

# Post-Workshop Section 16-111.5B Energy Efficiency Questions

## AIC Responses

*Initial Comments responding to these Post-Workshop Section 16-111.5B EE Questions should be sent to Jennifer Hinman [jhinman@icc.illinois.gov](mailto:jhinman@icc.illinois.gov) and Thomas Kennedy [tkennedy@icc.illinois.gov](mailto:tkennedy@icc.illinois.gov) by May 8, 2013. Reply Comments responding to other parties' Initial Comments should be sent by May 20, 2013. The next Section 16-111.5B EE Workshop will document, review, and clarify areas where consensus has been reached based on parties' Initial and Reply Comments regarding the Post-Workshop Section 16-111.5B EE Questions. Initial and Reply Comments will be posted on the Commission's website.*

<http://www.icc.illinois.gov/Electricity/EnergyEfficiencyWorkshops161115B.aspx>

### Coordination of Energy Efficiency Programs

1. Is it feasible for the energy efficiency ("EE") programs and measures procured by the Illinois Power Agency ("IPA") pursuant to Section 16-111.5B<sup>1</sup> to include expansions of Section 8-103<sup>2</sup> EE programs and measures? If yes, please explain how, describe the benefits and costs of doing so, and explain whether expansions of Section 8-103 EE programs and measures should be included in IPA procurements of EE pursuant to Section 16-111.5B.
  - 1.1. Should the Section 16-111.5B EE programs be limited to new or different EE programs than those included in a utility's Section 8-103 EE portfolio? What are the benefits and costs of such an approach?

AIC:

It is feasible for IPA programs to include expansion of 8-103 programs only if those expanded programs can be managed with the same rules and construct as 8-103 programs (flexibility, merged budget, etc).

It is not feasible for IPA programs to include expansion of 8-103 programs for the first year of any Plan since the 8-103 programs for the submitted year has not been determined. For example this year we are submitting IPA programs for Y7 (2014) on July 15, 2013 which is the first year of the next Plan which will not be determined until February 2014.

2. Should expansion of existing Section 8-103 EE programs under Section 16-111.5B also include expansion of DCEO's Section 8-103 EE programs? If yes, please explain how and describe the benefits and costs of such an approach.

AIC:

While AIC has no opinion of if DCEO's programs or segments should be included in IPA programs, AIC is of the opinion that in the event DCEO programs or segments are included it is DCEO's responsibility to manage them to ensure continuity of how those programs and segments are served.

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<sup>1</sup> 220 ILCS 5/16-111.5B

<sup>2</sup> 220 ILCS 5/8-103

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3. Given the existing EE statutes, should the Commission treat Sections 8-103 (EEPS) and 16-111.5B (IPA) EE portfolios as *separate* portfolios (e.g., separate EE goals, separate budgets, separate sets of standards) or as a *combined* portfolio (e.g., single EE goal, single budget, single set of harmonized standards)? Please explain which approach (i.e., separate or combined EE portfolios) is preferred and provide rationale.

AIC:

It should be treated as a combined portfolio with a harmonized set of standards while preserving subsection (e) of Section 16-111.5 whereby utility is not subject to penalties for the achievement of the savings goals. The harmonized set of standards includes operating and being held accountable for (for reconciliation purposes) a portfolio level positive TRC as currently provided by the ICC. Since there are targets and penalties provisions in Section 8-103, achieved savings would be counted first towards the 8-103 target. This is the only way to also accommodate programs that are expanded and become both an 8-103 and IPA program. With this all "IPA program" savings are counted towards the 8-103 goals first.

- 3.1. How would the preferred approach (i.e., separate or combined EE portfolios) actually work in practice (in terms of EE evaluation, tracking, reporting, portfolio administration, goals, banking, flexibility, merged or separate budget, and other overlap with Section 8-103)? Please be very specific.

AIC:

The portfolio is fully merged whereby the utility has a unified savings goal and flexibility between all programs in terms of savings and budget. All related operational activities (evaluation, administration, etc) are fully merged.

- 3.2. Under what circumstances (if any) could you support the alternative approach (i.e., separate or combined EE portfolios), and how would the alternative approach actually work in practice (in terms of EE evaluation, tracking, reporting, portfolio administration, goals, banking, flexibility, merged or separate budget, and other overlap with Section 8-103)? Please be specific.

AIC:

Assuming the alternate approach is separate portfolios, this would only work if programs, budgets and savings are kept entirely separate from 8-103 portfolio programs. This results in no expansion of 8-103 programs. In order to optimize the administration, operations and achievement of the separate IPA savings, there would still need to be a harmonized set of rules by which the "IPA portfolio" of programs is managed which mirrors the rules for 8-103 programs (flexibility, etc) in order to alleviate confusion for implementers, administrators, program allies and customers.

### Procurement of Energy Efficiency Programs

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4. How should EE programs be procured by the IPA?

4.1. For example, should the IPA procurement allow for multi-year EE programs? Can the number of years that the utilities propose for IPA EE programs be flexible (1, 2, 3, 4 or 5 years)?

AIC:

IPA programs can only be proposed for more than one year if the net-to-gross and measure values are deemed for the programs for 3 years and the utility is provided flexibility to change the mix of savings and budget between programs. Otherwise the program savings can not realistically be achieved over a 3-year term due to changes in values and the market.

4.2. How should payments be structured?

AIC:

Assuming that “payments” is interpreted as how the costs of the programs are covered, this is already accounted for by allowing the utility to recover costs through the energy efficiency rider. However if “payments” are interpreted as payments to the implementation contractor for implementing the programs, payments should be structured in manner that the utility feels is most appropriate based on the program dynamics and resulting construct by which the commission determines the utility can administer the programs.

5. How should Section 16-111.5B EE programs be evaluated (*e.g.*, using IL-TRM in effect at time of submission, using IL-TRM in effect at time of implementation, deemed NTG) and what is appropriate forum for review (*e.g.*, docketed proceeding, SAG)?

AIC:

IPA programs should be evaluated using TRM in effect and NTGRs used for modeling at time of submission. No review for IPA programs is needed per Section 16-111.5(e).

5.1. Do EE programs and measures procured by the IPA pursuant to Section 16-111.5B *require* evaluation, measurement and verification?

AIC:

No, per Section 16-111.5(e). However if the IPA program is an expanded 8-103 program, the entire expanded program would need to be evaluated as per the 8-103 rules to determine the attainment of 8-103 targets.

5.2. If yes, please answer the following as well:

5.2.1. Should assessments of IPA EE programs be included as part of the work done assessing Section 8-103 EE programs and measures through the Technical Reference Manual

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(“TRM”)? Should the processes now completed for the evaluation of Section 8-103 EE programs, including the TRM and net-to-gross (“NTG”) ratio development, also be done for Section 16-111.5B EE programs?

AIC:

Only those IPA programs that are an expansion of 8-103 need to be evaluated. The expanded programs would be evaluated using the TRM in effect and NTGRs used for modeling at time of submission. No review is needed for discrete IPA programs (those that are not expanded programs) per Section 16-111.5(e).

5.2.2. Should the same NTG ratios and savings values, methodologies and assumptions be applied to both Section 8-103 EE programs and Section 16-111.5B EE programs?

AIC:

IPA programs, including those that are expansions of 8-103 programs, should be evaluated using the TRM in effect and NTGRs used for modeling at time of submission to determine savings towards 8-103 goal. No review for IPA programs needed per Section 16-111.5(e).

6. Is it reasonable to hold utilities (or third party vendors) accountable for annual EE savings goals (EE program-level or portfolio-level goals) established pursuant to Section 16-111.5B?

AIC:

No, per Section 16-111.5(e).

6.1. How should failure of any party to fulfill its Section 16-111.5B obligations be dealt with in the context of Section 16-111.5B EE goals, budgets, and affected supply requirements<sup>3</sup>?

AIC:

The utility is not subject to penalties per Section 16-111.5(e).

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<sup>3</sup> Please note that item (5) under subsection (a) of Section 16-111.5B states:

(5) 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 this Act.

In the event the Commission approves the procurement of additional energy efficiency, it shall reduce the amount of power to be procured under the procurement plan to reflect the additional energy efficiency and shall direct the utility to undertake the procurement of such energy efficiency, which shall not be subject to the requirements of subsection (e) of Section 16-111.5 of this Act. The utility shall consider input from the Agency and interested stakeholders on the procurement and administration process.

220 ILCS 5/16-111.5B(a)(5).

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- 6.2. What are the consequences, if any, should an ex-post evaluation of an EE program or measure procured by the IPA pursuant to Section 16-111.5B fail to show the expected savings?

AIC:

The utility is not subject to penalties per Section 16-111.5(e).

7. Can utilities and third party vendors adjust (EE program and portfolio) goals or budgets after the IPA order but prior to implementation reflecting changes in values and the market given the over one year time lag between RFP submission and implementation? If yes, please answer the following as well:

AIC:

This situation is not applicable if the IPA programs have deemed NTGRs and TRM measure values per the submission. It is also not applicable if the construct is accepted as described by AIC per question 3. Otherwise, without deemed values the program's goals need to be adjusted per changes in NTGRs and TRM values prior to implementation and an opportunity for changing savings goals and/or changing cost effectiveness needs to be provided. In addition, any mid-year or retrospective changes in these values also need to adjust the program goals for that year if applied retrospectively.

- 7.1. Under what circumstances can the utilities and third party vendors make such adjustments? Please be specific.

AIC:

This situation is not applicable if the IPA programs have deemed NTGRs and TRM measure values per the submission. It is also not applicable if the construct is accepted as described by AIC per question 3. Otherwise, without deemed values the program's goals need to be adjusted per changes in NTGRs and TRM values prior to implementation and an opportunity for changing savings goals and cost effectiveness needs to be provided. In addition, any mid-year or retrospective changes in these values also need to adjust the program goals for that year if applied retrospectively.

- 7.2. What guidelines or rules should govern how such adjustments are made? Please be specific.

AIC:

This situation is not applicable if the IPA programs have deemed NTGRs and TRM measure values per the submission. It is also not applicable if the construct is accepted as described by AIC per question 3. Otherwise, to provide for the acceptance of an adjustment to the savings goals or cost effectiveness, the ICC needs to issue an order that an informational filing of this adjustment is acceptable.

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- 7.3. What is the appropriate forum for review (e.g., docketed proceeding, SAG) and approval (e.g., docketed proceeding) of such adjustments, if any?

AIC:

This situation is not applicable if the IPA programs have deemed NTGRs and TRM measure values per the submission. It is also not applicable if the construct is accepted as described by AIC per question 3. Otherwise, to provide for the acceptance of an adjustment to the savings goals or cost effectiveness, the ICC needs to issue an order that an informational filing of this adjustment is acceptable.

- 7.4. Should previously approved EE programs that undergo goal or budget adjustments after approval be rescreened prior to implementation with revised cost-effectiveness estimates submitted to the IPA and the Commission? What should happen if the revised EE program goal (and budget) results in the EE program screening as cost-ineffective?

AIC:

This situation is not applicable if the IPA programs have deemed NTGRs and TRM measure values per the submission. It is also not applicable if the construct is accepted as described by AIC per question 3. Otherwise, in the event goals are adjusted, those IPA programs no longer screening as cost effective should not be implemented.

### Energy Efficiency Program Management

8. What type and amount of flexibility is allowed or appropriate for EE programs approved in an IPA procurement plan under Section 16-111.5B (for one year, and for multiple years, and flexibility between the Sections 16-111.5B and 8-103 EE portfolios)?

AIC:

If the utility treated the IPA and the 8-103 programs as a combined portfolio with a harmonized set of standards under the parameters described by AIC per question 3, then flexibility is provided as currently allowed for 8-103/4. Flexibility would be provided for multiple years and flexibility would be between the IPA and 8-103 programs and portfolios.

- 8.1. For example, can or should resources be transferred between and among Section 16-111.5B EE programs in order to maximize cost-effective savings?

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AIC:

Resources should be transferred between and among Sections 16-111.5B and 8-103 programs but not in order to maximize cost-effective savings.

- 8.2. Can or should resources be transferred between the Section 16-111.5B EE portfolio and the Section 8-103 EE portfolio in order to maximize cost-effective savings?

AIC:

Resources should be transferred between and among Sections 16-111.5B and 8-103 programs but not in order to maximize cost-effective savings.

### Cost-Effectiveness of Energy Efficiency Programs and Measures

9. What criteria of cost-effectiveness is appropriate for EE programs and measures procured by the IPA pursuant to Section 16-111.5B?

AIC:

The legislation already prescribes the TRC test as the criteria of cost-effectiveness. However this should only be used as a prospective screening activity, not a retrospective activity to determine prudence.

10. What is the meaning of 220 ILCS 5/16-111.5B(a)(3)(D)-(E) in terms of which statistics or cost-effectiveness tests should be used to comply with each of the two requirements? Please be specific.

(D) Analysis showing that the new or expanded cost-effective EE programs or measures would lead to a reduction in the overall cost of electric service.

AIC:

The "Ratepayer Impact Measure" ("RIM") test should be used. The RIM test examines the potential impact the energy efficiency program has on electric rates overall.<sup>4</sup> A RIM test result of greater than 1.0 indicates a reduction in the overall cost of electric service (the reduced revenue and program cost is greater than utility savings).

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<sup>4</sup> EPA's "Understanding Cost-Effectiveness of Energy Efficiency Programs", *A Resource of the National Action Plan For Energy Efficiency*, November 2008. <http://www.epa.gov/cleanenergy/documents/suca/cost-effectiveness.pdf>

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(E) Analysis of how the cost of procuring additional cost-effective EE measures compares over the life of the measures to the prevailing cost of comparable supply.

AIC:

The “Utility Cost Test” (“UCT”) should be used. The UCT determines if the cost of procuring the cost-effective energy efficiency measures over the life of the measures compares positively to the prevailing cost of comparable supply. The UCT allows utilities to evaluate costs and benefits of energy efficiency programs (and/or demand response and distributed generation) on a comparable basis with supply-side investments. A positive UCT indicates that energy efficiency programs are lower-cost approaches to meeting load growth than wholesale energy purchases and new generation resources (including delivery and system costs). A positive UCT (greater than 1) indicates that the total costs to save energy are less than the costs of the utility delivering the same power. A positive UCT also shows that customer average bills will eventually go down if efficiency is implemented.<sup>5</sup>

10.1. How should the additional information required of the utilities in the IPA’s procurement of EE programs and measures under Section 16-111.5B(a)(3)(D)-(E) be used? For example, should this additional information be used to exclude EE programs from IPA consideration?

AIC:

These subsections pertain to analyses asked about in question 10. The legislation does not provide for how these items should be used. Therefore these items are for informational purposes otherwise any further application should be proposed and determined in a docketed proceeding.

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<sup>5</sup> EPA’s “Understanding Cost-Effectiveness of Energy Efficiency Programs”, *A Resource of the National Action Plan For Energy Efficiency*, November 2008. <http://www.epa.gov/cleanenergy/documents/suca/cost-effectiveness.pdf>