



BUDGET FLEXIBILITY, PERSISTING SAVINGS TRACKING AND COST-EFFECTIVENESS SCREENING UNDER NEW LEGISLATION

SAG MEETING

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Spending Cap Flexibility Issues

Budget/Spending Flexibility Questions (1)

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- Are caps annual or averages over a 4-year plan cycle?
 - ▣ They appear to be annual
 - ▣ Any grounds for alternative view?

Budget/Spending Flexibility Questions (2)

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- What counts towards cap?
 - ▣ “net” spending – i.e. *new* spending that needs to be collected from ratepayers
 - ▣ Revenue from sale of EE attributes (e.g. capacity market) can be spent on EE without counting towards cap

Budget/Spending Flexibility Questions (3)

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- Is there any flexibility to go over an annual spending limit?
 - ▣ Some flexibility may be possible
 - ▣ ICC granted Com Ed and Ameren flexibility under similar spending cap language in the past
 - ▣ e.g. up to 10% budget exceedence in 1st Com Ed plan to lower risk of shutting programs down given uncertainties of forecasting participation
 - ▣ **Proposal:** 5% flexibility for next plan cycle
 - ▣ Embody this in policy manual

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Persisting Savings

“Persisting Savings” Tracking (1)

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Proposal:

- Default rule: track/apply at the measure level
 - Clearest read of legislative language
 - Can’t get a different answer by just changing which measures are included in a “program”
 - Benefit of less “lumpy” impacts from savings “die-offs”
- Exceptions
 - Measure “bundles” implemented together as part of a system
 - Measures whose impacts can’t be separated
 - Use measure bundle weighted averages in these cases

Note: concepts applies to custom as well as prescriptive measures

“Persisting Savings” Tracking (2)

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Proposal:

- Prescriptive measures: use TRM measure life assumption
 - Account for variability across technologies, but not within each technology
 - Would be impractical to do otherwise
 - Besides, data on measure life variability rarely available
- Custom Measures: custom measure life assumptions
 - Track savings die-off by custom project
 - *Note: may want to make some custom measure life assumptions prescriptive over time (in TRM, even if savings/costs are not)*

“Persisting Savings” Tracking (3)

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Proposal:

- EULs for TRM prescriptive measures locked at time of installation
- EULs for custom measures based on evaluation
- All values locked once savings verification/evaluations complete

“Persisting Savings” Tracking Example

Measure	Savings	Life	Persisting												
			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
C&I Prescriptive Rebates															
Lamps	50	5	50	50	50	50	50								
Fixtures	100	15	100	100	100	100	100	100	100	100	100	100	100	100	100
Chillers	25	20	25	25	25	25	25	25	25	25	25	25	25	25	25
Fans	25	10	25	25	25	25	25	25	25	25	25	25	25		
Res. Whole Building Retrofit															
Envelop/HVAC	50	25	50	50	50	50	50	50	50	50	50	50	50	50	50
Lamps	50	5	50	50	50	50	50								
Res. Behavior	50	1	50												
Total			350	300	300	300	300	200	200	200	200	200	175	175	175

Note: measure lives in this example are not from TRM; they are for illustrative purposes only

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Cost-Effectiveness Issues

Cost-Effectiveness: Societal Discount Rate

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Proposal:

- 0.5% real
 - ▣ Based on 10-year Treasury bill (avg of last 4 years)
 - ▣ 10 years is closest T-bill to average measure life (20 yrs next best)
- Apply to both electric and gas
 - ▣ Must use societal rate for electric; permitted to use it for gas
 - ▣ Consistent with economic theory: IL TRC definition – even for gas – more like a societal test than a utility cost test
 - ▣ Includes participant impacts, other fuel impacts, water impacts, environmental impacts, “other quantifiable societal impacts”
 - ▣ Practical advantage: enables integrated assessment of joint delivery of electric/gas programs
 - ▣ Electric program counting of gas savings benefits (allowed by new law) shouldn’t be different than gas utility counting of gas savings benefits

Cost-Effectiveness: NEBs

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The Law:

- ❑ Still allows for including “other quantifiable societal benefits”
- ❑ But no new clarifying language

History of SAG Deliberation:

- ❑ Disagreement over application of NEBs study results from other jurisdictions to IL programs

Proposal:

- ❑ Quantify IL-specific NEBs through future evaluation studies
 - ❑ Two programs a year
 - ❑ Added evaluation cost should be very modest
- ❑ Apply evaluation study results on forward-going basis
- ❑ Proposal same as 2016 Com Ed settlement

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Q&A

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