Illinois Energy Efficiency Policy Manual Version 2.1

A Manual Guiding the Operation of Illinois Energy Efficiency Programs

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Acknowledgements

The Illinois Energy Efficiency Stakeholder Advisory Group (SAG) Facilitator wishes to thank the Policy Manual Subcommittee members for significant, regular and constructive participation in the Policy Manual Subcommittee discussions and drafting. Version 2.0 of the Policy Manual is truly the Subcommittee work product, and not the work of one or a handful of individuals. The Illinois Energy Efficiency Policy Manual would not exist without the efforts of the Subcommittee. The Policy Manual Subcommittee was open to all interested SAG participants. Participant backgrounds included Program Administrator leaders, regulatory experts, attorneys, consultants with experience in several jurisdictions with mature energy efficiency portfolios, and EM&V experts. The following companies, organizations, and state agencies participated in the Policy Manual Subcommittee on a regular basis:

Stakeholders

- Ameren Illinois
- ComEd
- Illinois Attorney General's Office
- Illinois Commerce Commission Staff (ICC Staff)
- National Consumer Law Center (NCLC)
- Natural Resources Defense Council (NRDC)
- Nicor Gas
- Peoples Gas & North Shore Gas

Consultants

- Apex Analytics, representing Nicor Gas
- Applied Energy Group, representing Ameren Illinois and Peoples Gas & North Shore Gas
- Energy Futures Group, representing Natural Resources Defense Council (NRDC)
- First Tracks Consulting, representing Nicor Gas
- International Energy Conservation Consultants
- Midwest Energy Efficiency Alliance (MEEA)
- Optimal Energy, representing Illinois Attorney General's Office and NCLC

Independent Consultants

- Guidehouse
- Opinion Dynamics
- Vermont Energy Investment Corp. (VEIC), IL-TRM Administrator

Version 1.0 of the Illinois Energy Efficiency Policy Manual was approved by the Illinois Commerce Commission (ICC) in Docket No. 15-0487. In light of Public Act 99-0906 (effective June 1, 2017), which changes provisions of the law that affect energy efficiency, the Subcommittee developed Version 1.1 in an effort to clean-up and make clearer certain provisions of this Manual while staying true to the approved Version 1.0. Version 1.1 was approved by the ICC in Docket No. 17-0270. Version 2.0 includes policy clarifications for certain provisions of Public Act 99-0906. Version 2.0 includes new policies agreed to by participating parties. Version 2.0 was approved by the ICC in Docket No. 19-0983. In light of Public Act 102-0662 (effective September 15, 2021), which changes provisions of the law that affect energy efficiency, the Subcommittee developed Version 2.1 to update certain provisions of this Manual in a manner consistent with the approved Version 2.0. A future Policy Manual update will include any additional policy changes or clarifications needed due to Public Act 102-0662.

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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[2]*** means energy-efficient technologies, Measures, projects, Programs, program designs, 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 and/or for which there is substantial uncertainty about their Cost-Effectiveness, performance, and/or Customer acceptance. Program Administrators shall consult with the SAG on the process for development and selection of Breakthrough Equipment and Devices plans prior to implementation, as well as the results of the planning process, as practicable, but are ultimately responsible for investment decisions consistent with its Program Administrator responsibilities. Stakeholders shall make best efforts to raise issues regarding the Program Administrator's proposals for Breakthrough Equipment and Devices during the Program Administrator's consultations with the SAG. Nothing in this provision shall constitute a waiver by stakeholders or ICC Staff of the right to challenge a Program Administrator's decision regarding Breakthrough Equipment and Devices in a Commission proceeding.
- ***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.[3]
- ***Commission or ICC*** means the Illinois Commerce Commission, which is created and established under the provisions of the Public Utilities Act.[4]
- ***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.[5]
- ***Eligible Customers*** means all Customers except electric Customers that have opted out pursuant to Section 8-103B(l) and gas Customers that are exempt pursuant to Section 8-104(m).[6]
- ***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

[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] The term Breakthrough Equipment and Devices is intended to encompass statutory references to both "breakthrough equipment and devices" in Section 8-104(g) of the Illinois Public Utilities Act and "research, development, or pilot deployment of new equipment or measures" in Section 8-103B(h) of the Illinois Public Utilities Act.
[3] Public Utilities Act (220 ILCS 5/8-103B(a); 220 ILCS 5/8-104(b)).
[4] Public Utilities Act (220 ILCS 5/3-102).
[5] Illinois Power Agency Act (20 ILCS 3855/1-10).
[6] Public Utilities Act (220 ILCS 5/8-104(m)).

Measures that reduce the total Btus of electricity, natural gas, and other fuels needed to meet the end use or uses.[7] Energy Efficiency includes voltage optimization Measures that optimize the voltage at points on the electric distribution voltage system and thereby reduce electricity consumption by electric customers' end use devices.[8]

- ***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.
- ***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[9] or households at or below eighty percent (80%) of the Area Median Income.[10]
- ***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.
- ***Inducements*** means financial payments or non-financial items provided to market actors (such as Program Implementation Contractors, Customers, Trade Allies, Program Allies, Energy Efficiency Service Providers, etc.) to encourage participation in the Program or to encourage involvement in market research, EM&V, or other Portfolio activities.
- ***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.
- ***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 8-103B 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.[11]
- ***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

[7] Illinois Power Agency Act (20 ILCS 3855/1-10); Public Utilities Act (220 ILCS 5/8-104(b)).
[8] Illinois Power Agency Act (20 ILCS 3855/1-10).
[9] Public Utilities Act (220 ILCS 5/8-104(f)(4)).
[10] Public Utilities Act (220 ILCS 5/8-103B(c); 220 ILCS 5/8-104(f)(4)).
[11] Public Utilities Act (220 ILCS 5/16-111.7; 220 ILCS 5/19-140).

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 8-103B 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 four-year Program cycle pursuant to Section 8-103B 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 8-103B[12]; and/or an Energy Efficiency Program within the Portfolio offered to Eligible Customers of Program Administrators pursuant to Section 8-104.[13] For Ameren Illinois, reference to the term Program throughout this manual is a reference to Initiative, as that term is used in Ameren's Plan. For Peoples Gas and North Shore Gas, reference to the term Program throughout this manual is a reference to Path, as that term is used in the Peoples Gas and North Shore Gas Plans.
- ***Program Administrator(s)*** means Ameren Illinois Company (Ameren IL), Commonwealth Edison Company (ComEd), Northern Illinois Gas Company d/b/a Nicor Gas Company (Nicor Gas), The Peoples Gas Light and Coke Company and North Shore Gas Company (Peoples Gas-North Shore Gas), offering Programs pursuant to Section 8-103B and/or Section 8-104 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 January 1 to December 31.
- ***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. 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. Evaluated savings associated with Program Administrator Training Programs will also be considered Participant Spillover. *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 in Section 8, Total Resource Cost Test.[14]
- ***Trade Ally, Trade Allies, Program Allies, or Energy Efficiency Service Providers*** 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,

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

heating, ventilation, air conditioning (HVAC), insulation, and electrical contractors, builders, and retailers.

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 8-103B and 8-104 of the Illinois Public Utilities Act (Act). 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 8-103B and 8-104.

2.3 Effective Date

The effective date for this Policy Manual is January 1, 2022.

2.4 Updates to this Policy Manual

This Policy Manual will be reviewed annually by SAG 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[15] are responsible for:

a. Planning of Energy Efficiency Portfolio:
    i. Developing the four (4) year Portfolio of Energy Efficiency Programs to meet the statutorily required goals.

b. Management of Energy Efficiency Portfolio:
    i. Providing general administration and prudent management of Programs, including tracking Program savings and expenditures against Program savings goals and budgets; and

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

ii. Overseeing Program Implementation Contractors and Program implementation process, including establishing quality control and quality assurance protocols.

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[16] are responsible for:**

Evaluating the performance of Energy Efficiency Programs through independent EM&V[17] at the Portfolio and individual Program level consistent with adopted policies, protocols, and budget priorities.

EM&V activities include:[18]

- Drafting and finalizing annual EM&V work plans and multi-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.

[16] See Section 1, Glossary, for definition of Evaluators.
[17] 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). The most current IL-TRM Policy Document is posted on the Illinois Commerce Commission website: https://www.icc.illinois.gov/programs/illinois-statewide-technical-reference-manual-for-energy-efficiency.
[18] More detailed Evaluator responsibilities in the context of the IL-TRM are outlined in the IL-TRM Policy Document. The most current IL-TRM Policy Document is posted on the Illinois Commerce Commission website: https://www.icc.illinois.gov/programs/illinois-statewide-technical-reference-manual-for-energy-efficiency.

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.[19] The Commission expanded directives to SAG in the Final Orders approving the first three-year Section 8-104 gas Plan filings.[20] Subsequently, Commission directives have identified additional roles and responsibilities for the SAG, which may evolve as the Energy Efficiency Portfolios evolve.

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. **SAG Steering Committee.** Members of the SAG Steering Committee include senior representatives of Program Administrators, community-based organizations, and non-financially interested stakeholder participants[21]. The Steering Committee provides substantive feedback to the SAG Facilitator on: (1) annual SAG Plans; and (2) progress towards meeting annual SAG Plan goals to ensure that the time spent on SAG is as productive and valuable as possible.
ii. **Large Group SAG.** Large Group SAG meetings cover Program Administrator reporting, Portfolio planning, Program planning, fund shifts, and topics of general interest, as directed by the Commission or requested by SAG participants. Topics are scheduled as time and resources permit.
iii. **SAG Technical Advisory Committee (TAC).** Meetings address updates[22] to the IL-TRM, EM&V issues, and other issues of a technical nature. General SAG attendees will be briefed on topics covered in the TAC, as needed.
iv. **SAG Subcommittees.** SAG Subcommittees are established for necessary issue-specific topics based on Commission directives, Policy Manual requirements, stipulated agreements or SAG requests. Subcommittees are established as need arises.

[19] Ameren IL Final Order, ICC Docket No. 07-0539 at 24; ComEd Final Order, ICC Docket No. 07-0540 at 32.
[20] Nicor Gas Final Order, ICC Docket No. 10-0562; Peoples Gas-North Shore Gas Final Order, ICC Docket No. 10-0564.
[21] Additional information about stakeholder participation, including non-financially interested participants, can be found in the SAG Process Guidance document posted on the SAG website.
[22] More detailed TAC responsibilities in the context of updating the IL-TRM are outlined in the IL-TRM Policy Document. The most current IL-TRM Policy Document is posted on the Illinois Commerce Commission website: https://www.icc.illinois.gov/programs/illinois-statewide-technical-reference-manual-for-energy-efficiency.

v. **SAG Working Groups.** SAG Working Group meetings address short-term issues that need resolution. SAG Working Group participants may recommend next steps to SAG Subcommittee(s) or the Technical Advisory Committee.

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. 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 SAG Facilitator Independence

Program Administrators shall implement the following SAG Facilitator independence protocols:

i. Program Administrators shall submit the finalized but not yet executed contract with the independent SAG Facilitator to the Commission by letter to the Executive Director for each Plan. Commission Staff will submit a report to the Commission containing its assessment of the contract and/or scope of work and describing its recommendations for Commission action, if any. In addition, a Program Administrator will submit any fully executed contract and scope of work with the independent SAG Facilitator as a compliance filing in the Policy Manual Version 2.0 approval docket within fourteen (14) days of execution. Such compliance filing will be treated primarily as public with only minimal redaction of information that is confidential (e.g., wage rates).
ii. Program Administrators will include language in the independent SAG Facilitator contract that provides that the Commission has the right to direct Program Administrators to terminate the SAG Facilitator contract if the Commission determines the SAG Facilitator is not acting independently, or is unable or unwilling to independently facilitate the SAG.
iii. If a party believes that the SAG Facilitator is not acting independently, that party is encouraged to raise a concern with the SAG Steering Committee. In the event that the concern cannot be resolved through such conversations, the party may file a petition with the Commission requesting that the Commission order the Program Administrators to terminate the contract. The SAG Facilitator contract with Program Administrators will automatically terminate upon a Commission finding that the contract should be terminated, after issuance of notice and hearing and an opportunity for Program Administrators, the SAG Facilitator, and other interested parties to be heard, including through Commission resolution of any filed applications for rehearing. All due process rights guaranteed by the Public Utilities Act and the Commission's rules shall apply.
iv. In the event that Program Administrators or the SAG Facilitator issues a notice of termination or notice of default of the contract, the issuer of the notice shall contemporaneously provide a copy of such notice to the Commission.
v. Program Administrators shall include requirements in contracts for provisions in this Policy Manual that describe SAG Facilitator obligations.

3.6 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.

3.7 Participation

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

3.8 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 8-103B 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 multi-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[23] research plans and draft evaluation research results are provided to 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.

[23] See Section 4, Glossary, in the IL-TRM Policy Document. The most current IL-TRM Policy Document is posted on the Illinois Commerce Commission website: https://www.icc.illinois.gov/programs/illinois-statewide-technical-reference-manual-for-energy-efficiency.

3.9 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.

3.10 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.

Section 4: Program and Portfolio Planning

4.1 Goals

Section 8-103B 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, Program Administrators are encouraged to include business justification for individual Programs and Measures that have a TRC less than 1.0;
- 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:

- Develop, implement and deliver Programs to moderate-low income populations, disadvantaged communities and/or underserved communities in order to help foster the affordability of utility service for all utility customers and engagement in the Energy Efficiency workforce, when practicable;
- 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;
- Develop, support and grow a diverse and inclusive Energy Efficiency workforce through, among other activities, encouraging participation by and engaging with women-owned, minority-owned, and veteran-owned businesses throughout the State;
- Consistent with Section 8-103B, contract for implementation of Energy Efficiency Measures and Programs targeted at low-income households, when practicable, to independent third parties that have demonstrated capabilities to serve such households, with a preference for not-for-profit entities and government agencies that have existing relationships with or experience serving low-income communities in the State;
- 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.

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

4.2 Budget Allocation

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

i. Ameren IL, Nicor Gas, and the Peoples Gas-North Shore Gas shall present a Portfolio of Energy Efficiency Measures proportionate to the share of total annual gas 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 Area Median Income (AMI).[25]
ii. 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;[26]
iii. Five percent (5%) of the entire Portfolio of Cost-Effective Energy Efficiency Measures may be granted to local government and municipal corporations for market transformation initiatives;[27]
iv. Expenditures on Demonstration of Breakthrough Equipment and Devices shall not exceed three percent (3%) of the Portfolio resources (approved Plan budgets);[28] and
v. Evaluation expenses shall not exceed three percent (3%) of Portfolio resources (approved Plan budgets).[29]

As provided for in Section 8-103B, Portfolio Plans shall address the following requirements:

i. Low Income Customers
    a. Ameren IL shall spend no less than $13,000,000 per year, and ComEd shall spend no less than $40,000,000 per year, to implement Energy Efficiency Measures targeted at Low Income Customer households, which shall be defined as households at or below eighty percent (80%) of Area Median Income (AMI).[30]
    b. The ratio of spending on efficiency Programs targeted at low-income multifamily buildings to spending on efficiency Programs targeted at low-income single-family buildings shall be designed to achieve levels of savings from each building type that are approximately proportional to the magnitude of Cost-Effective lifetime savings potential in each building type.[31]
    c. Investment in low-income whole-building weatherization Programs shall constitute a minimum of eighty percent (80%) of a utility's total budget specifically dedicated to serving Low Income Customers.[32]
    d. Ameren Illinois and ComEd shall implement a health and safety fund of at least fifteen percent (15%) of the total income-qualified weatherization budget that shall be used for the purpose of making grants for technical

[25] Public Utilities Act (220 ILCS 5/8-104(e-5)).
[26] Public Utilities Act (220 ILCS 5/8-104(e-5)).
[27] Public Utilities Act (220 ILCS 5/8-104(e-5)).
[28] Public Utilities Act (220 ILCS 5/8-104(g)).
[29] Public Utilities Act (220 ILCS 5/8-104(f)(8)).
[30] Public Utilities Act (220 ILCS 5/8-103B(c)).
[31] Public Utilities Act (220 ILCS 5/8-103B(c)).
[32] Public Utilities Act (220 ILCS 5/8-103B(c)).

assistance, construction, reconstruction, improvement, or repair of buildings to facilitate their participation in the Energy Efficiency Programs targeted at low-income single-family and multifamily households. These funds may also be used for the purpose of making grants for technical assistance, construction, reconstruction, improvement, or repair of the following buildings to facilitate their participation in the Energy Efficiency Programs created by this Section: (1) buildings that are owned or operated by registered 501(c)(3) public charities; and (2) day care centers, day care homes, or group day care homes, as defined under 89 Ill. Adm. Code Part 406, 407, or 408, respectively.[33]

e. The low-income energy efficiency accountability committee shall have a budget of 0.25% of each utility's entire Energy Efficiency Portfolio funding for a given year.[34]

ii. A minimum of seven percent (7%) of Ameren IL's entire electric Portfolio funding level for a given year, and a minimum of ten percent (10%) of ComEd's entire Portfolio funding level for a given year, shall be used to procure Cost-Effective Energy Efficiency Measures from units of local government, municipal corporations, school districts, public housing, and community college districts, provided that a minimum percentage of available funds shall be used to procure Energy Efficiency from public housing, which percentage shall be equal to public housing's share of public building energy consumption;[35]

iii. Expenditures on Demonstration of Breakthrough Equipment and Devices shall not exceed four percent (4%) of Energy Efficiency and Demand-Response Program revenue (approved Plan budgets) for electric utilities;[36] and

iv. Evaluation expenses shall not exceed three percent (3%) of Portfolio resources (approved Plan budgets).[37]

4.3 Income Eligibility Verification Guidelines for Low Income Customers

The majority of tenants in a multi-family building should be expected to have incomes at or below eighty percent (80%) of Area Median Income in order to provide Energy Efficiency Measures and services to the building under Program Administrator income qualified Energy Efficiency Programs in Illinois. Because income verification for low-income multi-family buildings can be challenging, expensive and time-consuming, and in order to ensure that such challenges, costs and/or impositions on building owners and tenants do not adversely affect a Program Administrator's ability to serve low-income multi-family buildings, there should be multiple pathways to establishing income eligibility for such buildings. The purpose of having multiple pathways is to enable income eligibility to be established relatively quickly and easily – minimizing time, hassle, and paperwork required of both the Program Administrator and building owners (Participants) – while providing assurance that the buildings treated include a majority of tenants that are income eligible. The multiple pathways also assist Program Administrators in serving the affordable multi-family sector more effectively, helping to maximize the time spent serving the building and tenants.

[33] Public Utilities Act (220 ILCS 5/8-103(c)).
[34] Public Utilities Act (220 ILCS 5/8-103B(c)).
[35] Public Utilities Act (220 ILCS 5/8-103B(c)).
[36] Public Utilities Act (220 ILCS 5/8-103B(h)). As described in the Act: If an electric "utility files a request for modified annual energy savings goals with the Commission, then a utility shall forgo spending portfolio dollars on research and development proposals."
[37] Public Utilities Act (220 ILCS 5/8-103B(g)(6)).

The following pathways are all acceptable ways to demonstrate income eligibility for multi-family building participation in Program Administrator income qualified multi-family Programs or pilots. The definition for multi-family shall be consistent with each Program Administrator's own definition within their service territory and Programs. Each Program Administrator has the discretion to choose any of the following pathways:

1. Participation in an Affordable Housing Program. Automatic qualification for any property that can provide documentation of participation in a federal, state, or local affordable housing program (agencies can also provide documentation on behalf of a property), for example: Low Income Housing Tax Credit (LIHTC), Housing and Urban Development (HUD), United States Department of Agriculture (USDA), State Housing Finance Agency (HFA), local tax abatement for low-income properties, etc.
2. Participation in the Weatherization Assistance Program. Submission of documentation showing that the property is on the waiting list for, currently participating in, or has in the last five years participated in, the Weatherization Assistance Program.
3. Location in a Low-Income Census Tract. Location in a Census Tract identified by the Program Administrator as low-income. As a starting point, the Program Administrator should use HUD's annually published "Qualified Census Tracts." HUD's Low-Income Housing Tax Credit Qualified Census Tracts must have fifty percent (50%) of households with incomes below sixty percent (60%) of Area Median Income or areas that have a poverty rate of twenty-five percent (25%) or more. However, the Program Administrator's target Census Tracts may be expanded or restricted based on additional analysis demonstrating that the change would ensure that the majority of buildings treated would have at least fifty percent (50%) of tenants with incomes at or below eighty percent (80%) of Area Median Income. For example, a Program Administrator may choose to target a higher percentage of poverty within their definition of a low-income Census Tract.
4. Rent Roll Documentation. Submission of rent rolls documenting that the median rents charged by a particular property are at or below eighty percent (80%) of "Fair Market Rent", as published annually by HUD, which is intended to define rents that are affordable to households with incomes at or below eighty percent (80%) of Area Median Income.
5. Tenant Income Information. Submission of tenant income information showing that at least fifty percent (50%) of units are rented to households meeting one of the following criteria:
    a. At or below two-hundred percent (200%) of the Federal Poverty Level, or
    b. At or below eighty percent (80%) of Area Median Income.
6. Alternative Approaches to Verify Income for Multi-Family Customers. Program Administrators may use alternative approaches to verify income where a Program Administrator can demonstrate that the majority of residents in the multi-family building have incomes at or below 80 percent (80%) of Area Median Income and the verification process is less burdensome than individual tenant income certification. Alternative approaches may include, but are not limited to:
    a. Demonstrating the income eligibility of multi-family residents through participation in disaster relief programs administered by either federal or local governments;
    b. Demonstrating the income eligibility of multi-family residents through participation in programs administered by local governments or community organizations.

In addition to the options above, Program Administrators may use other approaches that can demonstrably identify multi-family buildings primarily occupied by income eligible households in a manner less burdensome than by requiring tenant income information. The income eligibility verification approaches set forth in 6(a) and 6(b) may also be used to qualify income eligibility for single family homes, when such circumstances arise.

Program Administrators will employ the qualifications methodologies that are the least burdensome and time-consuming for building owners first and maximize the potential for and ease of participation in their Income Qualified multifamily Programs.

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 8-103B 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 all non-Program 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 for Section 8-104, and including no more than four percent (4%) of approved Plan budgets for Section 8-103B.[38] 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 8-103B(g)(6) 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 8-103B 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).

[38] Public Utilities Act (220 ILCS 5/8-103B(h)). As described in the Act: If an electric "utility files a request for modified annual energy savings goals with the Commission, then a utility shall forgo spending portfolio dollars on research and development proposals."

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 8-103B 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 Prohibited Expenses

Energy Efficiency cost recovery is controlled by the Public Utilities Act, Commission rules and the Program Administrators' tariffs on file with the ICC. Subject to the Act, the applicable rules and tariffs, Program Administrators shall explicitly incorporate expenses prohibitions in all vendor contracts (including contracts for vendor subcontractors) that involve costs to be recovered through the Energy Efficiency cost recovery tariff mechanisms. Such expense prohibitions are applicable to utilities and their subcontractors. Prohibited expenses shall not be recoverable from Illinois ratepayers through the Energy Efficiency cost recovery tariff mechanisms. Prohibited expenses shall include but shall not be limited to:

- Direct payment for alcoholic beverages; and
- Marketing of the utility name which fails to relate to or reference either in writing, orally or visually, Energy Efficiency Programs, products or services.

Section 6: Program Administration and Reporting

6.1 Program Flexibility and Budgetary Shift Rules

Program Administrators have the flexibility to shift budgets between Programs in response to changing market conditions, new information or insights into Program Cost-Effectiveness and/or other factors in order to better enable achievement of Cost-Effective energy savings, better serve Customers (including Low Income Customers and income qualified Customers) and/or address other approved Portfolio objectives. Such flexibility shall be constrained by any limitations imposed by law (e.g., minimum spending requirements for income qualified, public buildings and/or any other target Customer groups) or the ICC in orders approving the Program Administrators' Plans and any settlement agreements. The flexibility should not be interpreted as permitting changes to approved energy savings and/or other goals of the ICC-approved Plans.

Any Program Administrator-initiated proposed budget shift of fifty percent (50%) for Programs with budgets under $5 million or twenty percent (20%) for Programs with budgets over $5 million shall be brought to the SAG when practicable, but no later than the next quarterly SAG meeting. It shall also be 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 the 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 fifty percent (50%) threshold for Programs with budgets under $5 million or twenty percent (20%) threshold for Programs with budgets over $5 million. This policy relates to specific and intentional planning decisions to shift Program budgets, and does not include any naturally occurring over or underspending that is a result of unexpectedly low or high Customer participation. At the time any proposed budget shifts are brought to the SAG for discussion, Stakeholders shall have the opportunity and make best efforts to raise any concerns related to the Program Administrator's ability to meet the Commission-approved savings goals (either gas or electric) with the proposed budget shift, in a timely manner.

6.2 Adjustable Savings Goals Beginning in 2022

Gas utility annual energy savings goals will be adjusted to align them with changes to IL-TRM values. The Energy Efficiency Measure participation levels identified in the approved Plan to derive the energy savings goals shall be fixed, solely for the purpose of the adjustable savings goal calculation, for the entirety of the Plan.

Gas utilities have the discretion at the time of Plan filings to propose adjustable savings goals with NTG collars as set forth below. Gas utility annual energy savings goals may be adjusted, as specifically provided below, if final deemed NTG Ratios determined under the NTG Policy defined in Section 7.2 fall outside the bounds of NTG collars approved by the Commission in Program Administrator Energy Efficiency Plan Dockets. NTG collars only apply to Energy Efficiency Measures, Program components and/or Programs subject to their own single NTG Ratio and that account for ten (10) percent or more of Portfolio Plan savings. NTG collars must be at least ten (10) percentage points, except for income qualified Measures, where the NTG collars are defined as plus-or-minus zero (0) percentage points.

For the purpose of calculating the adjusted savings goal, gas utilities will calculate the NTG Ratio as follows:

- If the deemed NTG Ratio exceeds the collar cap, the adjusted NTG Ratio will equal the NTG Ratio included in the gas utility's approved Energy Efficiency Plan, plus the difference between the deemed NTG Ratio and the collar cap, i.e.:
    - *adjusted NTG Ratio = Plan NTG Ratio + (deemed NTG Ratio - cap NTG Ratio)*
- If the deemed NTG Ratio is less than the collar floor, the adjusted NTG Ratio will equal the NTG Ratio included in the gas utility's approved Energy Efficiency Plan, less the difference between the collar floor NTG Ratio and the deemed NTG Ratio, i.e.:
    - *adjusted NTG Ratio = Plan NTG Ratio – (floor NTG Ratio – deemed NTG Ratio)*
- If the deemed NTG Ratio is between the collar cap and the collar floor, the adjusted NTG Ratio will equal the NTG Ratio included in the gas utility's approved Energy Efficiency Plan.

In addition, gas utility annual energy savings goals will be adjusted for the entire Plan period, prior to the start of the first Plan Year of an approved Plan, so that they are aligned with changes to IL-TRM values and the most recent Evaluator's recommended Net-to-Gross (NTG) Ratio values available. Nothing in this policy shall be interpreted to alter the Program Administrator's duty to shift budgets between Programs in response to changing market conditions, new information or insights into Program Cost-Effectiveness and/or other factors in order to better enable achievement of Cost-Effective energy savings, better serve Customers (including income qualified Customers) and/or address other approved Portfolio objectives included in this Policy Manual.

Within ninety (90) days after Commission approval of the annual IL-TRM values, each gas utility will file adjusted energy savings goals reflecting updated IL-TRM values, as well as final NTG Ratio values falling outside the bounds of approved NTG collars, applicable to the Program Year commencing January 1. In advance of such filing, the independent Evaluators will verify that the adjustments to the energy savings goals have been performed accurately.

Gas utility Program Administrators shall send draft adjustable savings goals spreadsheets to the SAG Facilitator on an annual basis. Draft adjustable savings goals will be discussed with interested SAG participants before finalizing, as needed. The SAG Facilitator will post final adjustable savings goals spreadsheets to the SAG website.

The provisions in Section 6.3 impacting the adjustment of gas utility annual energy savings goals shall sunset for a utility upon the effective date of a Commission-approved tariff that permits that utility to earn performance incentive payments impacting the rates customers pay. The potential applicability of an adjustable savings goals policy to a utility earning performance incentives may be determined by the Commission in a utility's Energy Efficiency Plan docket, updates to the Policy Manual, or other Commission proceedings.

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 publicly available through the EE SAG website related to Energy Efficiency Programs:

i. Energy Efficiency Plans – filed every four (4) years.
ii. Net-to-Gross Values – produced annually by the independent Evaluators, reviewed by stakeholders, and finalized by October 1 of each year. New Net-to-Gross values are prospectively effective January 1, three (3) months after they are finalized.
iii. Quarterly Reports – produced quarterly, 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 and Cost-Effectiveness analysis are complete.
v. Draft EM&V Reports and Final EM&V Reports – draft EM&V reports are typically available approximately three and one-half (3 ½) 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 120 days 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 October 1 of each year, submitted to the ICC, and are effective January 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 Illinois Statewide Technical Reference Manual for Energy Efficiency (IL-TRM Policy Document)[39] – This document describes policies for the updating and application of the IL-TRM during implementation, evaluation, and planning.

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 are also filed with the Commission in the Program Administrator's Energy Efficiency Plan docket. Quarterly reports are circulated to the SAG and discussed as needed, so interested stakeholders can ask

[39] See IL-TRM Policy Document. The most current IL-TRM Policy Document is posted on the Illinois Commerce Commission website: https://www.icc.illinois.gov/programs/illinois-statewide-technical-reference-manual-for-energy-efficiency.

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 8-103B and 8-104 Programs:

i. Program, Sector[40] and Portfolio-Level Ex Ante Results, including:[41]
   a. Net energy savings achieved;
   b. Original Energy Efficiency Plan savings goals;
   c. Approved net energy savings goals;
   d. Implementation plan savings goals;
   e. Percent savings achieved compared to implementation plan savings goals;
   f. Costs year-to-date, using the cost categories set forth in Section 5.3 of this Policy Manual;
   g. Original Plan budgets;
   h. Approved budgets; and
   i. Percent of costs year-to-date compared to approved budgets.

ii. Portfolio-Level Costs (charged to the Energy Efficiency riders only), including:
   a. Program costs by sector for C&I Programs (Private Sector), Public Sector Programs, Residential Programs, Income Qualified Programs, Market Transformation Programs, and Third Party Programs;
   b. Portfolio-level costs, using the cost categories set forth in Section 5.2 of this Policy Manual; and
   c. Cumulative Persisting Annual Savings (CPAS) Goal Progress and Applicable Annual Incremental Goal (AAIG) Progress for Section 8-103B Portfolios.

iii. Historical Energy Efficiency Costs beginning with Program Year 1 for Utility and DCEO Sections 8-103, 8-103B, 16-111.5B and 8-104 Portfolios.

iv. Program-Level Narratives[42] 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;
      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.

v. 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;

[40] Sector refers to residential and Commercial and Industrial (C&I) Programs pursuant to Section 8-103B and 8-104; and Third-Party Energy Efficiency Implementation Program pursuant to Section 8-103B(g)(4); Income Qualified Programs; private and public sector Programs; and Demonstration of Breakthrough Equipment and Devices.
[41] Program Administrators will also report information on low income, public sector, public housing, and market transformation consistent with Program delivery requirements of Sections 8-103B and 8-104 of the Act.
[42] Program-level narratives should include Demonstration of Breakthrough Equipment and Devices.

d. Program awards and recognitions; and/or
e. Notable Trade Ally feedback.

vi. 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.

vii. 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 evaluation status (ex ante, verified, or ICC approved), net energy savings achieved, original Plan savings goal, and net energy savings goal by Program Year and Plan cycle, starting with Program Year 1, with percent of net energy savings goal achieved, at the Portfolio level; and
h. Low income energy efficiency accountability committee reporting, including tracking and reporting on how input from the committee has led to new approaches and changes in Energy Efficiency Portfolios.[43]
i. Portfolio Summary Table setting forth:
i. Net energy savings achieved;
ii. Carbon reductions (tons);
iii. Cars removed from road;
iv. Acres of trees planted;
v. Number of homes powered for one year;
vi. Direct Portfolio jobs;
vii. Low Income homes served (to the extent Program tracks low income participation) by Program Year, starting with Program Year 1, at the Portfolio level.

viii. 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 Administrator develops it in the course of Program administration.

Quarterly reports may also contain the following information:

i. If applicable, any current or planned activities or investments to develop, support and grow a diverse and inclusive Energy Efficiency workforce.

[43] Public Utilities Act (220 ILCS 5/8-103B(c)).

6.6 Program Administrator Annual Summary of Activities (Annual Report)

Program Administrator annual reports are generally provided to the SAG after EM&V reports and related Cost-Effectiveness analysis are complete. Program Administrators shall provide annual reports using a common template. Annual reports shall contain the following information for Sections 8-103, 8-103B, 16-111.5B and 8-104 Programs:

i. Program Administrators shall make best efforts to provide a Portfolio Summary Table setting forth, starting with Program Year 1, at the Portfolio level:
    a. Evaluation status (ex ante, verified, or ICC approved);
    b. First-year net energy savings achieved, by Program Year and by Plan cycle compared to net energy savings goal, with percent of net energy savings goal achieved;
    c. Original Plan savings goal; and
    d. Total Resource Cost (TRC) Test results, including:
        i. Portfolio total TRC benefits (in $);
        ii. Portfolio total TRC costs (in $);
        iii. Portfolio TRC net benefits (in $); and
        iv. Portfolio TRC benefit/cost ratio. [44]

ii. Program Summary Table, by Program Year or Plan cycle, starting from Program Year 1:
    a. First-year gross energy savings achieved;
    b. Program NTG (deemed/used);
    c. First-year net energy savings achieved;
    d. Weighted Average Measure Life (years);
    e. Net lifetime savings;
    f. Total Program costs (in $);
    g. Program net levelized utility cost per unit energy ($/kWh and/or $/therms);
    h. Program participation (number of units);
    i. Unit definition; and
    j. Total Resource Cost (TRC) Test results, including:
        i. Program total TRC benefits (in $);
        ii. Program total TRC costs (in $);
        iii. Program TRC net benefits (in $); and
        iv. Program TRC benefit/cost ratio (ex post).

6.7 Job and Macroeconomic Impact Reporting

Each Program Administrator will report estimates annually of the economic development and employment impacts of its Energy Efficiency Programs using a consistent methodology. The estimates will be reported at the Portfolio level and verified by Evaluators or an expert in the area. For Ameren IL and ComEd, Evaluators shall determine an estimate of job impacts and other macroeconomic impacts of Programs for a given Plan Year, no later than April 30 following the close of the Plan Year.[45]

At the Program Administrators' discretion, the reports may also include estimated impacts for individual Programs. The focus will be on economic impacts within the state

[44] Reported TRC results will reflect only the reporting Program Administrator's portion of joint electric and gas utility Program impacts.
[45] Public Utilities Act (220 ILCS 5/8-103B(g)(9)).

of Illinois; however, at their discretion, Program Administrators may also report on impacts outside of Illinois. Estimates will include direct, indirect, and induced effects on employment, industry output, and labor income.

Direct effects may include but are not limited to the initial changes in employment and demand for regional production triggered by the implementation and management of utility Energy Efficiency Programs. This includes jobs managing and implementing Programs, Program Implementation Contractor incentives, participant rebates, and bill savings.

Indirect effects may include but are not limited to secondary impacts generated from business to business spending as firms and households directly impacted by the Energy Efficiency Programs increase purchases from their suppliers who must in turn increase purchases from their suppliers and so forth as the initial expenditure ripples through interconnected industries. This includes the impact of contractors purchasing equipment from distributors or manufacturers that is needed to implement Programs.

Induced effects may include but are not limited to secondary impacts generated from household to business spending as labor income changes that result from both direct and indirect activity affect the local economy. This is the effect of additional household income resulting from jobs that are created.

Section 7: Evaluation Policies

7.1 Technical Reference Manual

i. **IL-TRM Schedule:** 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.[46] 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:

- April 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.
- May 15: Proposed updates to existing Measure work papers to clarify terms or approaches to be submitted to the IL-TRM Administrator.
- May 15: Proposed work papers for new Measures to be submitted to the IL-TRM Administrator.
- October 1: Submission of final IL-TRM values.

ii. **IL-TRM Administrator Independence:** Program Administrators shall implement the following IL-TRM Administrator independence protocols:

a. Program Administrators shall submit the finalized but not yet executed contract with the independent IL-TRM Administrator to the Commission by letter to the Executive Director for each Plan. Commission Staff will submit a report to the Commission containing its assessment of the contract and/or scope of work and describing its recommendations for Commission action, if any. In addition, a Program Administrator will submit any fully executed contract and scope of work with the independent IL-TRM Administrator as a compliance filing in the Policy Manual Version 2.0 approval docket within fourteen (14) days of execution. Such compliance filing will be treated primarily as public with only minimal redaction of information that is confidential (e.g., wage rates).

b. Program Administrators will include language in the independent IL-TRM Administrator contract that provides that the Commission has the right to direct Program Administrators to terminate the IL-TRM Administrator contract if the Commission determines the IL-TRM Administrator is not acting independently, or is unable or unwilling to independently administer the Illinois Statewide Technical Reference Manual for Energy Efficiency.

c. If a party has reason to believe that the IL-TRM Administrator is not acting independently, that party is encouraged to raise a concern with the IL-TRM Administrator and the SAG Steering Committee. In the event that the concern cannot be resolved through such conversations, the party may file a petition with the Commission requesting that the Commission order the Program Administrators to terminate the contract. The IL-TRM Administrator contract with Program Administrators will automatically terminate upon a Commission finding that the contract should be

[46] See Policy Document for the Illinois Statewide Technical Reference Manual for Energy Efficiency. The most current IL-TRM Policy Document is posted on the Illinois Commerce Commission website: https://www.icc.illinois.gov/programs/illinois-statewide-technical-reference-manual-for-energy-efficiency.

terminated, after issuance of notice and hearing and an opportunity for the Program Administrators, the IL-TRM Administrator, and other interested parties to be heard, including through Commission resolution of any filed applications for rehearing. All due process rights guaranteed by the Public Utilities Act and the Commission's rules shall apply.

d. In the event that Program Administrators or the IL-TRM Administrator issues a notice of termination or notice of default of the contract, the issuer of the notice shall contemporaneously provide a copy of such notice to the Commission.
e. Program Administrators shall include requirements in contracts for provisions in this Policy Manual and in the IL-TRM Policy Document that describe IL-TRM Administrator obligations.

iii. **IL-TRM Administrator Role:**

As described in more detail in the IL-TRM Policy Document, the IL-TRM Administrator is an independent entity who has primary responsibility for managing the update process to the IL-TRM. As part of the IL-TRM Administrator's management responsibilities, to the extent the IL-TRM Administrator has a reasonable basis to determine that a TAC participant (that is not a Program Administrator or an entity acting on the Program Administrator's behalf) has a financial conflict of interest, becomes disruptive, and/or is hindering complete and frank discussions, the IL-TRM Administrator may manage and limit participation in discussions as appropriate.

To the extent a consensus among Program Administrators and non-financially interested stakeholders cannot be reached regarding issues related to specific IL-TRM updates, the IL-TRM Administrator shall have the authority to use its best judgment to propose a resolution of the issue and include such in the updated IL-TRM that gets submitted to the ICC for approval. For transparency and informational purposes, the ICC Staff will document such dispute and include a link to a "Comparison Exhibit of Non-Consensus IL-TRM Update Issues" developed by the IL-TRM Administrator in the Staff Report submitted to the Commission. The "Comparison Exhibit of Non-Consensus IL-TRM Update Issues" will document, with input from the parties, the various parties' positions concerning a non-consensus IL-TRM update as well as the IL-TRM Administrator's rationale for its decision to resolve the issue.

Nothing in this language shall preclude Program Administrators and stakeholders from challenging the IL-TRM Administrator's proposed resolution by petitioning the Commission. Until the Commission resolves the petition, the Commission-approved IL-TRM value shall be the default pending the issuance of a Commission Order. The applicable date for the Commission-resolved value will be the latter of January 1 of the year the IL-TRM was designed to go into effect, or the first day of the next month following the Commission order. In the petition, the filing party should note all Program Administrators affected by the IL-TRM dispute, and request that the Commission join each affected Program Administrator to the docket.

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 January 1, 2018 and annually thereafter. The NTG Policy described herein applies to Section 8-103B and 8-104 Programs. Exception: For the first Program Year whose implementation commences January 1, 2018, the Evaluators' final deemed NTG Ratio values shall be provided by May 30, 2017.

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 September 1 of each year. Evaluators shall follow a consistent format that includes consistent information. In early September 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.

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 October 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 October 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 October 1.

In general, for Income Eligible Programs, the NTG Ratio is deemed at 1.0. In the event Illinois NTG Income Eligible evaluation research leads the Evaluators and stakeholders to believe the best estimate of the future actual NTG Ratio for an Income Eligible Program is significantly different than 1.0 for the applicable Program Year, for that utility, then the final deemed NTG Ratio for the Income Eligible Program may differ from 1.0. While there may be reasons why Income Eligible NTG evaluation research for one Program Administrator may not be applicable to another Program Administrator in Illinois, there are situations where such research may be applicable. Evaluators will make recommendations as part of the annual NTG process on the applicability of such research for the applicable Program Year.

In the event a new Energy Efficiency pilot Program, Sub-Program, Measure group, and/or special project arises after October 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 NTG Ratio for Income Eligible Programs

There has been general consensus among Illinois stakeholders that the NTG Ratio for most Income Eligible Programs is not likely to be significantly different from 1.0, particularly where the person making the participation decision is the Low Income Customer. Therefore, Evaluators will not perform NTG research for Income Eligible Programs unless the SAG and Income Qualified Advisory Committees consensus concludes that there is value in performing the NTG research. If Evaluators propose NTG research for Income Eligible Programs, discussions will be held with SAG participants on the value in and methods for performing such research and the timing of the application of such research.

7.4 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 Plan period 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.

7.5 Evaluator Independence

Program Administrators shall implement the following Evaluator independence protocols to ensure that Evaluator independence is maintained, as required by Sections 8-103B and 8-104 of the Public Utilities Act:[47]

i. Any contract between the Program Administrator and the independent Evaluator shall provide that:
    a. The Commission has the right to direct the Program Administrator to terminate the contract if the Commission determines the Evaluators were not acting independently; and
    b. The Evaluator must act independently from the Program Administrator and be able to independently evaluate the energy savings performance

[47] Public Utilities Act (220 ILCS 5/8-103B; 220 ILCS 5/8-104).

and Cost-Effectiveness of the Program Administrator's Energy Efficiency Programs.

ii. The Program Administrator shall submit the finalized but not yet executed contract with the independent Evaluator to the Commission by letter to the Executive Director for each Energy Efficiency Plan. Commission Staff will submit a report to the Commission containing its assessment of the contract and/or scope of work and describing its recommendations for Commission action, if any. In addition, the Program Administrator will submit any fully executed contract and scope of work with the independent Evaluator as a compliance filing in the Policy Manual Version 2.0 approval docket within fourteen (14) days of execution. Such compliance filing will be treated primarily as public with only minimal redaction of information that is confidential (e.g., wage rates). The Program Administrator shall make any portions of such compliance filings that are designated confidential available to parties appearing in the docket who are entitled to receive confidential materials by operation of law or an appropriate protective order, and to other interested parties who do not have a competitive interest in the confidential material and who may not be parties appearing in the docket but who have signed a protective agreement with the Program Administrator to receive the confidential material.

iii. If a party has reason to believe that the Evaluator is not acting independently, that party is encouraged to raise a concern with the Evaluator and the SAG Steering Committee. In the event that the concern cannot be resolved through such conversations, the party may file a petition with the Commission requesting that the Commission order the Program Administrator to terminate the contract. The Evaluator contract with the Program Administrator shall automatically terminate upon a Final Order of the Commission finding that the contract should be terminated, after issuance of notice and hearing and an opportunity for the Program Administrator, the Evaluator, and other interested parties to be heard, including through Commission resolution of any filed applications for rehearing. All due process rights guaranteed by the Public Utilities Act and the Commission's rules shall apply.

iv. In the event that the Program Administrator or the Evaluator issues a notice of termination or notice of default of the contract, the issuer of the notice shall contemporaneously provide a copy of such notice to the Commission.

v. In the event that stakeholders, including Commission Staff or the Program Administrator, and the Evaluator are not able to reach a resolution during the Draft EM&V Report review process concerning a disputed issue that is acceptable to the Program Administrator and non-financially interested parties, then the Program Administrator will direct the Evaluator to document the issue in dispute within the EM&V Report along with the Evaluator's position, the stakeholder's position, and to the extent practical and quantifiable, any associated alternative savings estimates resulting from the differences in positions.

vi. The Program Administrator shall ensure that the data used in the evaluations is made available to the Commission upon request.

vii. The Program Administrator shall direct its independent third-party Evaluator to perform an ex post TRC Test Cost-Effectiveness analysis annually during the course of the 4-year Portfolio Plan pursuant to Sections 8-103B(g)(6) and 8-104(f)(8) of the Act. The Program Administrator will also direct its independent third-party Evaluator to conduct a Cost-Effectiveness analysis at the conclusion of the 4-year Plan pursuant to Sections 8-103B(g)(6) and 8-104(f)(8) of the Act.

Both the gas and electric costs and benefits for joint Energy Efficiency Programs will be included in both the annual ex post TRC Test Cost-Effectiveness analysis and the 4-year TRC Test Cost-Effectiveness analysis.

viii. Program Administrators shall include requirements in contracts for provisions in this Policy Manual that describe Evaluator obligations.

ix. The Program Administrator's contract with the Evaluator shall include a provision which requires that Evaluator models are to be provided or made available to stakeholders upon request who agree to sign protective agreements. As the Commission and ICC Staff are governed by Sections 4-404 and 5-108 of the Public Utilities Act (220 ILCS 5/4-404 and 5-108), they are not required to sign such protective agreements.

Section 8: Total Resource Cost Test

8.1 Statutory Definitions

Section 8-103B 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 and including avoided costs associated with reduced use of natural gas or other fuels, avoided costs associated with reduced water consumption, and avoided costs associated with reduced operation and maintenance costs, as well as other quantifiable societal benefits, 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. In discounting future societal costs and benefits for the purpose of calculating net present values, a societal discount rate based on actual, long-term Treasury bond yields should be used. Notwithstanding anything to the contrary, the TRC Test shall not include or take into account a calculation of market price suppression effects or demand reduction induced price effects.[48]

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.[49]

8.2 Measuring Cost-Effectiveness

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

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

shall: Demonstrate that its overall Portfolio of Measures, not including Low-Income Programs described in subsection (c) of this Section, is Cost-Effective using the Total Resource Cost Test or complies with paragraphs (1) through (3) of subsection (f) of this Section and represents a diverse cross-section of opportunities for Customers of all rate classes, other than those Customers described in subsection (l) of this Section, to participate in the Programs. Individual Measures need not be Cost Effective.[50]

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.[51]

8.3 Calculating TRC

Measure-level, Program-level, and a Portfolio-level TRC shall be calculated prospectively and included in the Section 8-103B and Section 8-104 Plan filings. Program Administrators may calculate a single TRC for joint Programs proposed in the Section 8-103B 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. For Section 8-103B Programs, a retrospective Portfolio-level TRC shall be calculated annually[52] 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[53] 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 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 8-103B 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.[54] 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

[50] Public Utilities Act (220 ILCS 5/8-103B(g)(3)).
[51] Public Utilities Act (220 ILCS 5/8-104(f) and (f)(5)).
[52] Public Utilities Act (220 ILCS 5/8-103B(g)(6)).
[53] Public Utilities Act (220 ILCS 5/8-104(f)(8)).
[54] Portfolio-level cost categories can be found in Section 5.2 of the Policy Manual, Portfolio Cost Categories.

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 Test 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:[55]

i. **Operations and Maintenance (O&M) and/or Deferred Baseline Replacement Cost Changes:** Any avoided costs are treated as benefits and any increased costs are treated as Incremental Costs. 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 as a benefit in the TRC Test analysis.

ii. **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) shall be included if there is a difference between the efficient Measure and the baseline measure. 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 Test 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 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 outlined in the examples provided below and as set forth in the IL-TRM.

   Examples of Incremental Cost calculations include:

   a. The Incremental Cost for an efficient Measure that is installed in new construction or is being purchased at the time of natural installation, investment, or replacement is the additional cost incurred to purchase an efficient Measure over and above the cost of the baseline/standard (i.e., less efficient) measure (including any incremental installation, replacement, or O&M costs if those differ between the efficient Measure and baseline measure).
   b. For a retrofit Measure where the efficiency Program caused the Customer to update their existing equipment, facility, or processes (e.g., air sealing, insulation, tank wrap, controls), where the Customer would not have otherwise made a purchase, the appropriate baseline is zero expenditure,

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

and the Incremental Cost is the full cost of the new retrofit Measure (including installation costs).

c. For the early replacement of functioning equipment with a new efficient Measure, where the Customer would not have otherwise made a purchase for a number of years, the appropriate baseline is a dual baseline that begins as the existing equipment and shifts to the new standard equipment after the expected remaining useful life of the existing equipment ends. Thus, the Incremental Cost is the full cost of the new efficient Measure (including installation costs) being purchased to replace still-functioning equipment less the present value of the assumed deferred replacement cost (including installation costs) of replacing the existing equipment with a new baseline measure at the end of the existing equipment's life. This deferred credit may not be necessary when the lifetime of the Measure is short, the costs are very low, the Measure is highly Cost-Effective even without the deferred credit, or for other reasons (e.g., certain Direct Install Measures, Measures provided in Kits to Customers).[56]
d. For study-based services (e.g., facility energy audits, energy surveys, energy assessments, retro-commissioning, new construction design services), the Incremental Cost is the full cost of the study-based service. Even if the study-based service is performed entirely by a Program Administrator's Program Implementation Contractor, the full cost of the study-based service charged by the Program Implementation Contractor is the Incremental Cost, because this is assumed to be the cost of the study-based service that would have been incurred by the Customer if the Customer were to have the study-based service performed in the absence of the efficiency Program. If the Customer implements efficient Measures as a result of the study-based service provided by the efficiency Program, the Incremental Cost for those efficient Measures should also be classified as Incremental Costs in the TRC analysis. Note that the Incremental Costs associated with study-based services should be included in Cost-Effectiveness calculations "only at the level at which they become variable."[57] In some cases, this will be at the Measure level; in others, it will be at the Program level. Such costs should be included in Measure-level Cost-Effectiveness calculations only when they are inseparable from the efficiency improvements – i.e., when the provision of the study-based service is what produces energy savings (e.g., retro-commissioning). Conversely, when study-based service costs are separable from the costs of the efficient Measures themselves and Customer, Program Administrator and/or other parties have discretion over which of the identified efficient Measures to subsequently install (e.g., for facility energy audits, surveys or assessments that are used to identify potential efficient Measures for installation), the Incremental Cost associated with such study-based services should be included only in Program-level Cost-Effectiveness analyses (rather than allocated to individual efficient Measures).
e. For the early retirement of functioning equipment before its expected life is

[56] In such instances, the Incremental Cost is the full cost of direct installation Measures (materials and labor) and the full cost of Measures provided in Kits to Customers.

[57] See The National Efficiency Screening Project, National Standard Practice Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources, Edition 1, Spring 2017. Retrieved from https://nationalefficiencyscreening.org/national-standard-practice-manual/.

over (e.g., Appliance Recycling Programs), the Incremental Costs are composed of the Customer's value placed on their lost amenity, any Customer transaction costs, and the pickup and recycling cost. The Incremental Costs include the actual cost of the pickup and recycling of the equipment (often paid for by a Program Administrator to a Program Implementation Contractor) because this is assumed to be the cost of recycling the equipment that would have been incurred by the Customer if the Customer were to recycle the equipment on their own in the absence of the efficiency Program. The payment a Program Administrator makes to the Customer serves as a proxy for the value the Customer places on their lost amenity and any Customer transaction costs.

ii. **Incentives**[58] = Financial Incentives Paid to Customers + Incentives Paid to Third Parties.

a. **Financial Incentives Paid to Customers** means payment[59] 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, Program 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 a Program 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 includes payment made by a Program Administrator to a Program Implementation Contractor to cover the full cost of Measures provided in Kits to Customers, for the portion not covered by the Customer. Incentives Paid to

[58] 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.

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

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, new construction design services), for the portion not covered by the Customer. Incentives Paid to Third Parties also includes payment made by a Program Administrator to a Program Implementation Contractor to cover the cost of pickup and recycling of 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 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.

8.5 Discount Rates

All economic analyses for both electric and gas Programs will be conducted using the societal discount rate (DR). A real societal discount rate is used when discounting future dollars that do not include the effects of expected future inflation and are instead expressed in constant year dollars (e.g., in 2019 dollars). A nominal societal discount rate is used when discounting future dollars that are expressed in terms that include the effects of expected future inflation, and represent the actual dollars in that future year (e.g., 2029 nominal dollars) which will be discounted back to a prior year.

The societal discount rate will be fixed for the entirety of each Plan period, and used for all analyses pertaining to that Plan period. That is, the real and/or nominal societal discount rates used in the development of the Program Administrators' multi-year Plans shall also be used for retrospective Cost-Effectiveness analyses of the evaluated results of each of the years in those Plans as well as in the IL-TRM applicable to the years in those Plans. The discount rate used for Energy Efficiency potential studies shall be the rates most recently added to the IL-TRM at the time that economic analysis for the potential studies began. To ensure accuracy and transparency in the application of this policy, all multi-year Plans, retrospective Cost-Effectiveness analyses, annual reports, and potential studies shall include information on the discount rate used.

The societal discount rate used for analyses pertaining to the 2018-2021 Plan cycle will be the discount rate in the 2019 IL-TRM. New discount and inflation rates for subsequent Plan cycles should be added to the IL-TRM as soon as available, and no later than October 1 of the year prior to the Plan filing.

The real societal discount rate shall be based on the average "Daily Treasury Real Yield Curve Rate" for a 10-year bond. The nominal societal discount rate shall be based on the average "Daily Treasury Yield Curve Rate" for a 10-year bond. In both cases, the rates used should be the average of the daily values over the ten (10) calendar years preceding the year in which the IL-TRM is finalized for use when the Program Administrators file their multi-year efficiency Plans (e.g., for all days between January 1, 2010 and December 31, 2019 for the 2022 to 2025 efficiency Plans to be filed in March 2021, where the 2021 IL-TRM is finalized by October 2020).[60] It is the responsibility of the IL-TRM Administrator to develop proposed changes to the discount rates, based on these data, for each new planning cycle.

[60] Both the nominal and real 10-year Daily Treasury rates can be found using pull-down menus at: https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll (use "all" for the time period to obtain all daily values from which the average over the preceding ten years can be computed).

The IL-TRM shall list both the real and nominal societal discount rates, as well as the corresponding inflation rate. The inflation rate should correspond to the implied rate from the spread of the real and nominal societal discount rates. It should be calculated as: Inflation Rate = {(1 + nominal DR)/(1 + real DR)} – 1. The IL-TRM should also include the following language: “When discounting nominal data that was adjusted to nominal from original real data using an inflation rate that is different than the IL-TRM inflation rate value, the analyst should first adjust for inflation using the original (non-IL-TRM) value to convert the data back to the appropriate year’s real dollars and then use the real discount rate as specified in the IL-TRM.” All prior discount rate and inflation rate information should remain in the IL-TRM as a reference to support any analysis of historic data for which the newest discount rate assumptions would not be appropriate.

Section 9: Uniform Methods Project and Evaluation Consistency

9.1 Uniform Methods Project

The Uniform Methods Project (UMP)[61] 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.

[61] 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[62]

10.1 EM&V Work Plans

Program Administrators shall require Evaluators to submit draft EM&V work plans annually by December 15 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 multi-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 no later than January 15, or a timeline mutually agreed to by the parties. Evaluators will review feedback and provide revised EM&V work plans to Program Administrators, the SAG Facilitator, and Commission Staff no later than January 30, or a timeline and process mutually agreed to by the parties. Comments on the revised draft are due no later than February 12 and should only be on new or revised text or previous comments submitted. Evaluators will aim to finalize EM&V work plans by February 28 annually, for the Program Year that closes on December 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 January 30, utilizing best efforts.

In order to ensure delivery of timely EM&V reports, draft EM&V reports for the Program Year ending December 31st shall be presented to Program Administrators, Commission Staff and all requesting SAG participants simultaneously as soon as practicable, on or before March 15 for residential and commercial and industrial Programs, utilizing best efforts. Final EM&V reports will be provided on or before April 30, utilizing best efforts. If draft EM&V reports are not provided by March 15, Evaluators will provide a preliminary evaluation findings memo, including savings and NTG, on or before March 15, utilizing

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

best efforts. Comments on the draft EM&V reports shall be submitted to the Program Administrators, 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.

Section 11: Electric Program Administrator Energy Savings and Expenditures

11.1 Applicable Annual Incremental Goal

Section 8-103B of the Act[63] allows electric utilities to earn a rate of return on their Energy Efficiency spending if electric utilities create a regulatory asset. The rate of return that is earned can be adjusted either up or down as a function of each electric utility's performance relative to its Applicable Annual Incremental Goal. The Applicable Annual Incremental Goal is "the difference between the cumulative persisting annual savings goal for the calendar year…and the cumulative persisting annual savings goal for the immediately preceding calendar year."[64]

An electric utility must first replace energy savings from Measures installed in previous years that have expired before any progress towards achievement of its Applicable Annual Incremental Goal may be counted.[65] Put another way, an electric utility's *actual* incremental annual savings – the performance that will be compared to its Applicable Annual Incremental Goal (AAIG) – is equal to the actual Cumulative Persisting Annual Savings (CPAS) at the end of the year in question minus the actual CPAS achieved by the end of the previous year. This is illustrated in the following hypothetical example of performance relative to ComEd's statutory 2018 through 2021 CPAS and AAIG goals (using ComEd's approved estimate of 78,686 GWh of annual sales to Eligible Customers).

Year	Statutory Goals			Hypothetical Scenario		
	CPAS %	CPAS GWh	Applicable Annual Incremental Goal (GWh)	Actual CPAS Achieved (GWh)	Actual Incremental Annual Savings Achieved	% of Applicable Annual Incremental Goal Achieved
	(a)	(b)	(c)	(d)	(e)	(f)
2017	6.60%	5,188	N/A	5,188	N/A	N/A
2018	7.80%	6,131	943	6,000	812	86%
2019	9.10%	7,153	1,022	7,100	1,100	108%
2020	10.40%	8,175	1,022	8,000	900	88%
2021	11.80%	9,275	1,100	9,150	1,150	105%

(a) statutory CPAS %
(b) statutory CPAS % (a) multiplied by 78,601 GWh eligible sales
(c) difference between current year and previous year statutory CPAS GWh
(d) hypothetical CPAS GWh achieved
(e) difference between current year and previous year actual CPAS achieved
(f) actual incremental annual savings achieved (e) divided by statutory AAIG (c)

[63] Public Utilities Act (220 ILCS 5/8-103B).
[64] Public Utilities Act (220 ILCS 5/8-103B(g)(7.5)).
[65] Public Utilities Act (220 ILCS 5/8-103B(g)(7.5)).

The following table shows how these calculations reflect statutory requirements to offset savings from Measures that have reached the end of their lives before counting progress towards the Applicable Annual Incremental Goal:

Year	2012-2017 Legacy Savings				Hypothetical Scenario								
	CPAS %	CPAS GWh	Cumulative CPAS Savings that Reached End of Life (GWh)	Incremental Annual CPAS Savings that Reached End of Life (GWh)	Actual New First Year Savings Achieved	Cumulative post-2017 Savings that Reached End of Life (GWh)	Incremental Annual Post-2017 Savings Die Off from Measures that Reached End of Life (GWh)	Incremental Annual Post-2017 Savings Die Off from Measures with a Baseline Shift (GWh)	Incremental Annual Post-2017 Savings Die Off from Measures with Savings Degradation (GWh)	Total Incremental Annual Savings that Reached End of Life (GWh)	Applicable Annual Incremental Goal (GWh)	Actual Incremental Annual Savings Achieved	% of Applicable Annual Incremental Goal Achieved
	(a)	(b)	(c)	(d)	(e)	(f)	(g1)	(g2)	(g3)	(h)	(i)	(j)	(k)
2017	6.60%	5,188											
2018	5.80%	4,559	629	629	1,441					629	943	812	86%
2019	5.20%	4,087	1,100	472	1,644	72	29	29	14	544	1,022	1,100	108%
2020	4.50%	3,537	1,651	550	1,604	226	62	62	31	704	1,022	900	88%
2021	4.00%	3,144	2,044	393	1,777	461	94	94	47	627	1,100	1,150	105%

(a) statutory Legacy CPAS %

(b) statutory Legacy CPAS % (a) multiplied by 78,601 GWh eligible sales

(c) difference between current year and 2017 statutory Legacy CPAS GWh

(d) difference between current year and previous year statutory Legacy CPAS GWh

(e) actual new first year savings achieved

(f) hypothetical calcs of cumulative savings die off from 2018-2020 programs assuming 5% of new 1st year savings "die off" each year

(g1-g3) difference between current year and previous cumulative savings die off from 2018, 2019 and 2020 programs [from column (f)]; hypothetically assumes 40% of savings die-off is from measures reaching end of life; 40% from baseline shifts and 20% from savings degradation

(h) total saving die off that need to be offset before counting progress towards AAIG - equal to the sum of columns (g1), (g2), (g3) and column (d)

(i) statutory applicable annual incremental goal (AAIG)

(j) = (e) - (h)

(k) = (j) / (i)

11.2 Cumulative Persisting Annual Savings

"Cumulative persisting annual savings" or CPAS means the total electric energy savings in a given year from Measures installed in that year or in previous years, but no earlier than January 1, 2012, that are still operational and providing savings in that year because the Measures have not yet reached the end of their useful lives."[66]

"Expiring savings" means savings that may expire because Measures installed in previous years have reached the end of their lives, because Measures installed in previous years are producing lower savings in the current year than in the previous year, or for other reasons identified by the independent Evaluators.[67]

The amount of cumulative savings from Measures installed between 2012 and 2017 that are still persisting in each year from 2018 through 2040, and all subsequent years is deemed by statute. The amount of cumulative savings from Energy Efficiency programs implemented post-2017 that are persisting each year from 2018 and beyond will be tracked at the Measure level (a default assumption), except for Measures that may be more appropriately tracked using weighted average measure lives for "Measure bundles" installed in individual buildings. Evaluators shall determine when tracking by "Measure bundles" would provide a more practical (e.g., because of interactive effects or savings estimation methods that do not allow for easy disaggregation by Measure) and/or accurate assessment of CPAS contributions.

The savings from Measures (or "Measure bundles") installed after 2017 that are still persisting in any given year will be a function of the year they are installed and the first-year savings, Measure lives and any relevant savings degradation factors assumed to be applicable in the year they are installed. Measures will be assumed to provide a full year of savings in the year they are installed plus the appropriate number of additional years given their Measure life and any savings degradation factors. For example, a Measure with a five-year life and no savings degradation factor that is installed in 2018 will be assumed to provide CPAS equal to its first-year savings value for each year from 2018 through 2022 and no savings in 2023 or future years. Alternatively, a Measure installed in 2018 that has a five-year life whose savings erodes by 60 percent (60%) after three (3) years will provide CPAS equal to its first-year savings in 2018, 2019 and 2020; CPAS equal to 40 percent (40%) of its first-year savings in 2021 and 2022; and no savings in 2023 or future years.

For the purpose of determining the amount of CPAS that Measures installed in a given year contribute to CPAS goals in future years, assumptions regarding Measure lives and savings degradation factors will be based on the IL-TRM in effect in the year in which they were installed or, for custom Measures, the Evaluators best estimate for the years in which they are installed. Once the estimated future CPAS contributions of Measures installed in a given year have been independently evaluated and approved, they shall remain fixed (i.e., as evaluated and approved for that year) regardless of whether IL-TRM or other assumptions for the same Measures change in the future. Any changes in IL-TRM or other assumptions regarding Measure life and/or savings degradation factors shall apply only prospectively. For example, if the savings life for a Measure installed in 2018 is assumed to be five years at the time the Measure was installed, that Measure

[66] Public Utilities Act (220 ILCS 5/8-103B(b)).
[67] Public Utilities Act (220 ILCS 5/8-103B(g)(7.5)).

shall be assumed to contribute to CPAS goals in every year from 2018 through 2022. If the IL-TRM Measure life assumption for the same Measure is increased to seven (7) years beginning in 2019, the Measures installed in 2018 will still be assumed to only contribute to CPAS goals in 2018 through 2022, but Measures installed in 2019 will be assumed to contribute to CPAS goals in 2019 through 2025.

11.3 Counting Fossil Fuel Savings Towards Electric Savings Goals

Section 8-103B of the Act permits the electric utilities to count other (non-electric) fuel savings towards their savings goals. Natural gas savings may be counted towards electric goals when natural gas utilities discontinue or do not fund jointly delivered electric-gas Measures (e.g. when gas funding is no longer sufficient to support continued joint delivery to additional participants, but the electric utility elects to continue the Program with just its own funds). In such cases, the statute requires electric utilities to "prioritize Programs for low-income residential Customers to the extent practical" when determining which gas savings to count towards its electric goals. Electric utilities may also count savings from other fuels that result from implementation of Measures that are not jointly delivered with natural gas utilities. Applicable Annual Total Savings Requirement means "the total amount of new annual savings that the utility must achieve in any given year to achieve the applicable annual incremental goal. This is equal to the applicable annual incremental goal plus the total new annual savings that are required to replace savings that expired in or at the end of the previous year."[68] In no event shall more than ten percent (10%) of each year's Applicable Annual Total Savings Requirement as defined in paragraph (7.5) of subsection (g) of Section 8-103B be met through savings of fuels other than electricity.[69]

The conversion of fossil fuel savings to electric savings shall be based on site energy use, as set forth in the table below.[70] For example, a therm of natural gas savings shall be converted to kWh savings based on the amount of energy a kWh provides a home or business – i.e., 3412 BTUs. Thus, as shown in the table[71] below, a therm of natural gas savings (approximately 100,000 BTUs) is equal to 29.3 kWh savings.

Fuel	Energy Units	BTUs per Energy Unit	Site kWh Equivalents per Energy Unit
Electricity	kWh	3,412	1.0
Natural Gas	therms	100,000	29.3
Fuel Oil	gallons	138,500	40.6
Propane	gallons	91,333	26.8

The limitations set forth in this Section 11.3 do not apply to electrification savings Measures outlined in Section 8-103B(b-27) of the Act.[72]

[68] Public Utilities Act (220 ILCS 5/8-103B(g)(7.5)).
[69] Public Utilities Act (220 ILCS 5/8-103B(b-25)).
[70] Public Utilities Act (220 ILCS 5/8-103B(b-25)).
[71] U.S. Energy Information Administration Sample Btu Conversion Factors, available at: https://www.eia.gov/energyexplained/index.php?page=about_btu
[72] Public Utilities Act (220 ILCS 5/8-103B(b-27)).

11.4 Electric Utility Weighted Average Measure Life

Section 8-103B(e) of the Public Utilities Act allows an electric utility to create a regulatory asset from Energy Efficiency expenditures and to amortize and recover the total expenditures of the Energy Efficiency regulatory asset "over a period that is equal to the weighted average of the energy efficiency measure lives implemented for that year that are reflected in the regulatory asset." 220 ILCS 5/8-103B(e). This period is referred to as the weighted average measure life (WAML). WAML shall be calculated for an electric utility in the following manner:

$$Weighted\ Average\ Measure\ Life_{Year=n} = \frac{\sum_{measure=1}^{N}(ML \times\ kWh_{gross}\ )}{\sum_{measure=1}^{N}(kWh_{gross}\ )}$$

Where:
N=total number of Measures in year *n*.
ML=Measure life of the Measure. Specifically, "Measure life" is the life over which the Program Administrator will be claiming at least some savings from the Measure (i.e. not adjusted for any degradation of savings over time associated with the Measure).
kWh_{gross}= first-year gross energy savings of the Measure for the year.

Note: In calculating WAML, the gas Measure savings (and associated Measure life) that are actually counted toward a utility's applicable annual incremental energy savings goal (maximum 10%) shall be included in the WAML calculation. Evaluators shall calculate WAML as part of their annual impact EM&V reports using verified gross savings.

11.5 Calculation of Annual Electric Planning Spending Limits

Section 8-103B(m) of the Act sets a planning limit on annual electric utility spending at a fixed percentage "of the average amount paid per kilowatt-hour by residential eligible retail Customers during calendar year 2015"… "multiplied by the total amount of energy delivered…in calendar year 2015," adjusted to reflect the proportion of the utility's 2015 load attributed to the Eligible Large Private Energy Customers[73] that have opted out of participation in the efficiency Programs.[74]

The fixed percentages increase slightly with each successive Plan cycle. They are as follows:

- 2022-2025 Plan: 4.00%
- 2026-2029 Plan: 4.25%
- Each subsequent 4-year Plan cycle: 4.25% plus an increase sufficient to account for the rate of inflation between January 1, 2026 and January 1 of the first year of each subsequent 4-year Plan cycle.[75]

[73] Public Utilities Act (220 ILCS 5/8-103B(l)(1)): Eligible Large Private Energy Customers means "any retail customers, except for federal, State, municipal, and other public customers, of an electric utility that serves more than 3,000,000 retail customers, except for federal, State, municipal and other public customers, in the State and whose total highest 30 minute demand was more than 10,000 kilowatts, or any retail customers of an electric utility that serves less than 3,000,000 retail customers but more than 500,000 retail customers in the State and whose total highest 15 minute demand was more than 10,000 kilowatts."
[74] Public Utilities Act (220 ILCS 5/8-103B(m)).
[75] Public Utilities Act (220 ILCS 5/8-103B(m)).

An electric utility may plan to spend up to ten percent (10%) more in any year during an applicable multi-year Plan period to cost-effectively achieve additional savings so long as the average over the applicable multi-year Plan period does not exceed the fixed percentages defined above.

For the purposes of this planning calculation, the "average amount paid per kilowatt-hour by residential eligible Customers during calendar year 2015" shall be 10.34 cents for Ameren Illinois and 12.95 cents for ComEd, as shown for Fixed Price Service for Residential Sales in Table 7 (p. 7) of the ICC's Comparison of Electric Sales Statistics For Calendar Years 2015 and 2014, prepared by the Public Utilities Bureau of the ICC in May 2016.[76]

The total amount of energy delivered in calendar year 2015 is 86,731,560 MWh for ComEd and 36,062,671 MWh for Ameren, as shown for the "Total Company" in Table 22 (p. 22) of the ICC's Comparison of Electric Sales Statistics For Calendar Years 2015 and 2014, prepared by the Public Utilities Bureau of the ICC in May 2016.

The amount of consumption in 2015 from Eligible Large Private Energy Customers who have opted out is deducted from the total amount of energy delivered in 2015.

For example, if 2015 sales to Ameren Illinois Eligible Large Private Energy Customers who opted out were 8,000,000 MWh,[77] the 2022 annual spending limit for Ameren Illinois would be computed as follows:

36,062,671 (MWh sales to all 2015 Customers)

-8,000,000 (MWh sales in 2015 to Eligible Large Private Energy Customers who have opted out)

= 28,062,671 (MWh of 2015 sales to 2022 eligible Customers)

X 10.34 (cents/kWh average 2014-2016 Residential spending per kWh)

X 4.00% (2022 spending cap percentage)

= $116,067,207 (2022 annual spending cap amount)

[76] The document can be found at https://www.icc.illinois.gov/publicutility/salesstatistics.aspx.
[77] This is a hypothetical value, used here solely for illustrative purposes.