

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
North Shore Gas Company and	:	
The Peoples Gas Light and Coke Company	:	15-0298
	:	
Investigation into compliance with the	:	
efficiency standard requirement of Section	:	
8-104 of the Public Utilities Act.	:	

ORDER

By the Commission:

**I. PROCEDURAL HISTORY**

The Illinois Commerce Commission (“Commission”) initiated this proceeding, on April 22, 2015, to review and make findings concerning the amount of energy savings achieved in the North Shore Gas Company (“North Shore Gas”) service territory and The Peoples Gas Light and Coke Company (“Peoples Gas”) service territory and to determine whether the gas savings goals set forth in Section 8-104(c) of the Illinois Public Utilities Act (“Act”) have been achieved for the period, June 1, 2011 through May 31, 2014, known as Gas Program Years (“GPY”) 1 through 3. The Commission previously approved North Shore Gas’ and Peoples Gas’ (collectively “NS/PG”) Energy Efficiency Plan for GYP 1-3 (“Plan 1”) in Docket No. 10-0564.

The Illinois Department of Commerce and Economic Opportunity (the “Department” or “DCEO”) entered an appearance in this docket. Staff of the Commission (“Staff”) also participated in this docket. NS/PG filed their direct testimony and the independent third-party evaluator’s reports on the Plan 1 GPY 1-3 energy efficiency portfolio on March 11, 2016. NS/PG Exs. 1.0, 1.1, 1.2, and 1.3. An additional exhibit was filed by NS/PG on May 20, 2016. NS/PG Ex. 1.4. DCEO filed its direct testimony and independent third-party evaluator’s reports on its energy efficiency programs on March 11, 2016. DCEO Exs. 1.0, 1.1, 1.2, and 1.3. On June 7, 2016, Staff filed direct testimony and related exhibits. Staff Exs. 1.0, 1.1, 1.2, 1.3 and 1.4.

On June 14, 2016 an evidentiary hearing was held at the offices of the Commission in Chicago, Illinois before a duly authorized Administrative Law Judge (“ALJ”). Affidavits of NS/PGL and Staff were filed on June 14, 2016 and June 17, 2016, respectively. NS/PG Ex. 1.5; Staff Ex. 2.0. The parties to the docket reached a consensus as to the achievement of the statutory savings goals and portfolio cost-effectiveness. A joint draft order was filed on e-docket on August 28, 2016.

## II. STATUTORY AUTHORITY

The energy savings that must be achieved by natural gas utilities through energy efficiency measures are prescribed in Section 8-104(c) of the Act. 220 ILCS 5/8-104(c). Section 8-104(c) of the Act states in relevant part:

Natural gas utilities shall implement cost-effective energy efficiency measures to meet at least the following natural gas savings requirements, which shall be based upon the total amount of gas delivered to retail customers, other than customers described in subsection (m) of this Section, during calendar year 2009 multiplied by the applicable percentage. Natural gas utilities may comply with this Section by meeting the annual incremental savings goal in the applicable year or by showing that total cumulative annual savings within a 3-year planning period associated with measures implemented after May 31, 2011 were equal to the sum of each annual incremental savings requirement from May 31, 2011 through the end of the applicable year:

- (1) 0.2% by May 31, 2012;
- (2) 0.4% by May 31, 2013, increasing total savings to .6%;
- (3) an additional 0.6% by May 31, 2014, increasing total savings to 1.2% . .

220 ILCS 5/8-104(c).

Both North Shore Gas and Peoples Gas demonstrate their compliance for Plan 1 with Section 8-104(c) by a showing that the total cumulative annual savings met the 3-year sum of each annual incremental savings requirement as required by the Act.

Additionally, Section 8-104(e) of the Act states:

The utility shall utilize 75% of the available funding associated with energy efficiency programs approved by the Commission, and may outsource various aspects of program development and implementation. The remaining 25% of available funding shall be used by the Department of Commerce and Economic Opportunity to implement energy efficiency measures that achieve no less than 20% of the requirements of subsection (c) of this Section.

220 ILCS 5/8-104(e).

## III. NORTH SHORE GAS ENERGY EFFICIENCY PORTFOLIO RESULTS

### A. North Shore Position

As explained by NS/PG witness Michael Marks (NS/PG Exhibit 1.0) and supported by the Independent Third-Party Evaluator (“Navigant”) (NS/PG Exhibit 1.3), North Shore Gas’ savings goal, for Plan 1 was 3,464,409 net therms.

For North Shore Gas' energy efficiency portfolio for Plan 1, North Shore Gas implemented 8 different energy efficiency programs serving residential, commercial and industrial customers. The programs included: residential prescriptive rebates, home energy reports, multi-family building programs, residential direct install programs, commercial and industrial prescriptive rebates, commercial and industrial custom rebates, and commercial and industrial small business programs and commercial and industrial retro-commission programs. North Shore Gas and Commonwealth Edison Company ("ComEd") jointly delivered the multi-family building programs, residential direct install programs, and commercial and industrial retro-commission programs.

#### **B. Navigant Position**

Navigant determined that North Shore Gas' achieved net energy savings was 3,889,036 therms. NS/PG Ex. 1.3. Therefore, North Shore Gas cost-effectively exceeded the statutory goal under 8-104(c) of the Act by 12%. Navigant also determined that the delivered portfolio for Plan 1 was cost-effective with an overall Total Resource Cost ("TRC") ratio of 1.45.

#### **C. Staff Position**

Staff witness Jennifer Morris determined that North Shore Gas' GPY 1-3 savings goal was 3,330,215 net therms. Staff Exs. 1.0 and 1.1. Based on Staff's analysis, Staff determined that North Shore Gas achieved a net energy savings of 3,895,802 therms. Staff Exs. 1.0 and 1.1. Staff concluded that North Shore Gas exceeded its savings requirements under Section 8-104(c) of the Act.

#### **D. Commission Analysis and Conclusion**

While the specific amounts of goals and savings calculated by NS/PG, Navigant and Staff vary slightly, NS/PG does not contest Staff's estimates for purposes of the Order and Staff does not contest the reasonableness of the independent evaluator's analysis. Staff and NS/PG agree that North Shore Gas cost-effectively met its statutory savings goal under 8-104(c) of the Act.

The Commission agrees with NS/PG and Staff that North Shore Gas cost-effectively achieved the savings goal under 8-104(c) of the Act.

### **IV. PEOPLES GAS ENERGY EFFICIENCY PORTFOLIO RESULTS**

#### **A. Peoples Gas Position**

As explained by NS/PG witness Michael Marks (NS/PG Exhibit 1.0) and supported by Navigant (NS/PG Exhibit 1.2), Peoples Gas' savings goal for Plan 1 was 17,356,822 net therms.

For Peoples Gas' energy efficiency portfolio for Plan 1, Peoples Gas implemented 8 different energy efficiency programs serving residential, commercial and industrial customers. The programs included: residential prescriptive rebates, home energy reports, multi-family building programs, residential direct install programs, commercial and industrial prescriptive rebates, commercial and industrial custom rebates, and commercial and industrial small business programs and commercial and industrial retro-commission programs. Peoples Gas and ComEd jointly delivered the multi-family

building programs, residential direct install programs, and commercial and industrial retro-commission programs.

### **B. Navigant Position**

Navigant determined that Peoples Gas' achieved net energy savings was 21,553,308 therms. NS/PG Ex. 1.3. Therefore, Peoples Gas cost-effectively exceeded the statutory goal under 8-104(c) of the Act by 24%. Navigant also determined that the delivered portfolio for Plan 1 was cost-effective with a TRC test ratio of 1.67.

### **C. Staff Position**

Staff witness Jennifer Morris determined that Peoples Gas' GPY 1-3 savings goal was 16,840,268 net therms. Staff Exs. 1.0 and 1.2. Based on Staff's analysis, Staff determined that Peoples Gas achieved a net energy savings of 21,586,878 therms. Staff Exs. 1.0 and 1.2. Staff concluded that Peoples Gas exceeded its savings requirements under 8-104(c) of the Act.

### **D. Commission Analysis and Conclusion**

While the specific amounts of goals and savings calculated by NS/PG, Navigant and Staff vary slightly, NS/PG does not contest Staff's estimates for purposes of the Order and Staff does not contest the reasonableness of the independent evaluator's analysis. Staff and NS/PG agree that Peoples Gas cost-effectively met its statutory savings goal under 8-104(c) of the Act.

The Commission agrees with NS/PG and Staff that Peoples Gas cost-effectively achieved the savings goal under 8-104(c) of the Act.

## **V. DCEO ENERGY EFFICIENCY PORTFOLIO RESULTS FOR THE NORTH SHORE GAS AND PEOPLES GAS SERVICE TERRITORIES.**

### **A. North Shore Gas service territory**

#### **1. DCEO Position**

As explained by DCEO witness Marion Lunn, DCEO's savings goal for GPY1-3 for the North Shore Gas service territory was 835,177 net therms. DCEO Ex. 1.0. Upon review of the footnote in Staff Ex. 1.1, Table 1, the goal was reduced to 832,554 therms based on minor revisions DCEO made to the list of customers qualifying for exclusion subsequent to the utilities' September 30, 2010 initial Plan filing. In the North Shore Gas service territory, DCEO previously reported achieving a net savings of 685,691 therms, however, upon final evaluation, savings achieved were modified to 676,653 therms. DCEO Ex. 1.0. DCEO determined that it did not meet the statutory savings goal under 8-104(e) of the Act. Notwithstanding, DCEO indicates that its portfolio of energy efficiency programs was cost-effective.

DCEO identified several challenges associated with providing energy efficiency programs in the North Shore Gas service territory including difficult fiscal situations of schools and local governmental entities, the effect of the American Recovery and Reinvestment Act and the generally difficult nature of serving low income customers and lack of trade ally infrastructure to serve those low income customers. DCEO Ex. 1.0.

DCEO stated that it made many modifications to its GPY 1-3 plan to address its challenges in the North Shore Gas service territory. DCEO Ex. 1.2.

## **2. Staff Position**

Staff witness Jennifer Morris determined that DCEO's GPY 1-3 savings goal for the North Shore Gas service territory was 832,554 net therms. Staff Exs. 1.0 and 1.1. Based on Staff's analysis, Staff determined that DCEO failed to achieve its goal in the North Shore Gas service territory, achieving a net energy savings of 676,653 therms. Staff Exs. 1.0 and 1.1. Staff concluded that DCEO's programs were cost-effective with a TRC ratio greater than 1.0. Staff concluded that DCEO's proposed modifications outlined in DCEO Exhibit 1.2 to improve its program effectiveness were reasonable.

## **3. Commission Analysis and Conclusion**

The Commission agrees with Staff and DCEO that DCEO failed to achieve DCEO's savings goals in the North Shore Gas service territory. The Commission further agrees that the DCEO's program modifications for the North Shore Gas service territory are reasonable.

### **B. Peoples Gas service territory**

#### **1. DCEO Position**

As explained by DCEO witness Marion Lunn, DCEO's savings goal for GPY 1-3 for the Peoples Gas service territory was 4,208,804 net therms. DCEO Ex. 1.0. Upon review of the footnote in Staff Ex. 1.2, Table 1, the goal was increased to 4,210,068 therms based on minor revisions DCEO made to the list of customers qualifying for exclusion subsequent to the utilities' September 30, 2010 initial Plan filing. In the Peoples Gas service territory, DCEO previously reported achieving a net savings of 6,390,979 therms, however, upon final evaluation, savings achieved were modified to 6,405,466 therms. DCEO Ex. 1.0. DCEO determined that it met its statutory savings goal under 8-104(e) of the Act. DCEO indicates that its portfolio of energy efficiency programs were cost-effective.

#### **2. Staff Position**

Staff witness Jennifer Morris determined that DCEO's GPY 1-3 savings goal for the Peoples Gas service territory was 4,210,068 net therms. Staff Exs. 1.0 and 1.2. Based on Staff's analysis, Staff determined that DCEO achieved its goal in the Peoples Gas service territory, achieving a net energy savings of 6,405,466 therms. Staff Exs. 1.0 and 1.2. Staff concluded that DCEO's programs were cost-effective with a TRC ratio greater than 1.0.

#### **3. Commission Analysis and Conclusion**

The Commission agrees with Staff and DCEO that DCEO cost-effectively achieved DCEO's savings goals in the Peoples Gas service territory.

## **VI. FINDINGS AND ORDERING PARAGRAPHS**

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) North Shore Gas Company is a corporation engaged in the distribution of natural gas in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) The Peoples Gas Light and Coke Company is a corporation engaged in the distribution of natural gas in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (3) the Commission has jurisdiction over North Shore Gas Company and The Peoples Gas Light and Coke Company and has jurisdiction over of the subject matter of this proceeding;
- (4) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence and the record and are hereby adopted as findings of fact;
- (5) North Shore Gas Company cost effectively exceeded its statutory energy savings goal for its Plan 1 program as required by Section 8-104(c) of the Act as modified by subsections (d) and (e), and therefore no penalties will be assessed;
- (6) The Peoples Gas Light and Coke Company cost effectively exceeded its statutory energy savings goal for its Plan 1 program as required by Section 8-104(c) of the Act as modified by subsections (d) and (e), and therefore no penalties will be assessed;
- (7) the Department of Commerce and Economic Opportunity is mandated by Section 8-104(e) of the Act to implement a portion of the energy efficiency measures approved by the Commission and achieve 20% of the statutory energy saving goals;
- (8) the Department of Commerce and Economic Opportunity did not meet its energy savings goal for the North Shore Gas Company's service territory for GPY 1-3;
- (9) the Department of Commerce and Economic Opportunity's proposed modifications to its plan are reasonable and are approved pursuant to Section 8-104(e) of the Public Utilities Act; and
- (10) the Department of Commerce and Economic Opportunity met its energy savings goal for The Peoples Gas Light and Coke Company's service territory for GPY 1-3.

IT IS THEREFORE ORDERED that North Shore Gas Company is found to have met its statutory gas savings goals for Plan 1 GPY 1-3 as set forth in Section 8-104(c) of the Public Utilities Act, as modified by subsections (d) and (e), and therefore no penalties will be assessed.

IT IS FURTHER ORDERED that The Peoples Gas Light and Coke Company is found to have met its statutory gas savings goals for Plan 1 GPY 1-3 as set forth in Section 8-104(c) of the Public Utilities Act, as modified by subsections (d) and (e), and therefore no penalties will be assessed.

IT IS FURTHER ORDERED that the Illinois Department of Commerce and Economic Opportunity did not meet its energy savings goal for the North Shore Gas Company's service territory.

IT IS FURTHER ORDERED that the Illinois Department of Commerce and Economic Opportunity's proposed modifications to its Plan are reasonable and are approved pursuant to Section 8-104(e) of the Public Utilities Act.

IT IS FURTHER ORDERED that the Illinois Department of Commerce and Economic Opportunity met its energy savings goal for The Peoples Gas Light and Coke Company's service territory.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 22<sup>nd</sup> day of September, 2016.

(SIGNED) BRIEN SHEAHAN

Chairman