

# Memorandum

**To:** Illinois DSM Stakeholder Advisory Group  
**From:** Jim Jerozal, Nicor Gas  
**Date:** 7/27/2012  
**Re:** Treatment of PY1 gross unit savings estimates for prescriptive measures

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Nicor Gas requires guidance from SAG regarding the issue of how gross unit savings estimates should be treated for prescriptive measures in the PY1 evaluation. While this issue came up during the Nicor Gas 3-year Plan docket, the Commerce Commission declined to give specific direction. Instead, it ordered Nicor Gas to “collaborate with the natural gas Stakeholder Advisory Group and evaluation contractors to develop a EM&V planning process.” (Final Order in Docket 10-0562, page 30.) As further policy guidance, the Commission also directed that the EM&V process:

- “... [make] the most of limited funds available...”
- “...ensure transparent and consistent methods for determining electricity and natural gas savings.”

(Final Order in Docket 10-0562, page 30.)

As procedural background, the issue of gross unit savings arose during the Nicor Gas 3-Year Plan docket. Nicor Gas proposed deeming savings for all prescriptive measures, with deemed savings based on the values used to develop the savings goals approved by the Commission in the 3-year plan. Nicor Gas proposed that one set of deemed savings values be used for the entire PY1-PY3 period.

The Office of Attorney General was the only party to address this issue in testimony, (although the Citizens Utilities Board brief supported the OAG’s position). OAG witness Mosenthal proposed that the “ICC only provisionally deem measure savings values and recommended that the ICC lock in the values for the first plan year (PY1), with the expectation that appropriate adjustments could be made to be used prospectively starting at the beginning of PY2.” (Final Order in Docket 10-0562, page 23.)

Nicor Gas believes that the TRM “front matter” policies provide an EM&V planning framework that addresses this deemed savings issue for PY2 and beyond. However, to comply with the Commission order, Nicor Gas requires SAG to provide guidance to the evaluator for PY1. Since—with respect to PY1 alone—there are no differences among the positions of Nicor Gas, OAG, and CUB, Nicor Gas proposes that SAG adopt this policy. That is, that the SAG consensus policy regarding the EM&V process should state that it is appropriate for evaluators calculating PY1 savings for prescriptive measures to apply the gross unit savings assumptions used in developing the approved PY1 savings goals.

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This approach meets both of the policy directives provided by the Commission in its order.

In terms of making the most of limited EM&V funds, this policy would simplify the PY1 evaluation efforts for prescriptive measures. Rather than developing new savings estimates for all prescriptive measures, the evaluator could instead focus on the most important measures, with the goal of providing updated measurements to feed into the TRM update process outlined in the TRM front matter.

In terms of transparent and consistent methods for determining electricity and natural gas savings, this policy would ensure consistency with Commission orders in both the Ameren Illinois and ComEd 3-year plan proceedings.

In the Ameren case, which applies to Ameren's electric Plan Year 4 as well as its natural gas Plan Year 1, the Commission approved deeming savings for "standard measures" (i.e., prescriptive measures) based on a schedule of values filed in the docket (i.e., effectively, the values used to develop the EPY4/GPY1 savings goals). The relevant language from the Ameren order is:

"As noted above, Staff supports the prospective application of fixed values to unit savings updated annually for standard measures in calculating plan savings as it increases certainty, reduces risk on the utility, and reduces litigation complexity. The Commission finds Staff's argument convincing and it is hereby adopted. The Commission adopts the fixed values for standard measures proposed by Ameren as found in Staff Group Cross Exhibit No. 1 Part 1, pp. 96-104, and Staff Group Cross Exhibit No. 1 Part 2, pp. 1-80."

In the ComEd case, the Commission approved a settlement agreement among the parties which, in turn, agreed to apply the approach to deemed measures savings articulated in ComEd's filed plan. The relevant language from the ComEd plan is:

"ComEd proposes that the measure-level energy savings provided in the Master Measure List be provisionally deemed by the Commission, with the expectation that as measure-level savings are modified as a result of new efficiency standards, changes in market conditions, or feedback from ongoing evaluation efforts, new values will be calculated and used on a prospective basis. The timeframe for implementing new values would be the same as for the NTG and realization rate adjustments, which would become effective June 1 of the following Plan year."

In summary, to comply with the Commission order in Docket 10-0562, Nicor Gas asks that SAG adopt the policy on PY1 gross unit savings estimates that was acceptable to all parties in the proceeding and that is consistent with Commission orders in the Ameren and ComEd proceedings.

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It is urgent that SAG address this matter as soon as possible. To date, Nicor Gas has attempted to address this issue through the TRM process, with the expectation that it and all other TRM issues would have been resolved by now. However, ongoing delays in TRM approval make it unclear when Nicor Gas will be able to provide guidance to its evaluator on this issue. Continued delays are now impeding the evaluator's ability to finalize evaluation plans and conduct the evaluations themselves.