Illinois EE Stakeholder Advisory Group
Large Group SAG: EE Statute Workshop #1

Monday, September 27, 2021
1:30 – 3:30 pm

Attendee List and Notes

Meeting Materials

- Posted on the September 27 Meeting page:
  - Monday, September 27, 2021 SAG Agenda
  - Introduction to September SAG Workshops (SAG Facilitator)
  - Ameren Illinois EE Statute Workshop CPAS Presentation
  - ComEd EE Statute Workshop CPAS Presentation

Attendee List

Celia Johnson, SAG Facilitator
Samarth Medakkar, Midwest Energy Efficiency Alliance (MEEA) – Meeting Support
Greg Ehrendreich, MEEA
Brian A'Hearn, CLEAResult
Laura Agapay-Read, Guidehouse
Jennifer Alvarado, Franklin Energy
Matt Armstrong, Ameren Illinois
Ingo Bensch, Evergreen Economics
Shonda Biddle, Walker-Miller Energy Services
Anthony Brown, Ameren Illinois
Patrick Burns, Brightline Group
Ben Campbell, Energy Resources Center, UIC
Hannah Collins, Leidos
Salina Colon, CEDA
Andrew Cottrell, Applied Energy Group
Erin Daughton, ComEd
Larry Dawson, IACAA
Leanne DeMar, Nicor Gas
Mark DeMonte, Whitt-Sturtevant, Ameren Illinois
Erika Dominick, Walker-Miller Energy Services
Nick Dreher, MEEA
Deb Dynako, Slipstream
Katie Elmore, Community Investment Corp.
Jeff Erickson, Guidehouse
Jennifer Fagan, Verdant Associates
Jim Fay, ComEd
Jason Fegley, Leidos
Ed Fitzhenry, Law Offices of Edward Fitzhenry
Claire Flaherty
Julia Friedman, Oracle
Zachary Froio, Applied Energy Group
Diana Fuller, IACAA

Lauren Gage, Apex Analytics
Alondra Garduno, Elevate
LaJuana Garrett, Nicor Gas
Jenny George, Ameren Illinois
Joe Giamberdino, Citizens Utility Board
Jean Gibson, Peoples Gas & North Shore Gas
Stacy Gloss, Indoor Climate Research & Training, U of I
Laura Goldberg, NRDC
Pace Goodman, ILLUME Advising
Kevin Grabner, Guidehouse
Andrey Gribovich, DNV-GL
Walid Guerfali, ICF
Mary Ellen Guest, Chicago Bungalow Association
Randy Gunn, Tierra
Vince Gutierrez, ComEd
Amir Haghighat, CLEAResult
Jim Heffron, Franklin Energy
Travis Hinck, GDS Associates
Dena Jefferson, Franklin Energy
Mark Johnson, Steptoe & Johnson, ComEd
Mary Johnson, Resource Innovations
Kevin Johnston, Green Homes Illinois
Katherine Johnston, Green Homes Illinois
Haley Keegan, Resource Innovations
Anna Kelly, Power Takeoff
Keelin Kelly, Power Takeoff
Jonathan Kleinman, Aiqueous
Larry Kotewa, Elevate
Ryan Kroll, Driftless Energy
John Lavallee, Leidos
Sharon Lewis, Meadows Eastside Community Resource Organization
Matt Ludwig, ComEd
Molly Lunn, ComEd
Edith Makra, Metropolitan Mayors Caucus
Thomas Manjarres, Peoples Gas & North Shore Gas
Marlon McClinton, Utilivate
Brady McNall, DNV-GL
Rebecca McNish, ComEd
Tim Melloch, Future Energy Enterprises
Max Michelotti, Power Takeoff
Abigail Miner, IL Attorney General's Office
Anne Mitchell, Jenner & Block, Nicor Gas
Jennifer Morris, ICC Staff
Phil Mosenthal, Optimal Energy, on behalf of IL Attorney General's Office
Denise Munoz, ComEd
Chris Neme, Energy Futures Group, on behalf of NRDC
Dantawn Nicholson, ComEd
Victoria Nielsen, Applied Energy Group
Gregory Norris, Aces 4 Youth
Eric O'Neill, Michaels Energy
Lorelei Obermeyer, CLEAResult

Randy Opdyke, Nicor Gas
Antonia Ornelas, Elevate
Bryan Overman, Indoor Climate Research & Training, U of I
Christina Pagnusat, Peoples Gas & North Shore Gas
Ashley Palladino, Resource Innovations
Stacey Paradis, MEEA
Deb Perry, Ameren Illinois
Michael Pittman, Ameren Illinois
Jared Policicchio, City of Chicago
Joe Reilly, Applied Energy Group
Adam Roche, Franklin Energy
Zach Ross, Opinion Dynamics
Elena Savona, Elevate
Clayton Schroeder, Resource Innovations
Leah Scull, CLEAResult
Cynthia Segura, Citizens Utility Board
Kristol Simms, Ameren Illinois
Ramandeep Singh, ICF
Arvind Singh, DNV-GL
Grant Snyder, IL Attorney General's Office
Melanie Steen, Ameren Illinois
Jacob Stoll, ComEd
Mark Szczygiel, Nicor Gas
Stephen Taylor, The Will Group
Brian Tomkins, Metropolitan Mayors Caucus
Rick Tonielli, ComEd
Rob Travis, Cascade Energy
Taso Tsiganos, IL Attorney General's Office
Eric Van Orden, Copper Labs
Andy Vaughn, Leidos
Marques Vaughn, Ameren Illinois
Ted Weaver, First Tracks Consulting, on behalf of Nicor Gas
Ken Woolcutt, Ameren Illinois
Fred Wu, Aiqueous
Hameed Yusuf, Resource Innovations
Qianmin Zhang, ComEd
Jim Zolnierek, ICC Staff
Brittany Zwicker, CLEAResult
Nicholas Crowder, Ameren Illinois
Jim Dillon, Ameren Illinois
Keith Goerss, Ameren Illinois
Chris Vaughn, Nicor Gas

Meeting Notes
Follow-up items marked in red.

Introduction to SAG EE Statute Workshops

Celia Johnson, SAG Facilitator

Purpose of Workshop Meetings:

- For Ameren Illinois and ComEd to present information related to the Illinois Commerce Commission (ICC) establishing CPAS goals for the years 2031-2035.
- Stakeholders will have an opportunity to ask questions and share initial feedback.
- Two meetings on this topic, second scheduled on September 30 for stakeholders to share additional feedback.
- Meetings this week only focusing on future CPAS goals, although there are other changes to electric utility EE policy. Changes to new EE law are still under review, and SAG may hold additional meetings to discuss, as needed.

Background:

- New EE law was signed in mid-SEptember. Requires ICC to establish additional CPAS goals for 2031-2035 by the end of the year. These goals are only for electric utilities.
- ICC Staff requested SAG workshops to inform establishing these goals.
- Timeline is short. Workshop #1 (Sept 27). Workshop #2 (Sept 30).
- ICC Staff will be drafting Staff reports on Oct 1, summarizing workshops, including consensus and non-consensus.
- ICC may open dockets in mid-Oct to establish 2031-2035 goals for Ameren Illinois and ComEd by end of year. If consensus can be reached, CPAS docket will not be opened. If consensus cannot be reached, a Commission docket will be opened to meet the Dec 31 deadline.
- Shared the backstop for future CPAS goals (if there is no ICC docket) for ComEd and Ameren Illinois included in the law.

  [Jennifer Morris] If there is consensus that the default goals are established, Commission won't be opening a docket. If consensus is reached that there should be other CPAS goals that differ from the backstop, a docket will be opened with recommendation to establish those new targets. If there is no consensus on targets, Commission will open a docket to review initial and reply comments.

  [Kristol Simms] Default goals slide may not be correct, due to adjustment for VO (voltage optimization).

  [Stakeholder Question] Define open docket?

  [Jennifer Morris] Commission would open a proceeding to hear from any interested party to hear what the goal should be, and ICC would ultimately decide based on evidence submitted.

  [Chris Neme] In addition to the backstop increases, there is important language in the statute about if the ICC initiates a proceeding that doesn't rely on backstop, regarding the burden of proof. Are we going to talk about this at all?

  [Molly Lunn] This is noted in ComEd slides.

  [Kristol Simms] Not in AIC slides, but we believe there are outstanding protocols referring to the relevant subsection. There are a variety of protocols that do or do not apply given the specific goal adjustment. Relatively complex process. Another question, what is expected in terms of consensus. Would "non-objection" be sufficient?

[Jennifer Morris] Historically, we have used "no objection" to determine consensus, from non-financially interested parties. Do you think the Commission would need to reopen portfolio approval docket?

[Kristol Simms, Ameren IL] Not suggesting that, the relevant subsection (f-3) does refer back to following the process as outlined in (f). Not sure how Commission is interpreting.

[Jennifer Morris] If there are any changes with how the backstop is described in slides, please send before Friday.

[Chris Neme] My review of (f-3) is pertaining to procedural process. The process for establishing goals is in one section and the standard for setting modified goals is in a different section. This may require more conversation.

[Kristol Simms] Not sure the language is clear.

[Molly Lunn] Agreed.

ComEd Presentation

Molly Lunn, ComEd

What does the law require?

- ICC must establish goals for 2031-2035
- Best estimate of maximum cost-effectively achievable savings. 0.9% points per year absent Commission proceeding.

How do Cumulative Persisting Annual Savings (CPAS) and Applicable Annual Incremental Goal (AAIG) work?

- Statute (8-103b) sets CPAS targets through 2030. Savings build each year, subtract out expiring savings from measures with expired lives.
- AAIG is the difference between CPAS goals year-to-year. AAIG is applicable incremental goal. CPAS is the cumulative goal. AAIG is the difference between each adjacent bar on the graph shown on the slide. Need to hit the cumulative goal from year to year, as well as AAIG.
- AAIG is similar to first year savings in early years. Before savings come into play. AAIG ranges from 1.3% to 0.9% for ComEd, generally. Because savings expire, AAIG varies from year to year.

  [Chris Neme] I think your annual savings are 2.0%. You have a fair amount of expiring savings even in 2018, because CPAS targets are based on savings generated since 2012. Substantial expiring savings even for legacy savings – savings from 2012-2017. But completely agree that this is a different metric than most states use.

  [Molly Lunn] Early on after Future Energy Jobs Act (FEJA), we had expiring savings, but nothing like the level of what we are seeing for future years. But it's close to what we can achieve for first year savings (first couple of years in FEJA).

  [Chris Neme] Savings are more like 2.0% than 1.3%.

How do expiring savings impact goals?

- CPAS and AAIG are based on FEJA. What's new in CEJA is AATS (Annual Applicable Total Savings]
- AATS = Savings to achieve true AAIG, essentially, the amount of savings needed to make up expired savings in the given year, plus the AAIG goal to meet the year's CPAS target.
    - Savings to achieve AAIG, AAIG plus expiring savings, because you can't count savings towards AAIG until you make up for existing savings. TS – total savings
- Legacy savings – two flavors – pre-FEJA legacy savings and post-2018 expiring savings.
- Chart on right shows how legacy savings drop off, grey shows how expiring savings post-2018 start to accrue. This raises AATS from 2.0% to 2.4% by 2030. Higher than other jurisdictions trends.
- Expiring savings accelerate after 2030. 15 year measure lives are the most frequent. In 2033, all of the 2018 portfolio is gone, and so on. If ComEd continues to repeat 2025 planned savings through 2040, eventually, all expiring savings match the new savings. Cumulative savings level off, AAIG achievement decreases to 0, and AATS continues at 2.2% per year. At that point, AAIG is not similar to first-year savings. We've always had expiring legacy savings, but beyond 2030, the amount is accelerating.
- The question is, can ComEd expand existing portfolio to meet need for savings? New statute includes electrification, 10+MW customers, and savings from converting therms. This is all more than offset by decline in lighting.
- 2026-2030 timeframe, drop in achievable first-year savings.
- What does this mean for CPAS and AAIG achievement? Even with 0.5% increase, savings to achieve rises. Assuming 2025 first year savings consistent through 2040 and including declining lighting opportunity, portfolio declines. Includes increased new opportunities allowed by CEJA.

  [Chris Neme] Electrification in the planning cycle can be 15% of total savings. Including new opportunities, amount of new incremental annual savings in early 2030 is slightly less than 1%.

  [Molly Lunn] Yes. Significantly less than 1%.

  [Chris Neme] That assumes that you're stuck with measures and program you have today. There will be new measures that we can't envision today.

  [Molly Lunn] Yes, measures that are not invented yet. But we also tried to include measures approved that will continue. There is an unknown.

  [Ted Weaver] Yellow line includes combination of decrease in lighting as well as increase in new opportunities under CEJA.

  [Chris Neme] The forecast of 1.4% (incremental annual] is right now, more like 2.0%, but because of the decline in lighting, it drops in future years, correct?

  [Ted Weaver] Yes. Top of the gray line is what AATS would be, and what based on what ComEd knows about.

[Chris Neme] Forecast of 1.4% is more like 0.8% if you get rid of new opportunities, and that new number (my assumption) is that estimate is predicated on new opportunities not emerging.

[Molly Lunn] There are limitations to what we know about.

[Stakeholder Question] Can you describe what therm conversion cap changed from and to?

[Molly Lunn] Therm conversion was previously 10% of AAIG but now it's 10% of AATS. ComEd can convert a lot more therms because of expiring savings.

- ComEd Analysis
  - There are challenges with setting goals this far out. I understand why stakeholders felt utilities needed to know that there will be goals after 2030. If we didn't know we would have goals after 2030, there is a disincentive for doing long life measures later this decade. But this is not typically done in other states and it presents substantial challenges.
  - Not aware of a potential study that goals beyond 2030. We don't have "other independent analysis" that addresses savings post-2030. Markets change, technologies change, and rules change that could impact savings up or down in the next ten years.
  - We did a forecasting exercising on what we might be able to see from our R&D portfolio, just out to 2030, and then extended out but the proportion that we think could be made up is small in comparison – something like 80 GW a year. Compared to what we see falling off, it's not going to bridge the gap.

Conclusions

- Our current modeling shows performance will fall below 2.5%, due to declining first year savings opportunities and expiring savings.
- We want to work with stakeholders, achieve greater savings and increase forecasted savings.
- ComEd proposes to revisit establishing CPAS goals ahead of 2030 plan filing, but when robust and current analysis is available. Including potential study included in the law. If this does move to a contested proceeding, it's going to be a short timeline. We need to have a follow-on process ahead of a plan filing, instead of a litigated docket.

  [Jim Zolnierek] Do you envision this approach being a one-time thing?

  [Molly Lunn] It will still be too far in advance, although there will be more ability to discuss and gather data.

  [Jim Zolnierek] More comfortable with saying this is a one-time thing.

  [Kristol Simms] Agree there are challenges associated with the short timeline. In future years, with more time and better understanding of what will be needed, utilities could better plan ahead.

  [Chris Neme] I appreciate the challenge of forecasting savings a decade in the future. If we don't do this, utilities have no incentive to focus on long life measures. If there was a

requirement in statute that the avg measure life is 12 years, this would be less of an issue.

[Kristol Simms] The concern could be easily addressed through a Policy Manual change, for example. In plans that were just approved, utilities have demonstrated commitment to long life measures.

[Molly Lunn] As long as we know there is going to be a goal there isn't a disincentive. The point is we can't allow more savings to drop off.

[Chris Neme] It's challenging to forecast how much new stuff is going to emerge and what's it's going to cost. Looking backwards, there is ton of potential that was not accounted for. Once the CPAS targets are set, when you put the future plan together, you can ask for modified goals. I think it's important context to recognize that it's a two-step process. There is a process for adjusting goals. From a legal perspective, have your lawyers concluded you have statutory authority to do this?

[Molly Lunn] There are different options – a stipulation, an MOU, an update to the Policy Manual. Because we don't have a potential study to ask for something lower than 0.9%, there's a piece there about the timing and how this is not practical. Planned dockets are contentious enough, trying to work out a significant change will be challenging. Also, we have to forgo dollars on R&D if we ask for modified goals. If we don't have a fair amount of time to set goals, we shouldn't have to forgo those dollars, because we didn't have time to do a thoughtful process.

[Chris Neme] Yes, there are some ramifications for setting modified goals, but erring on the conservative side, cuts out the opportunity.

[Mark Johnson] This is something ComEd is still looking at, a lot of concepts packed in the legislation. Commission is supposed to be basing goals from a potential study, this is missing.

[Jim Zolnierek] Is the proposal to allow the defaults to go into effect now, without the Commission taking action, revisit this and set goals, then revisit again when there's a plan process?

[Molly Lunn] Yes, proposing a pre-plan process in the future. One process to revisit the established goals, a later plan filing where it would be possible to modify. The question is where the Commission should set goals now, we believe we will be below 0.5.

[Jim Zolnierek] In this second proceeding would you take the position that they can go up or down, or only go down?

[Molly Lunn] In a future proceeding ahead of the Plan filing, I suppose they could go up too, assuming it would set less than 0.9%.

Ameren Illinois Presentation

Kristol Simms, Ameren Illinois; Andrew Cottrell, Applied Energy Group

Goal Setting Analysis

- Conclusion is similar to ComEd's but analysis is slightly different.
- Quantitative analysis performed to compare portfolio performance versus possible savings goals. Use baseline budgets from the law, absent 10 MW customers that would be in.

[Chris Neme] Are you saying that you assume that the incremental annual savings implicit in the 2022-2025 plan are assumed to continue? What exactly was consistent extended out.

[Andrew Cottrell] Unmodified CPAS goals.

Savings Gap

- CPAS goal varies differently based on different scenarios. Total vertical height of bars represents 2035 CPAS goal. Ranges based on scenario of what customers opt-out.
- Green bars – projected achieved portfolio savings. Red bars – Absolute values, the gap between expected portfolio achievement and expected CPAS goal. Context – from a portfolio level, in the recently approved plan, DSM savings avg 412 MWh including VO. Without VO, 340 MWh. Anywhere between 1-4 program year gap depending on scenario.

[Chris Neme] It looks like it's harder to get to your goal if you have large customers in, and you'd fall less short. Seems contradictory.

[Andrew Cottrell] That is correct. Assuming current portfolio yield for all budget. Yes, while larger customers assume to have lower dollars spent per savings, all of that budget wouldn't necessarily be going to that sector. We thought it was reasonable to assume portfolio average.

[Chris Neme] Even if that were true, while the absolute shortfall would grow, percentage shortfall should stay the same, shouldn't it?

[Andrew Cottrell] I don't think so.

[Phil Mosenthal] Agreed, as long as savings you assume are driven by max budget and constant yield. Maybe not if contributions are lower.

[Jonathan Kleinman] I think the goal is growing faster than the budget. If the budget were growing, just going just to C&I customers, you'd still have a goal growing than a budget. Law references diverse application of funds. There isn't any basis by another assumption. Ameren is assuming diversification accordingly.

[Chris Neme] Even if that's true, it should be a portfolio avg cost that includes low-cost savings from large customers. Current portfolio doesn't assume this. Budget is function of MWh under the cap.

[Kristol Simms] Important point in terms of how budget is spent. Referring to Naolmi Davis, Blacks in Green's comments to SAG regarding who participates in design of

program discussions, should not be ignored. While we're talking about annual increases of CPAS, the impact of setting goals of arbitrarily high will impact portfolio design and budget for income qualified sector.

[Chris Neme] Appreciate the comment.

Budget Gap to Achieve Goal

- If you apply the same portfolio yield of 31 cents, it would yield an additional substantial budget requirement to close that gap.
- For the cumulative spend from 2022-2035, based on opt out scenarios, budget needed is $1.7 billion (if all customers opt-out) and $2.1 billion (if no customers opt out). $400 million difference in budget based on opted out customers.
- It's important to consider the budget gap in the context of customer affordability. Not realistic to increase budget by this amount.

[Chris Neme] The numbers Ameren shared are the increases required over the 5-year period? In order to close the gap identified in previous slide.

[Andrew Cottrell] Correct.

Portfolio Expired Savings

- Data presents expired savings realized by portfolio out to 2035. Expired savings increasingly grow from 2022 beyond. Relatively consistent from 2026-2030. Out past 2031, it's much more substantial. In the context of current portfolio, we're at 400,000 MWh/year. In later years, entire portfolios just replacing expired savings from previous years.

[Phil Mosenthal] What's driving the bump in 2028?

[Andrew Cottrell] Residential lighting from 2018. 10-year measure life. A lot of commercial lighting that had 10-year measure life. Beyond 2030, commercial lighting drops off.

[Chris Neme] The extra bars stacked – impact of opt outs. What are we seeing with the opt out expired savings in 2027?

[Andrew Cottrell] Assumed opt outs start in 2022. Increased savings begin in 2022. Because there are consistent yields and expiration factors applied across all savings, some savings die off in later years.

[Chris Neme] You looked at the 2022 mix of measure lives and assumed that the same mix would apply for any new savings generated with new budgets, resulting from not all customers opting out. [Correct] Also assume same yield for 2022-25 [Correct] If you get extra budget, you assume the yield applies to this extra budget? [Correct] I think that's probably overly conservative, because if you have new revenue from a quarter of customers who've never been served, that new revenue will have to disproportionately go to them with a different mix of measure lives.

[Kristol Simms] That is one perspective. In order to adopt that perspective, we would have to begin adoption immediately. It also ties back to the point that Naomi Davis raised regarding how portfolios are designed and implemented / serving IQ customers.

[Chris Neme] Acknowledge this, my point is that the assumed yield assumes no dollars going to less costly large customer projects. Granted, opt-out will likely be close to 100%. Helpful to think about.

Analysis of Key Results

- Looking at the gaps based on the scenario, they range. Relatively significant. To lose the gap would require substantially more budget to be collected from customers.
- There are two main drivers of gaps - # of customers that choose to opt out and expired savings are a significant issue for the portfolio. Expired savings in future years amount to entire portfolios that need to be made up.

Conclusions

- Consideration of cost and benefits to customers. It's important to understand that the cost to customers can range from 226 -400 extra million dollars to close gap from annual increase in 0.6% in CPAS.
- Commission has to establish goal that reflects the best estimate, and there are a variety of unknown variables at this time which make it difficult if not impossible to estimate attainable goals with realistic budgets. Including likelihood of customers opting out as well as unknown future measures. We don't want to lose sight of the fact that arbitrary setting of goals may affect budgets of customers in most need – may drive utilities away from IQ sector.
- Expired savings framework needs to be reviewed – Ameren IL does not believe this is sustainable. The Commission will see that some of the years in 2031-2035, utilities will spend entire budgets to replace expiring savings. Concern is, how does this impact other portfolio objectives, like adequately serving need of IQ customers?

  [Chris Neme] 'Best estimate' language refers to Commission setting targets other than 0.6% and 0.9% numbers for respective utilities. As long as it's not below these increases, burden of proof needs to be overwhelming. Standards change as goals fall on the lower end of the range.

  Ameren Illinois and ComEd will review whether work papers or back up data can be shared (ICC Staff request).

Closing and Next Steps

Celia Johnson, SAG Facilitator

- Second workshop meeting: Thursday, September 30 (10:00 am- 12:00 pm), for interested stakeholders to share feedback with ComEd and Ameren Illinois.