

**Illinois Energy Efficiency Stakeholder Advisory Group
Policy Manual Subcommittee Version 3.0: Proposed Policy Template**

**Proposed Policy: Net-to-Gross (NTG) Clarification
Submitted By: ICC Staff**

Question 1: Proposed Policy and Rationale

Briefly describe the policy proposed to be included in Policy Manual Version 3.0, including rationale for why this policy is necessary in Illinois.

Questions to consider:

1. *Why does this policy require inclusion in Policy Manual Version 3.0?*
2. *What unresolved policy issue(s) will be resolved by inclusion in the Policy Manual Version 3.0?*

Please be as specific as you can. If you have specific policy language to propose at this time, please include in this template. It is not a requirement to draft policy language in the proposal template. If draft policy language is not included here, you may be assigned to draft proposed policy language for review by the Subcommittee at a future meeting.

The NTG policy needs to be clarified so that NTG is applied to the benefits side of TRC calculation, including the net present value avoided replacement costs (if negative, then treated as incremental cost, if positive, then treated as a benefit – but apply NTG in both scenarios). Clarification is needed because this question was raised in an evaluation report.

Excerpt from current Policy Manual Section 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 annually¹ 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 Plan² 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

¹ Public Utilities Act (220 ILCS 5/8-103B(g)(6)).

² Public Utilities Act (220 ILCS 5/8-104(f)(8)).

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.³ 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 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.

Commented [CJ1]: ICC Staff: Potentially clarify that the NTG should be applied even in cases where there are negative incremental costs, and it's treated as a benefit in the TRC analysis. ICC Staff had a situation where it was not being applied this way; clarification would be helpful.

Excerpt from current Policy Manual Section 8.4, TRC Costs:

The following definitions should be adhered to for purposes of classifying costs when performing the TRC Test analysis:

- 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.

Commented [CJ2]: ICC Staff: Potentially clarify that the NTG should be applied even in cases where there are negative incremental costs, and it's treated as a benefit in the TRC analysis. ICC Staff had a situation where it was not being applied this way; clarification would be helpful. This is where ICC Staff saw the NTG wasn't being applied.

Question 2: Utility Impact

Describe whether the proposed policy impacts Illinois gas utilities, electric utilities, or both.

Both electric and gas utilities

³ Portfolio-level cost categories can be found in Section 5.2 of the Policy Manual, Portfolio Cost Categories.

Question 3: Background Research

Provide any background research completed in preparing this template, including source references and links, as applicable.

Questions to consider:

- 1. Are you aware of other jurisdictions or utilities that address this policy issue?*
- 2. Have any national or regional energy efficiency organizations addressed this policy topic? If so, please provide reports and any other relevant sources.*

Optional Question 4: Commission Decision

Has the Illinois Commerce Commission previously addressed this policy or issue? If so, please provide language and specific citations, including the ICC docket number.

Optional Question 5: Statutory Consistency

Have you reviewed your proposed policy against applicable Illinois law? Are there any possible conflicts? If so, please explain and provide statutory citation(s).

Optional Question 6: Additional Information

Provide additional information, as needed, to assist with understanding the proposed policy issue and your request to include it in the Policy Manual Version 3.0. For example, have any memos been drafted to the SAG related to this policy proposal?