

**Proposed Policy for Version 3.0: Illinois Locational Net to Gross Policy for Disadvantaged Areas**  
**Submitted By: Ameren Illinois**

**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?*

To address continuing concerns around equity in program access and participation, AIC proposes the SAG consider enhancing the NTG Ratio policy for both residential and business programs serving customers in areas identified as facing significant disadvantages. This policy seeks to identify a generally accepted definition for “disadvantaged areas”, as it relates specifically to Section 8-103B and 8-104 energy efficiency. Once accepted, utilities will be able to focus additional program resources and efforts in these areas of agreed upon need.

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

While SAG reached general consensus re: a NTG Ratio of 1.0 for income qualified programs in IL Policy Manual 2.0, the Policy Manual does not address or acknowledge similarly important but different locational qualities, including but not limited to demonstrably lower levels of potential free ridership, for programs serving customers in geographic areas where all utility customers, whether residential income qualified or not, face consistently higher barriers to participation. This policy update provides a mechanism by which program administrators can identify, designate, and prioritize these previously underserved areas and build the kind of truly inclusive programs that will drive customer success and adoption in these communities.

*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.*

**Proposed Policy**

In order for utility program administrators to more effectively target efforts to serve customers that have not previously participated in energy efficiency programs, members of the IL SAG agree that programs successfully serving communities identified and designated to be “disadvantaged areas” will receive a NTG Ratio of 1.0, similar to that for all income qualified programs. This policy would acknowledge that residential and business customers, including community service institutions, in certain communities or geographies face materially different or higher barriers to successful participation in energy efficiency offers while also facing higher than average levels of energy burden.

In light of the additional marketing, education, outreach, and coordination efforts (e.g. with community partners) that are needed to serve these disadvantaged areas and customer segments, energy efficiency programs that successfully engage these areas should receive higher savings attribution relative to programs completed in non-disadvantaged areas.

Evaluators would add to the existing body of research to assess any notable differences between specific geographic zones where indices of income and diversity correlate with varying barriers to program participation. The evaluation research and findings would be presented to the SAG and could be used to 1) define and prioritize disadvantaged areas (for example, but not limited to, the definition provided for “equity investment eligible community” used in Public Act 102-0662) and 2) validate a NTG Ratio of 1.0 for utility programs that successfully engage customers in these identified areas.

### **Question 2: Utility Impact**

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

Assuming that all IL gas and electric utilities will have potential “disadvantaged areas” in their respective service areas, this policy would impact all gas and electric utilities.

### **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?

#### **Massachusetts:**

2022-2024 Energy Efficiency Plans include prioritization of 38 towns/townships that were identified as “Environmental Justice Communities”. The MA Equity Working Group (EWG) has discussed multiple options for streamlining customer qualification, including community level verification based on an areas with the EJ Communities designation.

“The Massachusetts Energy Efficiency Advisory Council (EEAC) and Program Administrators (PAs) are committed to improving the equitable delivery of energy efficiency programs. In 2020, the EEAC established the Equity Working Group (EWG) to focus attention on customer groups identified through analysis of nonparticipants. Based on this evaluation research, the EEAC identified underservice to moderate-income customers, renters and landlords, households with a primary language other than English, and small businesses when compared to other program participants. The EWG agrees that it should be priority of the Mass Save® programs to remedy past underservice in order to ensure program equity moving forward. The EWG also recognizes that equitable decarbonization also prevents customers and communities historically underserved from being further left behind.”

<https://ma-eeac.org/wp-content/uploads/Attachment-B-Equity-Targets-Framework-Final.pdf>

## **New York:**

The state identified 35 percent of census tracts within the state as Disadvantaged Communities (DACs). DACs are identified on the basis of indicators or data such as climate-related burdens and risks, as well as health vulnerabilities. The Climate Leadership and Community Protection Act (Climate Act) requires State agencies, authorities, and entities to direct funding in a manner designed to achieve a goal for disadvantaged communities to receive 40% of overall benefits of spending on clean energy and energy efficiency programs.

“The Climate Act recognizes that climate change does not affect all New Yorkers equally. Climate change is a threat multiplier exacerbated by burdens, vulnerabilities, and stressors that differ among communities statewide. The Climate Act charged the Climate Justice Working Group (CJWG) with the development of criteria to identify disadvantaged communities to ensure that frontline and otherwise underserved communities benefit from the state’s historic transition to cleaner, greener sources of energy, reduced pollution and cleaner air, and economic opportunities.”

<https://www.nyserda.ny.gov/ny/disadvantaged-communities>  
<https://climate.ny.gov/DAC-Criteria>

## **California:**

Developed its own environmental justice mapping tool, called CalEnviroScreen, which can be used to compare the cumulative burdens communities face throughout the state. The state uses the tool to identify DACs, drawing on 20 different criteria and grouping them into two main categories: pollution burden and population characteristics.

“In 2016, Assembly Bill 1550 (Gomez, Chapter 369, Statutes of 2016) directed CalEPA to identify DACs and also established the currently applicable minimum funding levels:

- At least 25 percent of funds must be allocated toward DACs
- At least 5 percent must be allocated toward projects within low-income communities or benefiting low-income households
- At least 5 percent must be allocated toward projects within and benefiting low-income communities, or low-income households, that are outside of a CalEPA-defined DAC but within ½ mile of a disadvantaged community

After receiving public input at workshops and in written comments, in May 2022, CalEPA released its updated Designation of Disadvantaged Communities for the purpose of SB 535.”

<https://webmaps.arb.ca.gov/PriorityPopulations/>

## **Colorado:**

“Decision No. C08-0560 directs the Colorado Public Service Commission to pursue all cost-effective low-income DSM programs, “but to not forego DSM programs simply because they do not pass a 1.0 TRC test.” It also directs that, in applying the TRC to low-income DSM programs, “the benefits included in the calculation shall be increased

by 20%, to reflect the higher level of non-energy benefits that are likely to accrue from DSM services to low-income customers.” This was increased further to 50% for low-income measures and products in April 2018 under Decision No. C18-0417.

<https://database.aceee.org/state/guidelines-low-income-programs>

### **Michigan:**

University of Michigan Poverty Solutions initiative developed the “Index of Deep Disadvantage” to rank cities and counties nationwide, using income, health, and social mobility metrics.

<https://poverty.umich.edu/projects/understanding-communities-of-deep-disadvantage/>

### **Illinois:**

#### **AIC Low Income Needs Assessment (LINA):**

Opinion Dynamics completed LINA research on behalf of AIC to:

“(1) characterize the residential IQ market segment, including key indicators related to energy burden, economic hardship, and health, comfort, and safety (HCS); (2) refine its definition of Empower Communities (beyond income and racial/ethnic diversity) by identifying key sub-segments with relatively high need for support; and (3) enhance outreach efforts by identifying preferred channels and credible messengers for reaching IQ and other underserved customers.”

#### **Key Methods:**

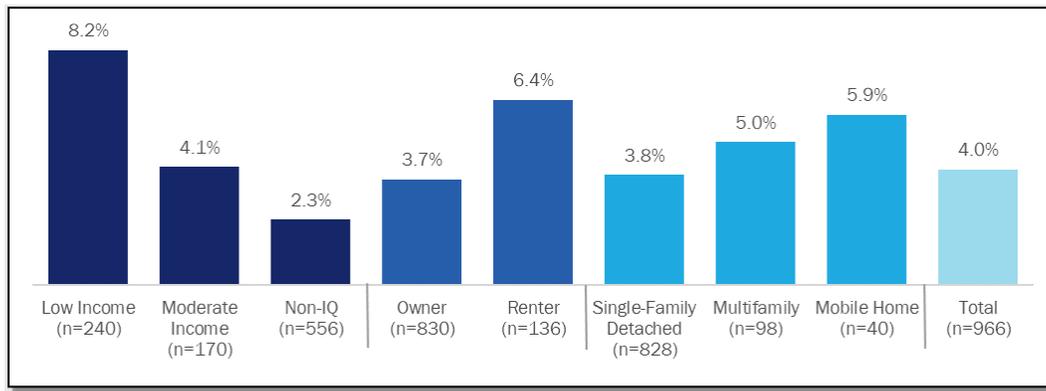
- 1) General population survey with a representative sample of over 1,300 AIC residential customers – even mix of IQ, and non-IQ customers.
- 2) Analyzed actual energy bill information to calculate energy burden for these customers.

#### **Key Findings:**

Substantially higher energy burden for:

- IQ and Moderate IQ residential customers
- Renters vs. Owners
- Multifamily and Mobile Home Residents compare to Single-Family Detached homes
- Many historically disadvantaged demographic groups
- Customers who receive some form of public assistance

**Figure 1. Average Energy Burden, by Core Segment**



The research also found that IQ customers are more likely than non-IQ customers to have:

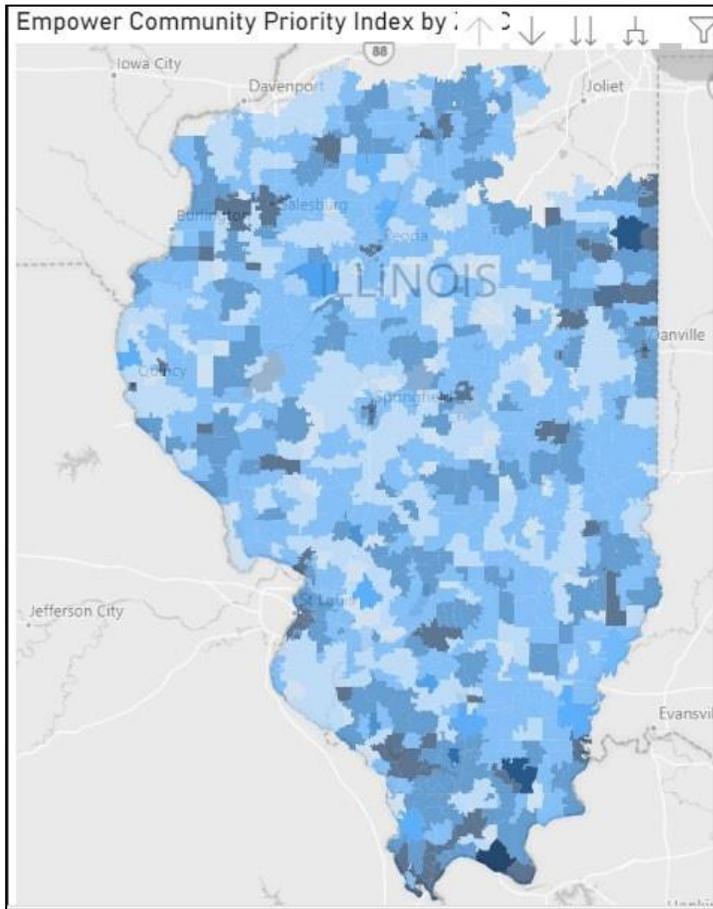
- “HCS [Health, Comfort, and Safety] concerns stemming from the quality of their home, most commonly with building shell issues.”
- “mold/moisture or pest problems (about one-third and one-quarter respectively); and some IQ customers appear to have severe issues that may cause project deferment and, as such, create barriers to IQ Initiative participation.”

- [Ameren Illinois Low Income Needs Assessment Final Report](#)

#### **Champaign County Regional Planning Commission (CCRPC):**

AIC has worked with CCRPC to develop an index utilizing income and racial diversity data to prioritize zip codes across AIC’s service territory by need. The index ranges from 0 to 1 with areas of highest need near 1.

The map below shows the current index values ranging from light blue (0 = less need) to dark blue (1 = greatest need).



AIC is currently working with CCRPC to refine and improve this priority index as a direct result of the outcomes from the LINA research. Any additional research for this policy proposal involving the indexing and identification of disadvantaged and non-disadvantaged areas would be directly coordinated with CCRPC.

<https://ccrpc.org/>

**AIC Empower Communities (EC) Study:**

Opinion Dynamics completed research on behalf of AIC to:

“better understand how to best serve small businesses and community-serving institutions (CSIs) in four predominately non-White and/or economically challenged communities, which AIC refers to as “Empower Communities”: Decatur, East St. Louis, Monmouth, and an aggregation of small Southern Rural Communities (SRC).”

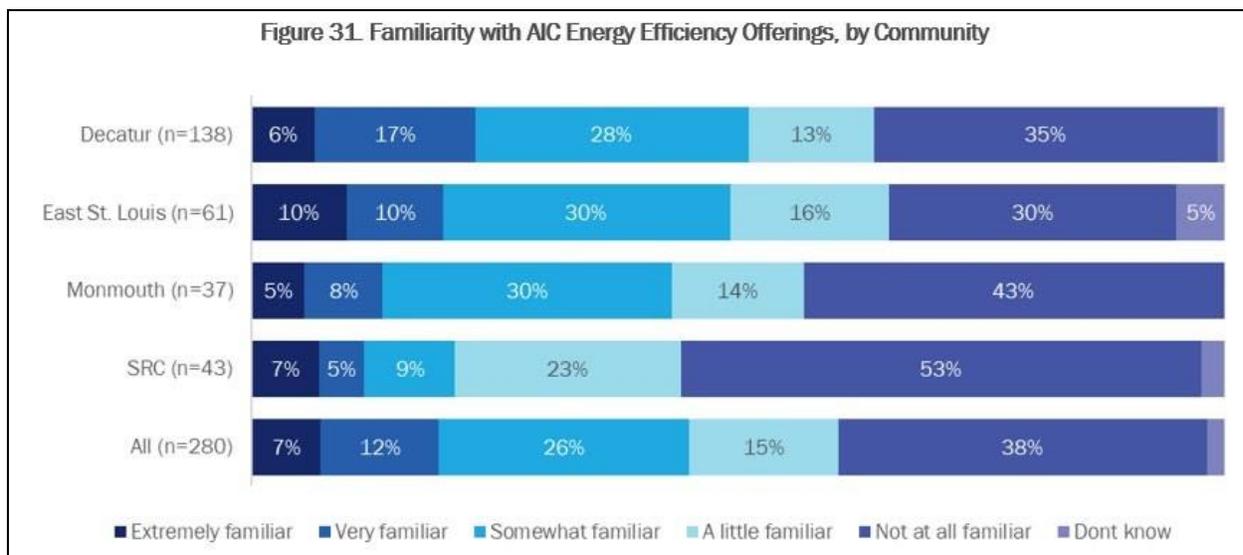
“The overarching goal of this research is to find new and improved ways for AIC to reach and serve non-residential customers within these historically underserved communities. As such, this study sought to better understand their energy-related and health, comfort, and safety (HCS) needs; barriers to participating in AIC offerings; and the best ways to engage these customers to grow awareness, interest, and ultimately participation in the Business Program.”

**Methods:**

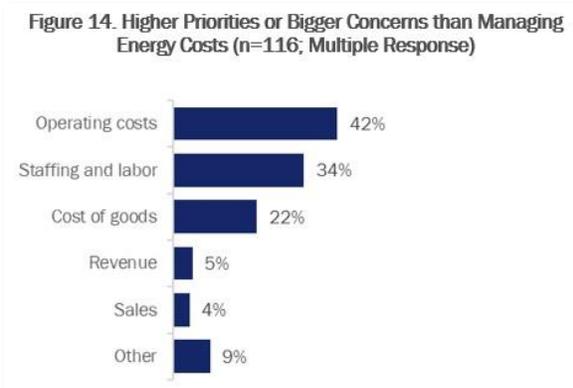
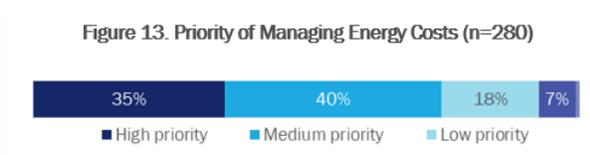
- 1) Survey of 280 small businesses and community serving institutions (CSIs) across a wide spectrum of business and organization types in the four ECs.
- 2) Interviews with 21 community leaders in the four ECs.

**Key Findings:**

- “Awareness is by far the largest barrier to AIC offering participation; about four in five surveyed organizations have limited or no familiarity with AIC’s Business Program.”



- “Prioritization is a major barrier for organizations, even after they are made aware of the offerings. --- About two-thirds said managing energy costs is a mid-tier or low priority, although most surveyed organizations report that energy costs have at least a moderate impact on their operating budgets, revenue, or profits.”



- “Additionally, ... cost, limited knowledge, and organizational policies are the most common barriers to making energy-efficient upgrades or energy management changes.”
- “Minority-led organizations, women-led organizations, and CSIs are more impacted by energy costs and/or energy-related HCS issues than their counterparts,”
- “The current list of eligible Small Business Direct Install (SBDI) and Small Business Energy Performance (SBEP) measures is highly aligned with the end-uses that are top of mind for organizations,” but participation in these underserved areas is still low.

{INSERT LINK TO PUBLISHED FINAL REPORT}

(ODC expects to finalize this study by July 2022)

## **IL SB-2408:**

### Article 5, Section 5-5 Definitions:

"Equity focused populations" means (i) low-income persons; (ii) persons residing in equity investment eligible communities; (iii) persons who identify as black, indigenous, and people of color; (iv) formerly convicted persons; (v) persons who are or were in the child welfare system; (vi) energy workers; (vii) dependents of displaced energy workers; (viii) women; (ix) LGBTQ+, transgender, or gender nonconforming persons; (x) persons with disabilities; and (xi) members of any of these groups who are also youth.

"Equity investment eligible community" and "eligible community" are synonymous and mean the geographic areas throughout Illinois which would most benefit from equitable investments by the State designed to combat discrimination and foster sustainable economic growth. Specifically, the eligible community means the following areas: (1) R3 Areas as established pursuant to Section 10-40 of the Cannabis Regulation and Tax Act, where residents have historically been excluded from economic opportunities, including opportunities in the energy sector; and (2) Environmental justice communities, as defined by the Illinois Power Agency pursuant to the Illinois Power Agency Act, but excluding racial and ethnic indicators, where residents have historically been subject to disproportionate burdens of pollution, including pollution from the energy sector.

"Economically disadvantaged community" means areas of one or more census tracts where the average household income does not exceed 80% of the area median income.

### Article 15. Section 15-5. Findings.

(1) The health, welfare, and prosperity of Illinois residents require that Illinois take all steps possible to combat climate change, address harmful environmental impacts deriving from the generation of electricity, maximize quality job creation in the emerging clean energy economy, ensure affordable utility service, equitable and affordable access to transportation, and clean, safe, and affordable housing.

(2) The achievement of these goals will depend on strong community engagement to ensure that programs and policy solutions meet the needs of disparate communities.

(3) Ensuring that these goals are met without adverse impacts on utility bill affordability, housing affordability, and other essential services will depend on the coordination of policies and programs within local communities.

<https://r3.illinois.gov/>

<https://www.illinoissfa.com/environmental-justice-communities/>

2. *Have any national or regional energy efficiency organizations addressed this policy topic? If so, please provide reports and any other relevant sources.*

Many states, including their public utilities commissions, have prioritized clean energy investments for previously underserved or underrepresented geographic areas. Similarly, many states have already prioritized investments for income qualified customers either or both through adjustments in cost effectiveness requirements or additions of non-energy benefits (adders) to savings achieved with income qualified customers.

“These energy burden disparities must be addressed. Inefficient housing is a key factor leading to high energy burdens. Policymakers and utilities can boost funding for energy efficiency retrofits and weatherization for the communities who experience the highest energy burdens.” <https://www.aceee.org/energy-burden>

“Target programs to the communities that need efficiency the most, such as people living in low-income neighborhoods or in high-pollution areas. This involves shifting funding to allow for larger rebates and investments in these communities; increasing marketing, outreach, and education; and designing programs that specifically address the needs of the particular community or region. Fundamental program rules (like how we measure the costs and benefits of programs) may need to be adjusted to successfully implement this strategy.” <https://www.nrdc.org/experts/lara-ettenson/energy-efficiency-reform-needed-reach-all-communities>

“This workshop featured perspectives from organizations that are leading examples of how to meet the unique needs of their communities and are champions of community representation within energy efficiency program development, ensuring that benefits flow into Black and Brown communities. It’s clear that, without consciously facilitating such efforts, the immense opportunity to reduce energy bills, drive the clean energy transition and develop a diverse clean energy workforce won’t be realized.” <https://www.mwalliance.org/blog/workshop-recap-exploring-community-based-approaches-inclusive-energy-efficiency>

“..historically, Massachusetts energy efficiency programs have been more accessible to affluent suburbs with single-family homes than to communities with high proportions of lower income households and renters. Program administrator’s new designation of “underserved communities” breaks new ground in targeting towns that have received the least energy efficiency programming in the past with targeted partnerships, increased investments, and higher benefits. Overall, underserved towns in Massachusetts share common attributes: low energy efficiency program participation rates, high shares of Environmental Justice areas, low median incomes, high poverty rates, large shares of BIPOC households, large shares of renter households, and large shares of non-English speaking households.

The [program administrators] have made equity one of the key strategic priorities of the 2022-2024 Plan. Equity, as used herein, is defined as the process of establishing more equal access to and participation in energy efficiency, particularly among those groups who have historically participated at lower rates, including renters/landlords, moderate-income customers, English-isolated families, and microbusinesses. Across all Sectors, the [program administrators] are working to increase participation among the above-

referenced groups by researching and deploying the most effective strategies to engage these customers, including through increased collaboration with community partners, enhanced incentives, improved language access, and targeted messaging.

These kinds of efforts will improve access to efficiency programs, make their benefits more equitable, enhance transparency, and help ensure that the most historically marginalized Commonwealth residents are consciously prioritized rather than inadvertently left behind.” [https://aeclinic.org/s/AEC\\_Targeting-underserved-communities-in-MA-3Yr-Plan\\_3Dec2021.pdf](https://aeclinic.org/s/AEC_Targeting-underserved-communities-in-MA-3Yr-Plan_3Dec2021.pdf)

#### **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.*

IL Policy Manual 2.0, Section 7.3 NTG Ratio for Income Eligible Programs:  
(approved by the ICC in Docket No. 19-0983; Section 7.3 is in effect January 1, 2020)

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.

#### **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).*

While SB-2408 does define related terms, such as: equity focused populations, equity investment eligible community (eligible community), and economically disadvantaged community, AIC will seek to broaden the definition of “disadvantaged areas” (as they relate to 8-103 and 8-104 program implementation and savings goals) to include business customers (and community service institutions) operating in these communities, and residential customers who may not qualify under the strict definition of income-eligible.

As it relates to EE Plans for 2022-2025, each investor owned electric and/or gas utilities in Illinois are committed to implementing efforts to engage their underserved communities and customers.

Ameren Illinois Company d/b/a Ameren Illinois 2022-2025 Energy Efficiency and Demand Response Plan Settlement Stipulation and Agreement (Originally Executed: February 26, 2021, Amended: April 5, 2022)

D. Market Development Initiative:

## 6) Policy

a) The Parties agree that they will engage in good faith efforts to identify policy mechanisms that could support enhanced investment in both (1) targeting of efficiency programs and services to economically challenged, historically under-served and diverse communities; and (2) the diversification of contractors and trade allies delivering efficiency programs and services. Such policy mechanisms may include, but would not be limited to the potential to adopt higher net to gross (NTG) assumptions for, delivery of programs by community based organizations, community action agencies, or in targeted communities than currently used for programs as a whole (system-wide). Such efforts shall include other utilities and interested stakeholders through the new SAG subcommittee focused on equity and be documented in updates to the Policy Manual by December 1, 2022.

7) The Parties agree to work together through a SAG process to identify ways in which the effect of Ameren's and other utilities' efficiency programs on energy burdens and energy affordability can be enhanced while still meeting other statutory and policy objectives.

ComEd Revised 2022-2025 Energy Efficiency & Demand Response Plan (Revised Plan 6) Revised Stipulation Agreement (February 28, 2022)

### V. Evaluation, Measurement, and Verification, B) Net to Gross:

The Parties agree that they will engage in good faith efforts at SAG to identify policy mechanisms that could support enhanced investment in both (1) targeting of energy efficiency programs and services to economically challenged, historically under-served and diverse communities; and (2) the diversification of contractors and trade allies delivering energy efficiency programs and services. Such policy mechanisms may include, but would not be limited to, the potential to adopt higher net-to-gross ("NTG") assumptions for targeted communities than currently used for programs as a whole (systemwide).

Nicor Gas EE Plan: 21-0154

### 6.7 Market Development Initiative

Research – Working to better understand and support underrepresented populations and underserved communities to achieve sustainable solutions and leverage the Nicor Gas Energy Efficiency Program to achieve larger community and regional goals. This research will inform the development of a Market Development Action Plan (MDAP) that will serve as a blueprint for MDI implementation.

Program support – Supporting new program strategies in underserved communities, including offerings targeting small businesses in economically disadvantaged communities, restaurants and other small businesses affected by the pandemic.

### 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?*