

**Combined Heat and Power Subcommittee
Fuel Switching Savings Calculations
Next Steps**

Background

Savings calculation for fuel switching measures have been discussed repeatedly during CHP subcommittee and TRM Advisory Committee meetings over the past four months. The discussions have revolved around technical issues in calculating savings for three separate applications:

1. Meeting the statutory requirement that fuel switching measures “reduce the total Btus of electricity and natural gas needed to meet the end use”
2. Calculating cost effectiveness
3. Attributing savings towards utility savings goals under 8-103 and 8-104

Most of the parties have come to general agreement on the approach for the first two items¹, with some details regarding specific assumptions that still need to be worked out. The parties have not reached consensus on the best approach for attributing savings, with two proposals on the table:

1. The “DCEO Approach,” which calculates total Btu savings at the source (i.e, calculating fuel burned at the electric generation system and fuel inserted into the natural gas transportation system), and then allocates those total savings between natural gas and electric utilities.
2. The “AG” approach, which calculates electricity and therm savings at the customer site, but attributes savings to only one fuel.

Next Steps

Rather than repeating the technical arguments that have been put forth already, the parties would instead engage in a discussion of the outcomes likely to occur under the different proposals. Since there is a technical justification for both approaches that have been presented to SAG, the decision should be driven by policy considerations:

Do stakeholders in IL wish to advance a collaborative and cooperative approach where both the gas and electric utilities partner to deliver and encourage CHP/GSHP offerings? (This is the outcome that will result from the DCEO calculation method.)

Or;

Do stakeholders in IL wish to establish exclusive responsibility to encourage CHP/GSHP offerings with each utility separately, that is electric with CHP, and gas with GSHP? (This is the outcome that will result from the AG calculation approach.)

¹ The Geothermal Exchange Organization and Illinois Geothermal Alliance have disagreed with other parties regarding the appropriate calculation for the first “statutory” item.

If this discussion helps the parties reach consensus, then the remaining November subcommittee meetings can be used to flesh out the details of the appropriate calculations, to finalize other program design considerations, to define the regulatory process needed for Commission approvals, and to prepare the materials needed for the filing(s).

If parties cannot reach consensus, then efforts to work on the remaining technical issues should stop. DCEO should proceed with their offering as designed and approved by the Commission, and the parties should submit a regulatory filing for resolution “as soon as possible,” consistent with the Commission’s direction in ComEd’s EEP docket.