

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois Power Agency)	
)	
)	ICC Docket No. 16-0453
Petition for Approval of the 2017 IPA)	
Procurement Plan Pursuant to 220 ILCS 5/16-)	
111.5(d)(4))	
)	

OBJECTION OF THE NATURAL RESOURCES DEFENSE COUNCIL

Now comes the Natural Resources Defense Council (NRDC) and, pursuant to Section 16-111.5 of the Public Utilities Act, (220 ILCS 5/16-111.5), submits an objection concerning the Energy Efficiency portion of the Illinois Power Agency (IPA) 2017 Electricity Procurement Plan (Plan), set forth at Chapter 9 of the Plan.

Objection: the secondary test employed to ensure that cross-subsidization between electric and gas ratepayers does not occur should be the Utility Cost Test (UCT), not the electric only TRC.

The Plan references the electric only TRC in the context of its discussion of Ameren’s proposal to reject two programs that were forecast to provide significant gas savings as well as electric savings (section 9.5.4). The IPA expresses concern that this proposed rejection is inconsistent with the statute, which (1) requires the IPA to procure all cost-effective efficiency; (2) states that cost-effectiveness is to be determined through the application of the TRC test; and (3) defines the TRC test as including the value of gas avoided costs. The IPA acknowledges that sole reliance on the TRC as defined by statute could potentially lead to adoption of programs in which electric ratepayers were effectively subsidizing gas ratepayers (*i.e.* if the program costs borne by electric ratepayers were not more than offset by just electric benefits). However, it observes (in sections 9.5.4.2 and 9.5.4.3) that both of the programs at issue in this case also pass

a secondary electric only TRC.¹ That is, they both pass the TRC when only electric benefits are included in the TRC test, such that cross-subsidization is not an issue.

NRDC's concern is not with this outcome, but rather with the use of the electric only TRC test as the secondary test. NRDC concurs with the IPA that the statutory requirement is to include programs that pass the statutory definition of the TRC cost-effectiveness test, and the resulting conclusion that energy savings from both programs should be procured. However, to the extent that a secondary test is required to ensure that cross-subsidization does not occur, the secondary test should be the Utility Cost Test (UCT), not the electric only TRC. The issue is that an electric only TRC compares *all* costs – including both the program costs and the portion of measure costs that are borne by program participants² – to electric benefits alone. Such a test does not make sense as a means of assessing whether cross-subsidization of gas customers by electric customers is a concern. The program participants' portions of the measure costs have no relevance to such an assessment; and the test is especially skewed if other non-electric benefits (*e.g.*, gas savings) that accrue to those participants are not considered. The UCT is a more rational test because it compares only what electric ratepayers would spend to all of the benefits they would receive.

In general, the benefit cost ratios under the UCT will be greater than under an “electric only TRC.” In this case, though, the use of the UCT rather than the TRC should not change conclusions about the two programs at issue because both pass the electric only TRC. However,

¹ The Behavior program passes the electric only TRC when the core program of 250,000 multi-fuel household participants is expanded to include all-electric households.

² Consider, for example, an efficiency measure that costs \$100 and for which a program is providing a \$40 rebate. In this case, the TRC cost is \$100 (i.e. the \$40 borne by the program plus the \$60 borne by program participants) and the UCT cost is \$40 (i.e. only the program cost).

NRDC believes it is important to raise this issue so that results from the proper tests are used and reported in future procurement plans.

Conclusion

NRDC respectfully request that the Commission adopt NRDC's Objection to the IPA Plan as set forth herein, and that the Commission issue an order in this docket making determinations and issuing directives, including revisions to the IPA Plan, in accordance with such Objection.

Dated: October 3, 2016

Respectfully submitted,

Natural Resources Defense Council



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STATE OF ILLINOIS)

COUNTY OF COOK)

Verification

I, Ann Alexander, being first duly sworn, depose and state that I am counsel for the Natural Resources Defense Council, and that I have read the foregoing Objection and know the contents thereof and the statements therein contained are true, to the best of my knowledge, information, and belief.



Ann Alexander
Natural Resources Defense Council

Subscribed and Sworn
to before me this 3rd day
of October, 2016





Notary Public