

**Illinois EE Stakeholder Advisory Group
Policy Manual Subcommittee**

**Wednesday, May 31, 2023
9:30 am – 12:30 pm
Teleconference**

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Meeting Materials

Posted on the [Policy Manual Subcommittee page](#).

- [SAG Facilitator Presentation: Introduction to May 31 Meeting and Policy Background](#)
- [Evaluation Policy: Allowing Renewable Measures Under EE Programs](#)
 - Provided for reference: [Guidehouse CHP Export Memo](#)
- Electrification Policy Follow-up:
 - [Nicor Gas Presentation: Updated Policy Proposals on Electrification Issues](#)
 - [Electrification Bill Impacts – Updated Policy Proposal](#)
 - [Electrification Energy Consumption Reduction – Updated Policy Proposal](#)
 - [Interactive Effects – Updated Policy Proposal](#)
- [ICC Staff Presentation: Prohibited Expenses Policy](#)
 - [Prohibited Expenses Policy Proposal Update](#)

Attendees (by webinar)

Celia Johnson, SAG Facilitator
Caty Lamadrid, Inova Energy Group (SAG Meeting Support)
Allen Dusault, Franklin Energy
Andy Vaughn, Leidos
Arlinda Bajrami, MEEA
Becca McNish, ComEd
Cassidy Kraimer, Community Investment Corp.
Charles Ampong, Guidehouse
Chris Neme, Energy Futures Group, representing NRDC
Chris Vaughn, Nicor Gas
David Brightwell, ICC Staff
Deb Perry, Ameren Illinois
Diana Fuller, Walker-Miller Energy Services
Elizabeth Horne, ICC Staff
Gregory Norris, Aces 4 Youth
Jarred Nordhus, Peoples Gas & North Shore Gas
Jean Gibson, Peoples Gas & North Shore Gas
Jeff Erickson, Guidehouse
Jim Fay, ComEd
Jonathan Skarzynski, Nicor Gas
Kalee Whitehouse, VEIC (IL-TRM Administrator)

Karen Lusson, National Consumer Law Center (NCLC)
Katherine Elmore, Community Investment Corp.
Kyle Danko, ComEd
LaJuana Garret, Nicor Gas
Laura Agapay-Read, Guidehouse
Mike King, Nicor Gas
Matt Armstrong, Ameren Illinois
Michael Brandt, Elevate
Molly Lunn, ComEd
Omayra Garcia, Peoples Gas & North Shore Gas
Philip Mosenthal, Optimal Energy, representing IL AG's Office and NCLC
Randy Opdyke, Nicor Gas
Ronna Abshure, ICC
Sam Dent, VEIC (IL-TRM Administrator)
Scott Eckel, ICC
Seth Craigo-Snell, SCS Analytics
Stephen Robinson, Northwest Austin Council
Stu Slote, Guidehouse
Ted Weaver, First Tracks Consulting, representing Nicor Gas
Thomas Manjarres, Peoples Gas & North Shore Gas
Victoria Nielsen, Applied Energy Group
Zach Ross, Opinion Dynamics
Travis Hinck, GDS Associates

Opening & Introductions

Celia Johnson, SAG Facilitator

- [SAG Facilitator Presentation: Introduction to May 31 Meeting and Policy Background](#)

Evaluation Policy: Allowing Renewable Measures Under EE Programs

- **SAG Facilitator Background:**
 - Guidehouse policy proposal – allowing renewable measures under EE programs
 - This policy question was first presented to the SAG Evaluation Working Group in summer 2021
 - A memo was circulated to SAG for comments in November 2021
 - SAG Facilitator recommended waiting until the Policy Manual process to discuss finalizing the policy
 - During today's meeting: Guidehouse will present an updated version of the policy proposal
- **Material:** [Evaluation Policy: Allowing Renewable Measures Under EE Programs](#)

Jeff Erickson, Guidehouse

- Policy is on the eligibility of measures that use renewable energy to reduce usage of grid-connected electricity. These issues may affect gas and electric utilities.
 - The policy proposal has three components.
 - There have been conversations amongst various groups.
 - The document shown is for background only and to give readers a flavor of extent of edits. It only contains a few examples of red-line edits that resulted from these conversations. There were many more edits suggested that are not shown.
 - ComEd has also suggested adding wording about combined heat and power (CHP) not being a renewable energy measure, so that this policy does not apply to it.

Karen Lusson: Is this policy about renewable energy measures as defined in this proposal that could be paid for through energy efficiency program dollars? Or is it about investments made outside of the program that are counted as providing savings in the annual calculations?

Jeff Erickson: It is about measures paid for with energy efficiency dollars. I don't remember if any of the debates I was involved in discussed claiming savings from measures that are not funded by program.

Allen Dusault, Franklin Energy

- Next, we will review the consolidated version of the policy proposal.
- One point on CHP – we specifically left it out because CHP is considered a renewable energy device under Clean Energy Jobs Act, we should change language to say “it should be covered separately” instead of “CHP is not a renewable energy device.” ComEd might still have concerns and we can revisit them.
- In our proposed edits, we have simplified the language to present three provisions that get to the fundamental consideration that utilities should not be able to claim savings and have renewable energy benefits accruing in a way that double-counts energy savings.

Karen Lusson: Please translate number 2 and clarify with an example.

Allen Dusault: The intent is to capture what is inclusive of energy efficiency and natural gas savings between energy efficiency and renewable energy. The word “system” recognizes it may be more than a device. For example, solar thermal can have multiple configurations. “Behind the customer meter” talks about what is happening not from pipeline supply but what is behind the meter and what is net exported. So as an example, if there is a PV array with an integrated solar thermal system, the PV was offsetting grid-supplied electricity and on the thermal side providing heat to electric water heater, there are some obvious energy efficiency benefits to that.

Karen Lusson: This would require significant legal analysis. It is not clear to me what potential double-counting is triggered.

Chris Neme: With respect to item 2, it seems that it does not align with the introductory sentence. I think number 2 is mostly about not being allowed to export power to the grid, so it is not a condition of the introduction. The way I am reading it: as long as you are not exporting that counts as efficiency, and I think that is problematic.

Allen Dusault: I think we need to have more discussion about on-site generation. The starting premise was that the examples we have used would consider it as efficiency. So, if those devices are not going to be considered then we need to revisit the policy proposal.

Phil Mosenthal: The minute it becomes a separate use of equipment, even if some of it is used in the building, to me this is not part of the efficiency measure. The devil is in the details.

Allen Dussault: Without knowing what the objections are, there are devices that would be able to do both. A PV that does lighting is a renewable energy device but can be recognized as energy efficiency because you are offsetting gas loads reducing energy efficiency consumption. I think there is clearly an issue for net exports though.

Chris Neme: If I put PV in my roof and it serves my house, this is not energy efficiency. This is renewable energy that is substituting one form of electric generation on the customer side of the meter with the generation on the utility side of the meter. But to me this definition in the policy proposal would allow that.

Phil Mosenthal: Now that batteries are more prevalent, you certainly could potentially do without the grid. But that does not mean this is energy efficiency, it is still renewable energy.

Thomas Manjarres: Would it help if there was clarification in the policy about examples? The group may not be comfortable saying that every kWh generated counts towards energy efficiency, but maybe there is an option where some kWh are counted that way. Specially if it avoids loss on the grid.

Thomas Manjarres – via chat: Solar panels generating hot water and electricity. Any of the electricity exported to the grid is not energy efficiency.

Phil Mosenthal: If we stick with concept that it is integrated in the measure then it is straightforward. But if it is a separate device, it is more challenging to define. Because simply not buying generated power from grid is not the same as sending power to the grid and buying it back.

Allen Dusault: I think we need another detailed discussion separately.

Zach Ross: Support a small group conversation. It feels like this has gotten us away from the original starting point. I think this policy might encompass various things that may not be possible to treat in the same way. Maybe there should be a list of specific things that we know have been implemented in the past and make individual determination. This exercise does not need to make it into the Manual, but it might help us figure out what the connecting principles are.

Chris Neme: I like that idea. Maybe one of the challenges is trying to deal with gas and electric in the same definition.

Jeff Erickson: If it is not connected to the grid, does that count? I personally think that is a stretch, but it should be included in the debate to explicitly rule in or out.

Philip Mosenthal: I think if something qualifies as renewable energy under another entity then maybe that makes it renewable energy and we rule it out.

Allowing Renewable Measures Under EE Programs Policy Next Steps:

- A Policy Small Group meeting will be held on Wednesday, June 14 to review the policy proposal further, including discussing a list of proposed measures, both electric and gas.

Follow-up on Nicor Gas Electrification Proposals

Ted Weaver, First Tracks Consulting, representing Nicor Gas

- **SAG Facilitator Background:**
 - Electrification

- Nicor Gas presented two electrification policy proposals, discussed at the January and February meetings
- Interested Subcommittee participants shared written feedback on electrification proposals following the January meeting
- Following the February meeting, Nicor Gas agreed to consider feedback, including whether to propose higher level policies
- During today's meeting: Nicor Gas will present higher level policy proposals on *electrification bill impact calculations* and *electrification savings verification*
- Interactive Effects
 - Joint stakeholders proposed a policy on interactive effects between measures
 - The stakeholder proposal was discussed in October, with follow-up discussion in Nov., Dec. and Jan. – following the Jan. meeting, the policy was labeled “final draft”
 - During today's meeting: Nicor Gas will present additional edits.

Electrification Bill Impacts Policy

- **Materials:**
 - [Nicor Gas Presentation: Updated Policy Proposals on Electrification Issues](#)
 - [Electrification Bill Impacts – Updated Policy Proposal](#)
- **Background:**
 - Slide 3 – For the Bill Impact Calculations proposal, there was feedback submitted around six areas as shown in comparative table. In the updated proposal some are unchanged, one is eliminated, and three are revised.
 - We initially proposed that if utilities are giving information to customers so that they can make the right choice, that it provides both electric and gas options. We received feedback that would be too overwhelming for customers, so we have eliminated that provision to make it cleaner for customer to understand.

Phil Mosenthal: This proposal is mostly responsive to comments. But I still have some concerns. Metrics would be something that we work around outside of this process. I'm interpreting this as information being provided to customer and not having an impact to stipulation agreement requirements. If a utility wants to provide information on other renewable energy options, great. But I don't think that should be mandated in the Policy Manual. I agree with taking savings calculations out and other attributes. On the transparent process, I think it is useful for evaluators to review but it strikes me that we are now doing evaluation planning. The law requires impact evaluation annually and process evaluation does not occur that frequently, and to me this is a process evaluation function. We may well want to evaluate it, but I don't think we should lock this in by putting the requirement into the Policy Manual.

Ted Weaver: The law says utilities must provide electrification impact numbers it feels there should be some review and transparency, so we know how it is done. In terms of the additional information, it is not that burdensome of the process for utilities and ensures transparency.

Phil Mosenthal: I agree it would be good to do an evaluation and specially the first year. I just think this is getting at evaluation process planning detail that should not be in the

Policy Manual. If it is evaluated on year one, then I don't know that it needs to be done every year, and we don't have to dictate it here.

Zach Ross: I am also puzzled by evaluation piece.

Chris Neme: With respect to section 3, I agree with what Phil said about end-use piece. I think something along the lines of measure-specific but with a twist, I think it should have a distinction between electrification measures and aggregate.

Ted Weaver: In terms of end-use breakdown, it is my understanding ComEd is already doing this in what they show customers. They break it up into electrification and non-electrification items and then further broken down. There are different ways to show it. But the law says the electrification impact must be shown, so this is consistent with the law.

Chris Neme: With respect to 3B, I would support the idea to show impacts of electrification from other things separately. I'm just suggesting it shouldn't be a requirement that they be shown separately because sometimes you cannot separate the impacts per measure. If utilities want to present it that way, it is fine, but we shouldn't force it. If you are doing more than one electrification measure, it may only be possible to show them in aggregate.

Phil Mosenthal: As a customer I would want to see all this. Electrification is an eligible measure and we should not be creating hurdles to make it harder that don't apply to other measures.

Ted Weaver: Electrification is not a second-class measure, but it is a separate category of measures.

Karen Lusson – via chat: I believe this is the language from Section 8-103B that Ted is referring to: 'Prior to installing an electrification measure, the utility shall provide a customer with an estimate of the impact of the new measure on the customer's average monthly electric bill and total annual energy expenses.'

Phil Mosenthal: We tend to think of this in residential terms, but this could be a custom industrial measure and I think it would become unworkable.

Chris Vaughn: The policy behind the law is to provide a consumer with the ability to make an informed decision about the electrification impacts. It is within the spirit of the statute to provide customer with the lens and information for this particular instance.

Karen Lusson – via chat: ComEd and Ameren: In your electrification work to date, two questions: (1) do you show total bill impacts of all measures installed; (2) electrification measures vs. other measures, such as insulation; (3) if 2 is correct, have you ever had a situation where the electrification measure(s) actually INCREASES the bill if listed as a stand-alone item(s)?

Celia Johnson: I am hearing disagreement about several components of this. Karen has a follow-up question for Ameren and ComEd that I will capture for follow-up outside of this meeting.

Matt Armstrong: At a high level, Ameren is aligned with a lot of what Chris and Phil have stated. There are a couple of channels that electrification will be delivered to and getting specific about how they are delivered brings some real challenges specifically around mid-stream delivery where we don't have good customer touch. I also disagree with evaluator verification. We have met and walked through the tool that we use to determine electrification impacts. It is based on TRM algorithms and I disagree with the statement that there is a lack of transparency. We have opened the calculator tool for review.

Ted Weaver: (1) There wasn't any transparency until the process was started and then there was an agreement to share what electric utilities were doing with gas utilities. We would like that transparency to continue. It was more fear of the unknown that concerns. But if this requirement was in place, then if the tool changes in the future, electric utilities would open it up for gas utilities to review. But if gas utilities disagree with the calculations there seems to be a need for a forum where that disagreement is resolved and we felt that the evaluator would be that forum. (2) On the midstream comment, there is nothing in here defining how you deliver it. We agree that what is provided to a site-specific customer is different from what electric utilities would provide midstream customers. That said the law says you need to provide something. We'd like to understand what it is that you are providing.

Matt Armstrong: I still don't think evaluation review is needed. Maybe we can do a higher level and language about most recent energy cost data being utilized, beyond that I am not clear where you feel we would take a different path from what was already shared.

Thomas Manjarres – via chat: This could be handled the same way adjustable savings goals calculations for the gas utilities are reviewed by the SAG each year.

Phil Mosenthal: There is a principle here that there is an evaluation planning process and anyone is free to participate on it. But to micromanage what will be evaluated each year and put into the manual is inappropriate.

Ted Weaver: But the law requires that electric utilities provide customers with information on electrification impacts. And there are many ways this can go south.

Phil Mosenthal: There is a difference between the law requirement of information being shared and a requirement that evaluators should ensure it is being done correctly. I'm not opposed to evaluating it but I just don't think it should go into Policy Manual.

Rebecca McNish: We share same concerns as Ameren and Phil. We will respond in writing.

Electrification Bill Impacts Policy Next Steps:

- Comments due from interested parties in 2 weeks – by Tuesday, June 20, including specific feedback on any components of these policies that could be accepted in the Policy Manual
- Follow-up in June 27 meeting.

Electrification Energy Consumption Reduction Policy

- **Material:** [Electrification Energy Consumption Reduction – Updated Policy Proposal](#)
- Slide 4 - Second provision, there were limits on how much savings could be claimed by each measure. Third provision that a quarter of savings had to come from Low-income customers. When this was proposed it was to clarify some terms and have a process in place for transparency.
- Redline edits were sent in writing yesterday. Table in slides shows a couple of sections eliminated, a couple of minor clarifications and one that remains with no change. We simplified the language on the transparency for the process to state the Evaluator should certify conditions are met.
- We tried to be responsive to comments in our new edits.

Phil Mosenthal: Without looking at language it sounds like a significant improvement. I have a concern around end use- and measure-specific. This is about compliance with the law and that ought to be interpreted as “all electrification measures” as a package, not by end-use. In other words, if a customer is doing an electrification of three measures, that project of three measures for electrification needs to pass the BTU standards, I/m not sure that each individual measure have to pass it. I definitely don’t agree that the end-use needs to pass standard.

Ted Weaver: It seems like there should be a common definition. Opinion Dynamics has stated that most of this is already happening, so the proposal would not change what is being done.

Zach Ross – via chat: I know Opinion Dynamics provided comments on the evaluation component of this. We think your simplifications (your revised Item 4) are helpful and improve this. To be honest, we still don’t believe it is necessary as a policy - as I pointed out previously, we don’t have similar language for the (b-25) conversions in the Policy Manual - but we have no objection to it being included either way - it makes no difference to what we will do from the evaluation perspective.

Zach Ross: We only commented on the evaluation piece. I think revisions to item 4 are good, but I’m still not sure why it is needed. We have no objection to including it because we will do it either way.

Chris Neme: I think sections 1, 2 and 4 seem ok. Section 3 like Phil said, we disagree with end-use specific piece, and I the measure-specific piece should also be eliminated. Bundles should be ok.

Phil Mosenthal: Potential issue with eliminating section for TRM requirements. I am supportive, but I think in what Celia distributed you wanted to add a policy about interactive effects.

Matt Armstrong: Agree with Zach. Not sure much of this is necessary. We can consider 1,2 and 4 but it seems to be a regurgitation of statute and potentially unnecessary.

Rebecca McNish: Same feedback as Ameren.

Electrification Energy Consumption Reduction Policy Next Steps:

- Comments due from interested parties in 2 weeks – by Tuesday, June 20, including specific feedback on any components of these policies that could be accepted in the Policy Manual.
- Follow-up in June 27 Policy Manual Subcommittee meeting.

Interactive Effects Policy

- **Material:** [Interactive Effects – Updated Policy Proposal](#)
- Slide 5 - Last component is the interactive effects. There are additional proposed redline edits.
- Explain with the use of an example: a customer installs a Heat Pump and also insulates the house. Engineering can be done to see total savings of project, but depending on which equipment you measure first you will get different savings to the parts. Lets say HP is providing 50% savings and insulation is 20% savings, if you count the HP first and start at 1000 units, you get down to 500, and then insulation saves 20% of that, so 100 for insulation. If you do insulation first, then it is 200 for insulation and half of that would be 100 for HP. You get same total but what you assign to each part is different.
- What we came up with is the right way to do it was to do the insulation first. That is how a building scientist would do it. First insulate and then you know the size of system.
- But it is not clear, because in the end you save electricity not gas. And there were some issues for administrating this because if you do insulation first it sounds like you save gas first and not electric, and you have to do conversions and there are caps on what utilities can count as savings.
- We tried to solve it by saying: you can calculate it the right way, but if you want to count dollars separately you are allowed to.
- Nicor reviewed the language that the group arrived at with People's Gas and North Shore Gas and we think it still causes problems.
- If we are counting things that are not electrification as electrification, then reporting won't be meaningful. We propose another solution which we think solves the problem. Instead of limiting what you can count as conversion or electrification, instead you can count as either electrification or just energy efficiency savings which there isn't a cap on.

Phil Mosenthal: I thought we had already agreed on a policy for interactive effects which was that the whole package would be counted as electrification.

Ted Weaver: We did come to an agreement, but as we look at it the gas utilities have concerns about the language, so we are proposing edits.

Phil Mosenthal: I disagree with your premise that there is a right and a wrong way to count these savings and that efficiency must come first. I think it is arbitrary what comes first. There is no physical law that says which one gets credit. The way you have it worded creates legal problems because it says you must count efficiency first, but it will be called electrification. This basically ignores the fact that B25 exists when the law says that you can only convert so many gas savings. I think a better policy is to say it is at the utilities discretion to determine how they count interactive effects.

Ted Weaver: The language we landed on would let utilities count the whole project as electrification.

Phil Mosenthal: Maybe. I would say it is an arbitrary decision how you order things, the total savings are the same and the program administrator should have the discretion of deciding. I understand there are legal implications of which counts first.

Seth Craigo-Snell – via chat: I don't think the agreement was to treat it all as electrification. I think the agreement was that they utility could choose which order to count the savings.

Ted Weaver: I think the language we landed on would let utilities count the whole project as electrification.

Phil Mosenthal: Disagrees there is a right and wrong way to count these savings; not sure it matters that efficiency comes first. The edited language is also problematic from a legal standpoint. It should be the utilities' discretion which order they choose to count the savings.

Interactive Effects Policy Next Steps:

- A Policy Small Group meeting will be held on Wednesday, June 14 to review an updated policy proposal. Phil Mosenthal, Chris Neme, Ted Weaver, and Thomas Manjarres working on policy edits.

Program Administration Policy: Prohibited Expenses

Elizabeth Horne, ICC Staff

- **SAG Facilitator Background:**
 - “Prohibited Expenses” is an existing Policy Manual policy
 - ICC Staff submitted several proposed edits to the Prohibited Expenses policy in June 2022, as one of the policies to be considered in the Policy Manual update process
 - One of the proposed edits is an issue in an open docket (incentive compensation), therefore will not be discussed in this Policy Manual process
 - During today’s meeting: ICC Staff is proposing an updated version of the policy proposal regarding edits to the Prohibited Expenses policy
- **Materials:** [ICC Staff Presentation: Prohibited Expenses Policy](#)
 - [Prohibited Expenses Policy Proposal Update](#)
- Overview of current Prohibited Expenses Policy (see Policy Manual Version 2.1, Section 5.4 – slide 2)
- Purpose of proposed language:
 - To increase clarity and certainty for utilities regarding specific expenses not coverable from ratepayers.
 - Reduce litigation before the Commission as utilities will be able to identify in advance which expenses should not be financed with ratepayer funds.
- ICC Staff proposes the following changes to Section 5.4 Prohibited Expenses:
 - 1) Add clarification language to make it clear that the list of prohibited expenses is not intended to be comprehensive or an all-encompassing approach.
 - 2) Reinstating the prohibition of complimentary or discounted sports tickets into the policy manual.
 - 3) Expanded prohibitions to include tickets to entertainment events, along with complimentary or discounted tickets.
- Brief overview of rationale from previous dockets where expenses was addressed.
- Example of another jurisdiction – Focus on Energy Policy Manual from 2013 – slide 10

Karen Lusson: Expressed support for this policy proposal.

No other comments or questions raised in meeting.

Prohibited Expenses Policy Next Steps:

- Comments due from interested parties in 2 weeks – by Tuesday, June 20.
- Follow-up in June 27 Policy Manual Subcommittee meeting.

Closing and Next Steps

Celia Johnson, SAG Facilitator

- See [Summary of Next Steps from May 31 Policy Manual Meeting](#)