SAG Non-Energy Impacts Working Group

IIEC's Comments on the April 30, 2020 Guidehouse Memorandum

Regarding the Inclusion of Monetized Non-Energy Impacts

In Utility Cost-Effectiveness Tests

May 26, 2020

As a matter of policy, the Illinois Industrial Energy Consumers ("IIEC") oppose the recommendations in the April 30, 2020 Guidehouse memo that would require utilities to include monetized non-energy impacts ("NEIs") in the Total Resource Cost ("TRC") test in Illinois. Our objection to these recommendations is based on the fact that NEIs are subjective and inherently difficult to quantify and to monetize. Moreover, the methods used to monetize NEIs require assumptions that are highly speculative and arbitrary.

As described in the Guidehouse memo, the societal NEI monetization calculations are based on modeling methods that rely on subjective assumptions regarding the health impacts of reduced emissions from fossil-fuel generation resources. Moreover, the monetization of participant NEIs as set forth by Guidehouse appears to be based on the results of customer surveys regarding the levels of customer "thermal stress" and other such parameters that are vague, difficult to quantify and even more difficult to monetize, rather than on any objective quantification methods. IIEC does not believe that such approaches yield reliable, objective, monetized values that are appropriate for use in the Illinois TRC test.

Our concerns are heightened by the fact that the inclusion of NEIs in the TRC test as recommended in the Guidehouse memo has the potential to significantly and artificially expand the scope of utility energy efficiency programs that would be determined to be cost-effective and hence recoverable from ratepayers through regulated rates. With the Illinois utilities now able to earn a return on energy efficiency spending, we are very concerned that there is now a strong incentive to use NEIs to unjustifiably expand investment in energy efficiency programs that would be considered to be cost-effective and recoverable from customers. It would be inappropriate to increase the investment in energy efficiency programs, the cost of which is recovered from Illinois ratepayers, based on the application of speculative and subjective NEI assumptions that have the effect of inflating the assumed economic benefits of such programs.

It should be noted that the monetization of NEIs in energy efficiency cost-benefit tests does not appear to be standard practice in the U.S. Indeed, the Guidehouse memo indicates at page three that only twelve states currently use monetized NEIs in their cost-effectiveness tests. Therefore, expanding the use of NEIs in Illinois as recommended in the Guidehouse memo would be contrary to the energy efficiency policies that prevail in the majority of the nation.

For the foregoing reasons, IIEC is opposed to the Guidehouse memo's recommendations with respect to monetizing NEIs and including such NEIs in the TRC test in Illinois.

We appreciate the opportunity to provide these comments.