the delivery of the Program to end use Customers including, but not limited to, heating, ventilation, air conditioning (HVAC), insulation, and electrical contractors, builders, and retailers.

[11] Public Utilities Act (220 ILCS 5/8-104).
[12] Public Utilities Act (220 ILCS 5/8-103(e); 220 ILCS 5/8-104(e)).
[13] Illinois Power Agency Act (20 ILCS 3855/1-10); Public Utilities Act (220 ILCS 5/8-103(a); 220 ILCS 5/8-104(b)).

Section 2: Overview and Guiding Principles

2.1 Background

This Illinois Energy Efficiency Policy Manual (Policy Manual) provides guiding principles for procurement, oversight, evaluation and operation of the electric and gas Energy Efficiency Programs authorized under Sections 8-103 and 8-104 of the Illinois Public Utilities Act (Act), and Section 16-111.5B, as applicable. The principles and policies articulated in the Policy Manual were derived from Commission orders, policies and procedures developed by the SAG, as well as Best Practices from state Energy Efficiency Programs delivered throughout the nation.

2.2 Goals

The goals of this Policy Manual are to:

- Achieve consistent policies for utility ratepayer funded Energy Efficiency Programs;
- Reduce litigation before the Commission;
- Reduce Program Administrator risk for disallowance;
- Provide clarity and certainty for Program Administrators and other parties; and
- Create a policy framework that supports the delivery of Cost-Effective Energy Efficiency Portfolios, pursuant to Section 8-103, 8-104 and Cost-Effective Programs pursuant to Section 16-111.5B of the Act.

2.3 Effective Date

The effective date for this Policy Manual is June 1, 2017 or the beginning of the next Portfolio Plan.

2.4 Updates to this Policy Manual

This Policy Manual will be reviewed annually and updated as needed.

2.5 Roles and Responsibilities

This Policy Manual references various roles and responsibilities of Program Administrators, Evaluators and SAG participants.

i. Program Administrators[14] are responsible for:

a. Planning of Energy Efficiency Portfolio:
    i. Developing the three year Portfolio of Energy Efficiency Programs to meet the statutorily required goals; and
    ii. Electric utilities shall provide information to the Illinois Power Agency (IPA) for use in the development of the IPA procurement plan, consistent with the requirements of Section 16-111.5B.
b. Management of Energy Efficiency Portfolio:

[14] See Section 1, Glossary, for definition of Program Administrator.

i. Providing general administration and prudent management of Programs, including tracking Program savings and expenditures against Program savings goals and budgets;
ii. Overseeing Program Implementation Contractors and Program implementation process, including establishing quality control and quality assurance protocols; and
iii. For electric utilities, includes the oversight and prudent management of the Section 16-111.5B Energy Efficiency Programs, consistent with the requirements of Section 16-111.5B.

c. Management of Evaluation process:
   i. Managing the contract for the third party independent Evaluator;
   ii. Working with the independent Evaluator to review EM&V work plans;
   iii. Implementing Evaluator recommendations, as deemed appropriate; and
   iv. Serving as intermediary between Evaluators and Program Implementation Contractors.

ii. **Evaluators[15] are responsible for:**

Evaluating the performance of Energy Efficiency Programs through independent EM&V[16] at the Portfolio and individual Program level consistent with adopted policies, protocols, and budget priorities.

EM&V activities include:[17]

- Drafting and finalizing annual EM&V work plans and three-year EM&V Portfolio work plans;
- Drafting and finalizing EM&V reports;
- Evaluating Program savings and Cost-Effectiveness;
- Recommending Program improvements to Program Administrators, as needed;
- Performing evaluation research, as needed;
- Recommending modifications to the IL-TRM; and
- Recommending deemed NTG Ratio values on an annual basis.

iii. **SAG Participants.** See Section 3.

[15] See Section 1, Glossary, for definition of Evaluators.
[16] For the definition of EM&V and Evaluation, see Section 4, Glossary, in the Policy Document for the Illinois Statewide Technical Reference Manual for Energy Efficiency (IL-TRM Policy Document). October 25, 2012. Retrieved from http://www.icc.illinois.gov/downloads/public/IL%20IL-TRM%20Policy%20Document.pdf.
[17] More detailed Evaluator responsibilities in the context of the IL-TRM are outlined in the IL-TRM Policy Document. October 25, 2012. Retrieved from http://www.icc.illinois.gov/downloads/public/IL%20IL-TRM%20Policy%20Document.pdf.

Section 3: Illinois Energy Efficiency Stakeholder Advisory Group

3.1 Disclaimer

Illinois Energy Efficiency Stakeholder Advisory Group (SAG) discussions are intended to be in the nature of settlement discussions. As a matter of general agreement, written and/or oral positions or statements made during SAG meetings shall not be used by any party to contradict or impeach another party's position, or prove a party's position, in a Commission proceeding.

3.2 Background

The Commission established the SAG in the Final Orders approving the first three-year Section 8-103 electric Plan filings, to review utility progress towards achieving Energy Efficiency and Demand Response goals and continue to strengthen the Plan Portfolios.[18] The Commission expanded directives to SAG in the Final Orders approving the first three-year Section 8-104 gas Plan filings.[19] Subsequently, Commission directives have identified additional roles and responsibilities for the SAG, which may evolve as the Energy Efficiency Portfolios evolve. The Final Orders approving Illinois Power Agency Procurement Plans also include specific directives to SAG.[20]

3.3 Advisory Role

The SAG is an advisory body, not a decision-making body. It is a forum that allows parties to express different opinions, better understand the opinions of others, and foster collaboration and consensus, where possible and appropriate. SAG groups include:

i. **Large Group SAG.** Monthly meetings cover Program Administrator quarterly reports, Portfolio planning, Program planning, fund shifts, and topics of general interest, as directed by the Commission or requested by SAG participants.
ii. **EE SAG Technical Advisory Committee (TAC).** Meetings address updates[21] to the IL-TRM, EM&V issues, and other issues of a more technical nature. General SAG attendees will be briefed on topics covered in the Technical Advisory Committee.
iii. **EE SAG Subcommittees.** Subcommittees are established for necessary issue-specific topics based on Commission directives or SAG requests, and will be open to all SAG participants interested in joining. Subcommittees may be established as need arises.

3.4 Facilitation

The SAG Facilitator serves as the central point of organization for meeting coordination, including timelines, agendas, issue research, action items and meeting notes. The SAG Facilitator is also responsible for regular updates to the SAG distribution list and website.

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[18] Ameren IL Final Order, ICC Docket No. 07-0539 at 24; ComEd Final Order, ICC Docket No. 07-0540 at 32.
[19] Nicor Gas Final Order, ICC Docket No. 10-0562; Peoples Gas-North Shore Gas Final Order, ICC Docket No. 10-0564.
[20] Illinois Power Agency Procurement Plan Final Order, ICC Docket No. 14-0588.
[21] More detailed TAC responsibilities in the context of updating the IL-TRM are outlined in the IL-TRM Policy Document. October 25, 2012. Retrieved from http://www.icc.illinois.gov/downloads/public/IL%20IL-TRM%20Policy%20Document.pdf.

The SAG Facilitator will provide subject matter expertise to inform discussion, to identify and disseminate Best Practices and tools to continue strengthening the Portfolio of Programs.

3.5 Annual Planning

The SAG Facilitator shall create an annual plan prioritizing Commission directives to SAG and stakeholder requests, as applicable. A draft plan and schedule will be discussed with SAG at the beginning of each Program Year.

3.6 Participation

Attendance and participation in SAG is open to all interested stakeholders. Program Administrators offering Programs pursuant to Sections 8-103, 8-104 and 16-111.5B of the Act shall participate in the EE SAG, as directed by the Commission.

3.7 SAG Review

SAG participants will be asked to review and comment on items related to Energy Efficiency Plans, including but not limited to the following:

i. **Breakthrough Equipment and Devices.** All Measures that Program Administrators move from the Breakthrough Equipment and Devices category to the Section 8-103 and Section 8-104 Programs shall be reported to SAG.
ii. **Draft EM&V Reports.** The SAG Facilitator will post draft EM&V reports on the SAG website as they are made available. SAG participants will have fifteen (15) Business Days for review and comment, or within a timeline mutually agreed to by the parties. Once draft EM&V reports are finalized, draft EM&V reports will be removed from the SAG website and final EM&V reports will be added.
iii. **Draft Portfolio Outlines.** Program Administrators shall work in a cooperative and iterative manner with SAG participants to develop the next three-year Plan. Such cooperation includes discussion of foundational issues to Plan development; including budgets, Portfolio objectives, Program ideas, and Program design. Program Administrators and SAG shall seek to develop and communicate such foundational assumptions in a manner that supports efficient and timely modeling of proposals for a comprehensive Plan. A primary purpose of these cooperative and iterative discussions is to reduce the number of non-consensus issues and litigation associated with the applicable Plan dockets.
iv. **Draft EM&V Work Plans.** The SAG Facilitator will post draft EM&V work plans on the SAG website as they are made available. SAG participants will have fifteen (15) Business Days for review and comment, or within a timeline and process mutually agreed to by the parties. Once draft EM&V work plans are finalized, draft EM&V work plans will be removed from the SAG website and final EM&V work plans will be added.
v. **Technical Reference Manual Research.** If evaluation research is likely to inform the IL-TRM, then Evaluators and Program Administrators shall ensure that evaluation[22] research plans and draft evaluation research results are provided to

[22] See Section 4, Glossary, in the IL-TRM Policy Document. October 25, 2012. Retrieved from http://www.icc.illinois.gov/downloads/public/IL%20IL-TRM%20Policy%20Document.pdf.

the SAG Facilitator to be posted to the SAG website for review and comment. Comments are due within a timeline mutually agreed to by SAG participants.

3.8 Proposal Support

SAG participants that propose to discuss a policy change, Program design, or other topic relevant for discussion at SAG shall demonstrate fact-based support of their recommendation prior to discussion at SAG. Support includes, but is not limited to, background, research, and data analysis.[23]

3.9 Consensus Decision-Making

The SAG does not make use of formal voting. If the Commission directs a specific decision or action to the SAG, consensus decision-making will be used to reach agreement. Consensus decision-making is in the nature of settlement discussions. As a matter of general agreement, positions or statements made during SAG meetings shall not be used by any party to contradict or impeach another party's position, or prove a party's position, in a Commission proceeding.

If, after a reasonable period of time, as determined by the SAG Facilitator, consensus is not reached, the SAG Facilitator will produce a Comparison Exhibit that identifies the issue, different opinions, and the basis for those opinions. Where practicable, the parties supporting each position will be identified. For consensus decision-making, SAG participants shall provide one position on a particular issue, per company or organization. The SAG Facilitator will share information with SAG participants unable to attend a consensus decision-making meeting, including an opportunity to review and comment on the proposed agreement.

For the purposes of the SAG, consensus may be determined through one of three ways:

i. **In-Person or Teleconference.** Consensus may be determined if no objections are voiced in a SAG meeting to an issue. The meeting may be in-person or over the phone. Determining consensus through lack of objection at a meeting will be used sparingly as it is preferable for parties to see written proposals and have ample time to consider the proposal.
ii. **Review of Written Proposal.** Generally, consensus should be determined through review of a written proposal so parties know what they are agreeing to. Consensus will be determined on a particular written proposal based on receiving no objections from any party on that written proposal by a date specified reasonably in advance by the SAG Facilitator, with fifteen (15) Business Days for review and comment.
iii. **Review of Written Proposal, with Affirmative Written Consent.** For items that are filed at the Commission, written affirmative consent of a written proposal will generally be sought so that it is clear which parties are indicating consent.

Notwithstanding the language above, the SAG Facilitator has discretion to modify the process as needed.

[23] See Appendix A: SAG Policy / Issue Template; SAG Proposed Program Template.

Section 4: Program and Portfolio Planning

4.1 Goals

Section 8-103 and 8-104 Portfolios shall be designed to accomplish the following objectives:

- Delivery of an overall Cost-Effective Portfolio of Energy Efficiency and Demand Response Measures using the Total Resource Cost Test;[24]
- Achievement of statutory objectives and Commission-approved savings goals;
- Delivery of Programs that represent a diverse cross-section of opportunities for Customers of all rate classes to participate in the Programs;
- On a prospective basis, Portfolios should have a TRC greater than 1.0. However, individual Programs and Measures that have a TRC less than 1.0 may be included with adequate business justification;
- Delivery of Programs targeted toward Low Income Customers, which do not have to be Cost-Effective; and
- Evaluation of Programs using consistent evaluation criteria.

Program Administrators shall also consider the following objectives, where appropriate:

- Delivery of Programs to moderate-low income populations in order to help foster the affordability of utility service;
- Program designs and strategies that Cost-Effectively increase savings and lower the unit cost of achieved savings, while still ensuring efforts to capture Comprehensive Efficiency;
- Pursuit of alternate delivery mechanisms, such as upstream or midstream Incentives and promotion strategies when these processes can effectively reduce Program Administrator costs per unit of savings;
- Encourage Women and Minority Business Enterprise (WMBE) participation and other diverse vendors;
- Best Practices and innovative approaches in the design and implementation of Energy Efficiency Plans;
- Net savings forecasted; and
- Program Administrator (ratepayer) costs per unit of net savings achieved.

4.2 Budget Allocation

As provided for in Section 8-103 and Section 8-104, Portfolio budgets shall be allocated as follows:

i. Ameren IL, ComEd, Nicor Gas, and the Peoples Gas-North Shore Gas shall coordinate the allocation of available funds and markets served with DCEO to ensure a Portfolio of Energy Efficiency Measures proportionate to the share of total annual utility revenues in Illinois from households at or below one-hundred and fifty percent (150%) of the poverty level. These Energy Efficiency Programs shall be targeted to households with incomes at or below eighty percent (80%) of

[24] See Section 8, Total Resource Cost Test.

Area Median Income (AMI).[25] A minimum of ten percent (10%) of the entire Portfolio of Cost-Effective Energy Efficiency Measures shall be procured from units of local government, municipal corporations, school districts and community college districts;

ii. Twenty-five percent (25%) of the approved Plan budgets associated with Section 8-103 and Section 8-104 Programs for Ameren IL, ComEd, Nicor Gas, the Peoples Gas-North Shore Gas are available to DCEO;

iii. Expenditures demonstrating Breakthrough Equipment and Devices shall not exceed three percent (3%) of the Portfolio resources (approved Plan budgets); and

iv. Evaluation expenses shall not exceed three percent (3%) of Portfolio resources (approved Plan budgets).

[25] Public Utilities Act (220 ILCS 5/8-103(f)(4); 220 ILCS 5/8-104(f)(4)).

Section 5: Cost Categories

5.1 Purpose

The purpose of defining costs is to standardize reporting among Program Administrators and to improve transparency and consistency in cost categorization, as well as offer guidance on Section 8-103 and 8-104 Energy Efficiency Program costs for evaluation purposes.

5.2 Portfolio Cost Categories

The following define four cost categories for purposes of categorizing non-Program Portfolio costs:

i. **Demonstration of Breakthrough Equipment and Devices Cost.** Any costs incurred in the administration and implementation of Programs demonstrating Breakthrough Equipment and Devices, including no more than three percent (3%) of approved Plan budgets. All costs associated with Demonstration of Breakthrough Equipment and Devices shall be included in that cost category, excluding the independent evaluation. Breakthrough Equipment and Devices may vary from year to year and are subject to the definition set forth in Section 1. Examples of Demonstration of Breakthrough Equipment and Devices include, but are not limited to assessing:
   a. Savings;
   b. Customer acceptance;
   c. Performance;
   d. Market readiness; and
   e. Climate zone characteristics.

ii. **Evaluation Cost.** Any costs incurred in the scope of work for Evaluators hired pursuant to Section 8-103(f)(7) and 8-104(f)(8) of the Act, including no more than three percent (3%) of Portfolio resources (approved Plan budgets).

iii. **Marketing Cost.** The costs of marketing and outreach, which has a purpose of acquiring Program participation or consumer understanding of Section 8-103 and 8-104 Programs. It includes, but is not limited to, the costs for:
   a. Full-service marketing services, concepts and campaign strategy planning, including labor;
   b. Developing a marketing plan, timeline, budget and progress reports;
   c. Coordination and implementation of all marketing activities, including scheduling events, media buys, etc.;
   d. Promotional materials, including, general awareness and events;
   e. Website;
   f. Training of Trade Allies and Trade Ally expo events;
   g. Public relations, including community outreach; and
   h. General marketing primarily designed to increase other overall Program participation rather than claiming direct savings (e.g., an online audit tool or community challenge).

iv. **Portfolio Administrative Cost***.* A cost that may be incurred by a Program Administrator, contractor or subcontractor that is not easily attributable to a specific Program or other cost categories, but benefits all functions of the Energy Efficiency Portfolio. Examples of Portfolio Administrative Costs include, but are not limited to, the following:

a. Managerial and clerical labor;
b. Human resources support, training and employee development;
c. Travel and conference fees;
d. Overhead (general and administrative, e.g., accounting, facilities management, procurement, administrative, communications, information technology and systems, telecommunications, data tracking etc.);
e. Equipment (e.g., communications, computing, copying, general office, transportation, etc.);
f. Office supplies and postage;
g. Potential studies and market assessments;
h. Portfolio Plan development;
i. Litigation and cost recovery; and
j. Legal and regulatory support and expenses.

5.3 Program Cost Categories for Section 8-103 and 8-104 Programs

Program Costs means costs attributable to specific Energy Efficiency Programs, consisting of Incentives and Non-Incentive costs, as used in Section 8.4(ii) and (iii) of this Policy Manual.

5.4 Inducements.

Inducements means financial payments or non-financial items provided to market actors (such as Program Implementation Contractors, Customers, Trade Allies, etc.) to encourage participation in Programs or to encourage involvement in market research, EM&V, or other Portfolio activities. Inducements shall not include direct payment for alcoholic beverages or tickets to sports events. Program Administrators shall explicitly incorporate such prohibitions in all vendor contracts (including contracts for vendor subcontractors) that involve costs recovered through the Energy Efficiency cost recovery tariff mechanisms.

Section 6: Program Administration and Reporting

6.1 Program Flexibility and Budgetary Shift Rules

Any Program Administrator-initiated proposed budget shift of twenty percent (20%) or larger shall be brought to the SAG as well as reported to the Commission, in the quarterly reports. To the extent practicable to Program Administrators, these Program changes and/or budget shifts shall be presented to SAG before implementation. Such changes and/or budget shifts could include reallocation of funds within existing Programs and discontinuing or adding new Programs. Program Administrators are encouraged to bring Program design or budget shift proposals to SAG prior to implementation, notwithstanding the twenty percent (20%) baseline threshold.

6.2 Adjustable Savings Goals

Program Administrator and/or IPA annual energy savings goals will be adjusted to align them with changes to IL-TRM values.

In addition, Program Administrator and/or IPA annual energy savings goals will be adjusted to align them with the Evaluator's recommended Net-to-Gross values for the entire Plan period prior to the start of the first Plan Year of an approved Plan or Section 16-111.5B Program.

Within sixty (60) days after Commission approval of the annual IL-TRM values, each Program Administrator will file adjusted energy savings goals reflecting updated IL-TRM values applicable to the Program Year commencing June 1.

6.3 Energy Efficiency Program Reports and Documents

Reporting is intended to provide information that describes Program Administrator activities related to statutory and Commission directives and allow stakeholders and the Commission to fulfill their statutory and regulatory responsibilities, yet not be unduly burdensome, unnecessarily or unreasonably detailed, or duplicative. Below is the list of reports and documents that are produced and publically available through the EE SAG website related to Energy Efficiency Programs:

i. Energy Efficiency Plans – filed every three (3) years.
ii. Net-to-Gross Values – produced annually by the independent Evaluators, reviewed by stakeholders, and finalized by March 1 of each year. New Net-to-Gross values are prospectively effective June 1, three (3) months after they are finalized. The treatment of DCEO Net-to-Gross values is addressed separately in Section 7.2.
iii. Quarterly Reports – produced quarterly after the close of each quarter, generally within forty-five (45) days after the close of the quarter.
iv. Program Administrator Annual Summary of Activities – produced annually after EM&V reports are complete.
v. Draft EM&V Reports and Final EM&V Reports – draft EM&V reports are typically available approximately six (6) months after the close of the Program Year on the SAG website for stakeholder review and comment. Final EM&V reports are typically available within eight (8) months after the close of the Program Year.
vi. Technical Reference Manual (IL-TRM) – contains deemed Measures used by all Program Administrators. The IL-TRM is updated annually based on input from

Program Administrators, Evaluators, and other interested stakeholders through a consensus-based decision-making process. The IL-TRM updates are completed by March 1 of each year, submitted to the ICC, and are effective June 1, the start of the new Program Year, generally within three (3) months after it is submitted to the ICC.

vii. Policy Document for the Technical Reference Manual[26] – This document describes policies for the updating and application of the IL-TRM during implementation, evaluation, and planning. This document was finalized on October 25th, 2012, and approved by the ICC. It has not been updated annually.

6.4 Reporting Purpose

Reporting provides information about Energy Efficiency Program savings, expenditures, and portfolio successes and challenges such that others can learn from successes, and stakeholders can provide recommendations on addressing challenges.

6.5 Program Administrator Quarterly Reports

Program Administrator quarterly reports are generally provided to the SAG within forty-five (45) days after the close of each quarter, and then discussed at SAG meetings so interested stakeholders can ask about information in the reports. Information in the quarterly reports may be based on preliminary results and is subject to revision and evaluation adjustment. Program Administrators shall provide quarterly reports using a common template. Quarterly reports shall contain the following information for Sections 8-103, 8-104 and 16-111.5B Programs:

i. Program, Sector[27] and Portfolio-Level Ex Ante Results, including:
   a. Net energy savings;
   b. Approved net energy savings goals. For the Quarter 1 (Q1) report each Program Year, original Plan savings goals and budgets adopted by the Commission will also be included;
   c. Percent savings achieved compared to approved savings goals;
   d. Cost year-to-date, using the cost categories set forth in Section 5.3 of this Policy Manual;
   e. Approved budgets; and
   f. Percent of costs year-to-date compared to approved budgets.

ii. Portfolio-Level Costs (charged to the Energy Efficiency riders only), including:
   a. Portfolio-level costs, using the cost categories set forth in Section 5.2 of this Policy Manual.

iii. Program-Level Narratives[28] on Program Successes and Challenges. Each Program-level narrative shall include:
   a. Brief (2-3 sentences) description of the Program and key Measures (including delivery approach and any past Program names associated with the current Plan).
   b. Key Program changes, which may include:
      i. New marketing channels;

[26] See IL-TRM Policy Document. October 25, 2012. Retrieved from http://www.icc.illinois.gov/downloads/public/IL%20IL-TRM%20Policy%20Document.pdf.

[27] Sector refers to residential and commercial and industrial Programs pursuant to Section 8-103 and 8-104; IPA Programs (third party and utility) pursuant to Section 16-111.5B; and market transformation, low income and Public Sector Programs administered by DCEO.

[28] Should include Demonstration of Breakthrough Equipment and Devices as a separate Program.

ii. Significant and widespread changes to Program incentive levels;
iii. New Measures (including major changes to efficiency levels, size, or discontinuation of Measures), with Measure-level TRC results;
iv. Change to Program Implementation Contractor; and/or
v. New state or federal standards that will impact Program savings.

iv. Description of Program Successes, which may include:
   a. Participation or savings significantly higher than forecast;
   b. Successes in marketing/outreach campaigns;
   c. Successes in coordination efforts with local, regional or national efforts;
   d. Program awards and recognitions; and/or
   e. Notable Trade Ally feedback.

v. Description of Program Challenges, which may include:
   a. Program not on track to meet goal, explanation of why and how Program Administrator plans to get it back on track or alternatively fund-shift to a more successful Program;
   b. Lack of a sufficient pipeline such that Program goals may not be achieved;
   c. Challenges in coordination efforts;
   d. Description of Measures that are not receiving uptake; and/or
   e. Notable Trade Ally feedback.

vi. Portfolio-Level Narrative. Key portfolio-level changes and updates, including:
   a. All Measures that are demonstrated as successful through a Program Administrator Breakthrough Equipment and Devices Program;
   b. Fund-shifts meeting threshold of Section 6.1, above;
   c. Key changes to marketing strategies, such as new marketing channels or marketing campaigns;
   d. List of market research studies conducted by consultants, if study costs exceed $25,000 and are not protected by license agreements or other proprietary arrangements;
   e. Brief description of new pilots and Programs, including target market, delivery strategy, and key Measures;
   f. Any discontinued Programs;
   g. Portfolio Summary Table setting forth net energy savings achieved, by Program Year or Plan cycle, starting with Program Year 1 (ex post) compared to goal, with percent of goal achieved, at the portfolio level; and
   h. Portfolio Summary Table setting forth net energy savings achieved, carbon reductions (tons), cars removed from road, acres of trees planted, number of homes powered for one year, direct Portfolio jobs, low income homes served (to extent Program tracks low income participation) by Program Year or Plan cycle, starting by Program Year 1, at the Portfolio level.

vii. Appendix: For each Program, include a chart showing monthly or quarterly cumulative savings forecast versus achieved. The forecast should only be provided if the Program Administrators develops it in the course of Program administration.

6.6 Program Administrator Annual Summary of Activities (Annual Report)

i. Portfolio Summary Table setting forth, starting with Program Year 1, at the Portfolio level:

a. Net energy savings achieved, by Program Year (ex post) or by Plan cycle compared to goal, with percent of goal achieved (as required in quarterly reports);
b. Portfolio net benefits (in $); and
c. Portfolio TRC.

ii. Program Summary Table, by Program Year or Plan cycle, starting from Program Year 1, net Program savings achieved; Program expenditures; Program NTG (deemed) and TRC (ex post); Program net levelized cost/unit energy.

Section 7: Evaluation Policies[29]

7.1 Technical Reference Manual

The Illinois Statewide Technical Reference Manual (IL-TRM) shall be applied consistent with Commission orders and the IL-TRM Policy document approved by the Commission in Docket 13-0077.[30] To provide precision that reflects the activities needed for future actual IL-TRM values to be used in a given Program Year, the following IL-TRM schedule will be followed:

- July 1: IL-TRM Technical Advisory Committee (TAC) informs independent Evaluators and SAG which Measures are high or medium priority Measures, for which work papers need to be prepared.
- August 1: Proposed updates to existing Measure work papers to clarify terms or approaches to be submitted to the IL-TRM Administrator.
- October 1: Proposed work papers for new Measures to be submitted to the IL-TRM Administrator.
- March 1: Submission of final IL-TRM values.

7.2 Net-to-Gross Policy

Adoption of the NTG Policy will become effective for the first Program Year in the Energy Efficiency Plan whose implementation commences June 1, 2017 and annually thereafter. The NTG Policy described herein applies to Section 8-103, 8-104 and 16-111.5B Programs. Should DCEO choose to use a retrospective NTG approach in the Energy Efficiency Plan whose implementation commences June 1, 2017, Section 7.2 will not apply to it, and low income residential and Public Sector NTG estimates do not need to be developed.[31]

Evaluators' initial recommended deemed NTG Ratios for the upcoming Program Year and associated rationale shall be submitted to Program Administrators, Commission Staff and the SAG by February 1 of each year. Evaluators shall follow a consistent format that includes consistent information. In early February of each year, Evaluators will present their initial recommended deemed NTG Ratios for each Energy Efficiency Program, Sub-Program, and/or Measure group (where applicable) to SAG, intended to represent their best estimates of future actual NTG Ratio values likely to occur for the upcoming Program Year. The purpose of this meeting will be for the Evaluators to present their rationale for each NTG Ratio value and provide the SAG, in their advisory role, with an opportunity to question, challenge and suggest modifications to the Evaluators' initial recommended deemed NTG Ratios for the upcoming Program Year.

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[29] Program Administrators shall include requirements in contracts, for provisions in this Policy Manual that describe Evaluator obligations.

[30] See Policy Document for the Illinois Statewide Technical Reference Manual for Energy Efficiency. October 25, 2012. Retrieved from http://ilsagfiles.org/SAG_files/Technical_Reference_Manual/Policy%20Document%20for%20IL%20IL-TRM%2010-25-12.pdf.

[31] DCEO currently uses a retrospective NTG approach. See Final Order 13-0499 at 20: "The Commission approves DCEO's retrospective application of third-party evaluated results, because DCEO's retrospective approach accounts for real world variables and actual results." DCEO is considering moving to a prospective approach for the program cycle commencing June 1, 2017, but this decision will not be made prior to the finalization of the Policy Manual Version 1.0.

SAG participants, including Evaluators, shall make best efforts to reach consensus regarding NTG Ratios appropriate for deeming for the upcoming Program Year that are representative of the best estimates of future actual NTG Ratio values likely to occur for the upcoming Program Year. If the SAG reaches consensus regarding an appropriate NTG Ratio to deem prior to March 1, then SAG's consensus NTG Ratio shall be deemed for the upcoming Program Year, even if it is different from the Evaluators' initial recommended deemed NTG Ratio. If the SAG cannot reach consensus on an appropriate NTG Ratio value to deem for the upcoming Program Year prior to March 1, then the Evaluators' final recommended deemed NTG Ratio shall be deemed, which may be different from the Evaluators' initial recommended deemed NTG Ratio. In developing the Evaluators' final recommended deemed NTG Ratio, Evaluators shall review SAG feedback, take into account all comments and discussions, with the intent of making their best estimate of future actual NTG Ratio values for the upcoming Program Year. Evaluators shall report final deemed NTG values on or before March 1.

In the event a new Energy Efficiency pilot Program, Sub-Program, Measure group, and/or special project arises after March 1, Evaluators will supply recommended deemed NTG Ratios as soon as practical, which may be based on secondary research, when that research produces relevant results, and that are intended to represent the Evaluators' best estimates of actual NTG Ratio values likely to occur for the relevant Program Year. Otherwise a NTG Ratio of 0.80 will be deemed. Evaluators may seek feedback from SAG regarding an appropriate NTG Ratio to deem for the new Energy Efficiency pilot Program, Sub-Program, and/or Measure group. For special projects, Evaluators may determine a project-specific NTG Ratio upfront and deem the project-specific NTG Ratio for the life of the project.

7.3 Free Ridership and Spillover

Free Ridership is to be assessed for each Program when calculating a new NTG Ratio. Spillover shall be included whenever possible and feasible in each NTG calculation. Whenever a NTG value is calculated for components of a Program, it will still include Free Ridership, and if feasible, Spillover. The Program component NTG Ratio will be applied, as necessary. Evaluators are not required to always include Spillover in NTG calculations due to the costs of Spillover research, but excluding Spillover might unfairly reduce Program calculated savings. Evaluators should consider Spillover, including logical reliance on deemed values and secondary research developed from evaluations of other Illinois Programs and other jurisdictions, to estimate Spillover in relation to the predicted impacts of such Measurements. Also, a sector or Portfolio-level Spillover analysis should be considered by each utility at least once every three years when it is feasible and considered viable by evaluation. All such Spillover research should be conducted while being mindful of costs and other evaluation needs.

Section 8: Total Resource Cost Test

8.1 Statutory Definitions

Section 8-103 and Section 16-111.5B TRC Test: "Total resource cost test" or "TRC test" means a standard that is met if, for an investment in energy efficiency or demand-response measures, the benefit-cost ratio is greater than one. The benefit-cost ratio is the ratio of the net present value of the total benefits of the program to the net present value of the total costs as calculated over the lifetime of the measures. A total resource cost test compares the sum of avoided electric utility costs, representing the benefits that accrue to the system and the participant in the delivery of those efficiency measures, as well as other quantifiable societal benefits, including avoided natural gas utility costs, to the sum of all incremental costs of end-use measures that are implemented due to the program (including both utility and participant contributions), plus costs to administer, deliver, and evaluate each demand-side program, to quantify the net savings obtained by substituting the demand-side program for supply resources. In calculating avoided costs of power and energy that an electric utility would otherwise have had to acquire, reasonable estimates shall be included of financial costs likely to be imposed by future regulations and legislation on emissions of greenhouse gases.[32]

Section 8-104 TRC Test: "Cost-effective" means that the measures satisfy the total resource cost test which, for purposes of this Section, means a standard that is met if, for an investment in energy efficiency, the benefit-cost ratio is greater than one. The benefit-cost ratio is the ratio of the net present value of the total benefits of the measures to the net present value of the total costs as calculated over the lifetime of the measures. The total resource cost test compares the sum of avoided natural gas utility costs, representing the benefits that accrue to the system and the participant in the delivery of those efficiency measures, as well as other quantifiable societal benefits, including avoided electric utility costs, to the sum of all incremental costs of end use measures (including both utility and participant contributions), plus costs to administer, deliver, and evaluate each demand-side measure, to quantify the net savings obtained by substituting demand-side measures for supply resources. In calculating avoided costs, reasonable estimates shall be included for financial costs likely to be imposed by future regulation of emissions of greenhouse gases. The low-income programs described in item (4) of subsection (f) of this Section shall not be required to meet the total resource cost test.[33]

8.2 Measuring Cost-Effectiveness

Section 8-103: In submitting proposed Energy Efficiency and Demand Response Plans and funding levels to meet the savings goals adopted by the Act, Program Administrators shall:

- Demonstrate that its overall Portfolio of Energy Efficiency and Demand Response Measures, not including Programs covered by item (4) of this subsection (f), are Cost-Effective using the Total Resource Cost Test and represent a diverse cross-

[32] Illinois Power Agency Act (20 ILCS 3855/1-10).
[33] Public Utilities Act (220 ILCS 5/8-104(b)).

section of opportunities for Customers of all rate classes to participate in the Programs.[34]

- The low-income measures described in subsection (f)(4) of this section shall not be required to meet the Total Resource Cost Test.[35]

Section 8-104: In submitting proposed Energy Efficiency Plans and funding levels to meet the savings goals adopted by this Act the utility shall: Demonstrate that its overall Portfolio of Energy Efficiency Measures, not including Programs covered by item (4) of this subsection (f), are Cost-Effective using the Total Resource Cost Test and represent a diverse cross section of opportunities for Customers of all rate classes to participate in the Programs.[36]

Section 16-111.5B: Each Illinois utility procuring power, pursuant to this Act, shall annually provide to the IPA, by July 15 of each year, or such other date as may be required by the Commission or agency, an assessment of Cost-Effective Energy Efficiency Programs or Measures, that could be included in the procurement plan, as described in Section 16-111.5B(a)(3). The Illinois Power Agency shall include in the procurement plan prepared pursuant to paragraph (2) of subsection (d) of Section 16-111.5 of this Act Energy Efficiency Programs and Measures it determines are Cost-Effective and the associated annual energy savings goal included in the annual solicitation process and assessment submitted pursuant to paragraph (3) of this subsection (a).[37] Pursuant to paragraph (4) of subsection (d) of Section 16-111.5 of this Act, the Commission shall also approve the Energy Efficiency Programs and Measures included in the procurement plan, including the annual energy savings goal, if the Commission determines they fully capture the potential for all achievable Cost-Effective savings, to the extent practicable, and otherwise satisfy the requirements of Section 8-103 of the Act.[38]

8.3 Calculating TRC

Measure-level, Program-level, and a Portfolio-level TRC shall be calculated prospectively and included in the Section 8-103 and Section 8-104 Plan filings. Program Administrators may calculate a single TRC for joint Programs proposed in the Section 8-103 and Section 8-104 Plan filings. Program Administrators offering integrated gas and electric Energy Efficiency Programs per Section 8-104(f)(6) may calculate a single Portfolio-level TRC. Program-level TRC shall be calculated prospectively and included in the Section 16-111.5B submittals. For Section 8-103 Programs, a retrospective Portfolio-level TRC shall be calculated annually[39] and at the end of the Plan using evaluation research findings and the best available information. For Section 8-104 Programs, a retrospective Portfolio-level TRC shall be calculated at the end of the Plan[40] using evaluation research findings and the best available information. However, Program Administrators shall consider performing retrospective and/or prospective TRC calculations on an annual basis in order to inform the planning and implementation of

[34] Public Utilities Act (220 ILCS 5/8-103(f) and (f)(5)).
[35] Public Utilities Act (220 ILCS 5/8-103(a)).
[36] Public Utilities Act (220 ILCS 5/8-104(f) and (f)(5)).
[37] Public Utilities Act (220 ILCS 5/16-111.5B(a)(4)).
[38] Public Utilities Act (220 ILCS 5/16-111.5B(a)(5)).
[39] Public Utilities Act (220 ILCS 5/8-103(f)(7)).
[40] Public Utilities Act (220 ILCS 5/8-104(f)(8)).

efficiency Programs going forward, or as otherwise directed and/or approved by the Commission.

On the cost-side of the equation, when performing a Measure-level TRC, only the Incremental Costs of the Measure should be included.

When performing a Program-level TRC for Sections 8-103 and 8-104, the sum of the Incremental Costs of the Measures in the Program, as well as any Non-Incentive Costs that can be attributed to the Program, should be included. The Net-to-Gross Ratio is applied to the Incremental Costs in the TRC analysis.

When performing a Portfolio-level TRC, the sum of the Incremental Costs of the Measures in the Programs, Non-Incentive Costs that can be attributed to the Programs, as well as the Portfolio-level Costs should be included.[41] The NTG Ratio is applied to the Incremental Costs in the TRC analysis. In other words, when performing a Portfolio-level TRC, the costs include: the sum of all the costs included in the Program-level TRC analyses plus the Portfolio-level Costs, which consist of Non-Incentive Costs that relate to the energy efficiency portfolio that have not already been accounted for in the Program-level TRC analyses. Portfolio-level Costs are defined in Section 5.2 of the Policy Manual, Portfolio Cost Categories. Efforts should be made to ensure that no double counting of costs nor exclusion of any costs occurs when performing the TRC test analysis. TRC analysis results should be accompanied by language that demonstrates compliance with the TRC cost definitions by Program.

8.4 TRC Costs

The following definitions should be adhered to for purposes of classifying costs when performing the TRC test analysis[42]:

i. **Incremental Costs** means the difference between the cost of the efficient Measure and the cost of the most relevant baseline measure that would have been installed (if any) in the absence of the efficiency Program. Installation costs (material and labor) and Operations and Maintenance (O&M) costs shall be included if there is a difference between the efficient Measure and the baseline measure. In cases where the efficient Measure has a significantly shorter or longer life than the relevant baseline measure (e.g., LEDs versus halogens), the avoided baseline replacement measure costs should be accounted for in the TRC analysis. The Customer's value of service lost, the Customer's value of their lost amenity, and the Customer's transaction costs shall be included in the TRC analysis where a reasonable estimate or proxy of such costs can be easily obtained (e.g., Program Administrator payment to a Customer to reduce load during a demand response event, Program Administrator payment to a Customer as an inducement to give up duplicative functioning equipment). This Incremental Cost input in the TRC analysis is <u>not</u> reduced by the amount of any Incentives (any Financial Incentives Paid to Customers or Incentives Paid to Third Parties by a Program Administrator that is intended to reduce the price of the efficient Measure to the Customer). Incremental Cost calculations will vary depending on the type of efficient Measure being implemented as set forth in the IL-TRM.

[41] Portfolio-level cost categories can be found in Section 5.2 of the Policy Manual, Portfolio Cost Categories.
[42] Portfolio-level cost categories can be found in Section 5.2 of the Policy Manual, Portfolio Cost Categories.

ii. **Incentives**[43] = Financial Incentives Paid to Customers + Incentives Paid to Third Parties.

a. **Financial Incentives Paid to Customers** means payment[44] made by a Program Administrator directly to an end-use Customer to encourage the Customer to participate in an efficiency Program and offset some or all of the Customer's costs to purchase and install a qualifying efficient Measure, ultimately resulting in a reduction in the net price paid by the Customer for the efficient Measure. This rebate type of Incentive is often referred to as a downstream incentive which has the result that the net price to the Customer of an Energy Efficiency Program-sponsored Measure is reduced by the amount of the Incentive.

b. **Incentives Paid to Third Parties** means payment made by a Program Administrator to a third party that is principally intended to reduce the net price to the Customer of purchasing and installing a qualifying efficient Measure. Incentives Paid to Third Parties include payments made by a Program Administrator to Trade Allies, manufacturers, wholesalers, distributors, contractors, builders, retailers, implementation contractors, or other non-Customer stakeholders that are principally intended to defray the Incremental Cost to the Customer of purchasing and installing an efficient Measure. Incentives Paid to Third Parties also includes payment made by a Program Administrator to an implementation contractor to cover the full cost of direct installation Measures (materials and labor), for the portion not covered by the Customer. Incentives Paid to Third Parties also include payment made by a Program Administrator to a third party to cover the full cost of study-based services (e.g., facility energy audits, energy surveys, energy assessments, retro-commissioning) that are truly necessary for a Customer to implement efficient Measures, as opposed to being principally intended to be a form of marketing, for the portion not covered by the Customer. Incentives Paid to Third Parties also includes payment made by a Program Administrator to an implementation contractor to cover the cost of pickup and recycling of duplicative functioning equipment before its expected life is over (e.g., appliance recycling Programs), for the portion not covered by the Customer.

iii. **Non-Incentive Costs** means Program Administrator costs (related to energy efficiency) that are not otherwise classified as Financial Incentives Paid to

[43] The Illinois TRC test requires that "all incremental costs of end use measures (including both utility and participant contributions)" should be reflected as costs in the TRC test calculation. As long as we ensure that "all incremental costs of end-use measures" is included in the TRC test calculation, there is no need to add Program Administrator Contribution costs (i.e., Incentives) and Participant Contribution costs as separate components to the TRC test. However, Program Administrator Contribution costs (i.e., Incentives) are needed for purposes of calculating the Program Administrator Cost Test/Utility Cost Test (PACT/UCT) since those are a component of the Program Administrator expenses. Most TRC modeling software requires users to input the Incentives as a separate input in addition to providing all Incremental Costs such that the PACT/UCT can be calculated; for this reason, the separate Incentives input in the TRC model is not "used" when calculating the TRC test because these costs are already reflected in the Incremental Cost input, and if the model were to use both the Incentives input and the Incremental Cost input, it would result in double counting of costs in the TRC analysis.

[44] Payments include non-Measure items of value that would be treated as transfer payments, e.g. gift cards.

Customers or Incentives Paid to Third Parties (i.e., Program Administrator cost that is not classified as the Program Administrator Contribution to Incremental Costs). Non-Incentive Costs = Program Administrator Costs – Incentives, where Incentives = Financial Incentives Paid to Customers + Incentives Paid to Third Parties, as those terms are defined herein.

Exception: If the amount of Incentives exceeds the amount of Incremental Costs, the Program Administrator may choose to reclassify the amount of Incentives in excess of Incremental Costs as Non-Incentive Costs when performing the TRC analysis. If Incentives>Incremental Costs, then Incentives – Incremental Costs = Excess Incentives, and these Excess Incentives would be reclassified as Non-Incentive Costs, and Incentives effectively would be set equal to the Incremental Cost amount in the TRC analysis. In this exceptional case, Non-Incentive Costs = Program Administrator Costs – Incentives + Excess Incentives, and for cost-effectiveness modeling purposes, set Incentives = Financial Incentives Paid to Customers + Incentives Paid to Third Parties – Excess Incentives = Incremental Costs.

Examples of Non-Incentive Costs include:

a. Costs for overhead and labor and materials required to design, develop, deliver, distribute, implement, process, administer, solicit, contract, manage, verify, evaluate, research, and/or perform functions related to the following: energy efficiency rebate processing, field verification, site inspections, quality assurance and quality control activities, direct implementation literature, applications and forms, energy efficiency marketing campaigns, media promotions, media production, bill inserts, brochures, door hangers, print advertisements, radio spots, television spots, website, business outreach, customer outreach, community outreach, customer relations, education materials, non-Customer specific education and training, Trade Ally training, energy efficiency curriculum development, demand response system operation and communication, information technology, and tracking system databases.
b. Program Administrator payment to a third party whose principal purpose is not to reduce the cost of the efficient Measure to the Customer. An example would be a bonus paid to a contractor (SPIFF) for each efficient Measure the contractor sells before the end of the Program Year. This additional bonus payment (SPIFF) to a contractor, to the extent it is not transferred to the Customer in lower prices, does represent a real cost and not a transfer. The purpose of the additional bonus payment (SPIFF) is to increase efficient Measure sales by, among other things, encouraging the contractor to spend additional time promoting the efficient Measure, carry more inventory, train employees, etc. These types of promotions do have real costs. Thus, the amount of the additional bonus payment (SPIFF) is treated as a Non-Incentive Cost because it serves as a reasonable proxy for the cost of additional contractor time and effort spent promoting the efficient Measure.
c. Program Administrator payment to a third party to cover the cost of services that are principally intended to be a form of marketing, as opposed to being truly necessary for any Customer implementation of efficient Measures, should be classified as Non-Incentive Costs.

Section 9: Uniform Methods Project and Evaluation Consistency

9.1 Uniform Methods Project

The Uniform Methods Project (UMP)[45] can be used as reference or guidance in developing or applying EM&V policy in Illinois, as described further below.

The UMP provides general guidance for Illinois Energy Efficiency EM&V approaches and policy. UMP chapters (originally published by National Renewable Energy Laboratory (NREL) in April 2013) provide standard methods for evaluating gross energy savings for the most common residential and commercial Measures. The UMP was developed by NREL and offers general approaches that can be applied in Illinois. The UMP:

- Is not intended to alter or replace the IL-TRM, IL-TRM Policy Document, this Policy Manual, or other Commission-approved evaluation procedures, to the extent the UMP provisions differ from those documents;
- Offers guidelines that help strengthen the credibility of Energy Efficiency Program savings calculations and has been reviewed by experts from across the country;
- Provides clear and accessible protocols to aide in determining savings for the most common Energy Efficiency Measures;
- Supports consistency and transparency in how savings are calculated;
- Optimizes the development and management of EM&V for Energy Efficiency Programs offered by public utility commissions, utilities, and Program Administrators;
- Allows for comparison of savings across similar Energy Efficiency Programs and Measures in different jurisdictions; and
- Potentially increases the acceptance of reported energy savings.

[45] See Uniform Methods Project for Determining Energy Efficiency Program Savings, Office of Energy Efficiency & Renewable Energy. Retrieved from http://energy.gov/eere/about-us/ump-home.

Section 10: Evaluation Measurement & Verification Work Plans and Reports[46]

10.1 EM&V Work Plans

Program Administrators shall require Evaluators to submit draft EM&V work plans annually by June 1 so that annual and total Plan EM&V work plans can be assessed. Draft EM&V work plans shall be submitted to Program Administrators, the SAG Facilitator, and Commission Staff concurrently for review and comment, including a summary outline of tentatively planned and proposed evaluation activities for the three-year Portfolio Plan. Program Administrators shall require Evaluators to coordinate evaluation plans, methodologies, statistical analysis, and approaches to avoid unnecessary duplication of effort, to the extent practicable.

The SAG Facilitator will post draft EM&V work plans to the SAG website for review and comment and circulate notice to SAG. Comments on draft EM&V work plans shall be submitted to Program Administrators, Commission Staff and Evaluators within fifteen (15) Business Days, or a timeline mutually agreed to by the parties. Evaluators will review feedback and provide final EM&V work plans to Program Administrators, the SAG Facilitator, and Commission Staff within fifteen (15) Business Days, or a timeline and process mutually agreed to by the parties. Evaluators will aim to finalize EM&V work plans by July 15 annually, for the Program Year that closes on May 31. The SAG Facilitator will post final EM&V work plans on the SAG website.

Evaluators shall consider evaluation priorities in drafting EM&V work plans. As necessary or as may be required, EM&V work plans may include identifying Measures, Programs, and markets that will be evaluated, including proposed evaluation methodologies, timelines and Plans for process evaluations, impact evaluations, and Net-to-Gross (NTG) and Technical Reference Manual (IL-TRM) research that is consistent with the annual NTG and IL-TRM processes described in Section 7, Evaluation Policies, of this Policy Manual and approved in Commission orders. Evaluators should define Participant as it applies to the specific evaluation. Certain evaluation items listed above may not apply for all Programs.

10.2 Draft EM&V Reports

In order to ensure EM&V reports are completed in a timely manner, Program Administrators shall provide necessary Program material and final Program tracking data for use in the evaluation to the Evaluators by September 1, utilizing best efforts.

In order to ensure delivery of timely EM&V reports, draft EM&V reports for the Program Year ending May 31st shall be presented to Program Administrators, Commission Staff and all requesting SAG participants simultaneously as soon as practicable, on or before January 15 for residential and commercial and industrial Programs, utilizing best efforts. Final EM&V reports will be provided on or before March 31, utilizing best efforts. If draft EM&V reports are not provided by January 15, Evaluators will provide a preliminary evaluation findings memo, including savings and NTG, on or before January 15. Comments on the draft EM&V reports shall be submitted to the Program Administrators,

[46] Program Administrators shall include requirements in contracts, for provisions in this Policy Manual that describe Evaluator obligations.

Commission Staff and Evaluators within fifteen (15) Business Days of receipt of the draft EM&V reports, or within a timeline mutually agreed to by the parties.

EM&V reports shall provide consistent information, including:

- An initial executive summary detailing key findings, including both gross and net savings;
- Substantive discussion of evaluation findings, a description of methodologies, and high-level analysis; and
- Complete research, including survey instruments and results, as detailed in an appendix.