Methodology for Attribution of Energy Savings in Utility and IRA Coordinated Projects

ICC Staff Comments (7/21/26)

Stakeholders in the Illinois Stakeholder Advisory Group ("SAG") acknowledge that the Illinois Environmental Protection Agency ("IL EPA") may seek to braid funding from the Inflation Reduction Act of 2022 ("IRA") with Illinois utilities and their respective energy efficiency and electrification programs. Utilities shall incorporate and leverage IRA funding to the extent funding becomes available for all applicable 2027-2029 programs, with priority given to income eligible program braiding, provided leveraging such funds does not disadvantage the utilities' ability to meet their energy savings goals and provided that IRA funding is used to expand, and not replace, existing income-qualified ("IQ") utility program efforts. For braided projects using IRA funds, where utilities fund 50% of eligible measure costs, eligible IRA-braided project costs[1], utility energy efficiency programs shall be eligible to claim 100% of resulting savings using an acceptable methodology to calculate savings, for example, the Illinois Technical Reference Manual ("IL-TRM"). Where the project is braided jointly with both electric and gas utility funding, the 50% utility cost share will be proportionally funded in accordance with the specific electric and gas cost-allocation agreements. For multi-funded projects, utilities shall maintain sufficient documentation to identify the source and amount of utility, IRA, and other non-utility funds applied to the project, and demonstrate that the attribution approach does not produce inequitable or distorted portfolio results.

Starting in 2026 and for future Energy Efficiency Plan cycles, Illinois utilities can claim 100% of energy savings for IRA funded measures, provided the aggregate utility contribution equals at least 50% of the total "all-in" project costs (measure costs + administrative costs). Once this utility funding threshold is met, the amount, source, or combination of non-utility funding shall not affect savings attribution. Similarly, the relative share of utility funding across fuel types shall not affect savings attribution, provided the collective utility contribution meets the 50% requirement. In instances where multiple utilities jointly fund a measure, attributed savings may be allocated between utilities using established cost allocation methodologies. It is also recognized that IRA-funded programs include significant non-measure costs, including but not limited to administrative, outreach, training, health and safety, and program infrastructure costs (collectively, "administrative costs"), many of which do not scale proportionally with the level of utility financial participation. Accordingly, that utility participation in and coordination with IRA-funded programs shall be structured to support ~~supports~~ the full incremental cost of the efficiency and/or electrification measures implemented within the utility service territory.

[1] For purposes of this policy, "eligible IRA-braided project costs" shall mean the eligible measure costs and directly attributable implementation costs approved under applicable IL EPA, DCEO, Community Action Agency ("CAA"), IRA, or other governing program requirements, including, where applicable, materials, labor, and reasonable CAA administration and implementation fees.

This policy is modeled in alignment with prior standing policies and stipulated agreements related to the Illinois Home Weatherization Assistance Program ("IHWAP") and reflects the current understanding of IRA program coordination and savings attribution. Should material changes occur in program structure, funding allocations, or implementation responsibilities such that the underlying assumptions supporting this attribution framework are no longer reasonable, development of a revised savings attribution approach may be considered through the SAG process or other appropriate collaborative forums.

Comments from Elizabeth Horne, ICC Staff

My feedback is primarily intended to clarify the savings attribution threshold, ensure IRA funds are used to expand rather than replace existing income-qualified utility programs, and clean up a few drafting matters. My suggestions are in red above.

Suggested edits/clarifications:

1. **Clarify the 50% utility contribution threshold.**
   The current draft references utilities funding "50% of eligible measure costs" in one place, but later refers to the aggregate utility contribution equaling at least 50% of total "all-in" project costs, including measure costs and administrative costs. My suggested approach is to use the "all-in" project cost standard, defined as measure costs plus administrative costs, because the draft recognizes that IRA-funded programs may include significant non-measure costs such as administration, outreach, training, health and safety, and program infrastructure.
2. **Clarify that IRA funds should expand, not replace, existing IQ utility program efforts.**
   I added additional clarification to illustrate that IRA funding should be used to expand, and not replace, existing income-qualified utility program efforts. This is important to ensure IRA coordination increases overall benefits to customers and does not reduce or displace existing utility-funded commitments.