IL EE Stakeholder Advisory Group (SAG)
Request for Comments on NTG Ratio for Disadvantaged Areas Policy Interpretation Issue
June 9, 2026

Comment Instructions

- Using this template, send written comments to the SAG Facilitator, Celia Johnson: Celia@CeliaJohnsonConsulting.com **by Friday, June 26, 2026**, answering the following question: *Should the location of a Trade Ally in a utility's service territory be considered when applying the NTG for Disadvantaged Areas policy?*
- Include "SAG Policy Feedback" in the subject line of the email.

Background Information

1. **December 2025 Large Group SAG Meeting:** Questions were raised about how Illinois evaluators are interpreting the Net-to-Gross (NTG) for Disadvantaged Areas Policy (from Section 7.4 of the Illinois Energy Efficiency Policy Manual[1]).
2. **Utility EE Plan Presentations in Early 2026:** Several stakeholders requested further discussion / understanding of how the policy is being applied.
3. **Interpretation by Illinois Evaluators:** Guidehouse (current evaluator for ComEd, Nicor Gas, Peoples Gas & North Shore Gas) and E Source (current evaluator for Ameren Illinois) are interpreting the policy application differently. The two evaluators differ on whether the location of a Trade Ally should be considered when applying the policy.
4. **ICC Staff Request:** ICC Staff requested the SAG discuss this policy issue, with an opportunity for stakeholder input.
5. **Monday, June 8 Large Group SAG Meeting Presentations, posted on the June 8 meeting page:**
   - SAG Facilitator Presentation: Introduction to NTG for Disadvantaged Areas Policy Discussion
   - E Source Presentation: Consideration of Trade Ally Location in Application of the NTGR for Disadvantaged Areas Policy for Ameren Illinois
   - Guidehouse Presentation: Disadvantaged Areas Policy Approach (for ComEd, Nicor Gas, Peoples Gas and North Shore Gas)

Next Steps

- All comments will be posted on the SAG website and circulated to SAG.
- If needed, a follow-up discussion with interested parties will be scheduled.
- The goal is to document the interpretation and post it on the Policy page of the SAG website. If policy clarification(s) are needed, those can be proposed during the 2027 comprehensive Policy Manual update process.

Comments Submitted By

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[1] Illinois Energy Efficiency Policy Manual Version 3.1 (effective January 1, 2026)

<u>Question</u>: Should the location of a Trade Ally in a utility's service territory be considered when applying the NTG for Disadvantaged Areas policy?

<u>Response</u>:

As E Source presented in the June 8, 2026 SAG meeting (materials linked above), we do not currently consider the location of Trade Allies when applying the NTG for Disadvantaged Areas policy. We share our perspective on whether Trade Ally location should be considered below, and also comment on several follow-on items that should be considered by SAG in future Policy Manual updates.

1. We do not believe that either the plain language or intent of the policy support any approach that takes Trade Ally location into account <u>when in conflict with the location of a Customer</u>. We understand that the approach currently being applied by other Illinois evaluators is that interventions delivered to Customers receive a net-to-gross ratio (NTGR) of 1.0 if the associated Trade Ally is located in a Disadvantaged Area and other policy criteria are met, <u>even if the applicable Customer is known to be in a non-Disadvantaged Area</u>. We do not think that this interpretation of the policy is credible for the following reasons:
    a) The language of the policy does not include the term "Trade Ally" or any comparable term.
    b) The policy repeatedly references "Customers," which, as defined in Policy Manual Section 1, refers to utility ratepayers.
    c) It also requires nonresidential Customers to meet specific rate class and usage thresholds for the policy to be applicable due to stakeholder concerns that the policy would improperly direct additional portfolio resources to large businesses that happen to have a branch or location in a Disadvantaged Area. It is unclear how this issue would be resolved with respect to Trade Allies.
    d) The relationship of Trade Allies to this policy was not raised by any party in the Policy Manual discussions that led to the adoption of this policy.

    Given the above, we do not believe that SAG would have intended the location of Trade Allies to supersede the known location of a Customer.

    If SAG decides that the location of a Trade Ally <u>should</u> be considered when applying the policy, we believe it is necessary for SAG to issue a written policy interpretation document. Without such documentation, we are not comfortable considering Trade Ally location for the reasons explicated above.

2. We do not have a position on whether the location of a Trade Ally should be considered when the location of a Customer is unknown. We understand that the approach currently being applied by other Illinois evaluators is that interventions delivered to Customers with unknown locations receive a NTGR of 1.0 if the associated Trade Ally is located in a Disadvantaged Area and other policy criteria are met.

    While acknowledging that this is not our current approach, we believe that it is a <u>potentially</u> credible interpretation of the policy to use the location of a Trade Ally as a proxy for the location of a customer - <u>if, and only if</u> the location of a Customer is unknown. Given the range of interpretations of this policy to date, we believe that SAG should clarify whether such an interpretation is reasonable in a future Policy Manual update, so that each utility's program activity is treated consistently.

3. The final paragraph of the policy provides guidance on NTG research to align future research with the impacts of the policy. This paragraph states:

   It is expected that, though Customers in disadvantaged areas are currently underrepresented in evaluation research due to lower participation levels, going forward, this policy will require that research to establish NTG ratios for Program activity explicitly sample Customers in non-disadvantaged areas. Any NTG research targeting Customers in disadvantaged areas will fall under Section 7.3 of the Policy Manual.

   To align with this policy language, the E Source team removes Customers who are located in a Disadvantaged Area and meet the other criteria identified in the policy from the population on which NTG research is conducted. This is a straightforward research modification and to the best of our knowledge, this modification is implemented consistently by all of the Illinois evaluation teams.

   Under the alternative application of the policy proposed by the other Illinois evaluation teams, this guidance would need to be expanded on two fronts.
   a) First, the policy language would need to direct evaluators to remove both Customers located in Disadvantaged Areas as well as Customers qualifying for a 1.00 NTGR through the policy via the location of their Trade Ally from the research population.
   b) Second, the policy language would need to be adjusted to provide guidance to evaluators on how to consider cases where Trade Allies are included in the population for NTG research (such as Trade Ally spillover research or Midstream programs where Trade Allies are included in populations for free ridership research). Such guidance would likely be quite complex due to the nature of Trade Ally NTG research.

   We think that the absence of guidance related to the points above is further evidence that the policy is not intended to consider the location of Trade Allies. The impacts of this policy interpretation on NTG research could be significant. If SAG's conclusion is that it is reasonable for evaluators to supersede the location of a Customer with a Trade Ally when applying the policy, then the written policy interpretation to this effect also needs to direct evaluators to appropriately adjust NTG research populations to account for this and provide guidance on how to do so. Otherwise, NTG research results could potentially be subject to systematic bias due to a mismatch between the populations in which NTG research is being conducted vs. the populations to which that NTG research is applied.