SUMMARY OF NEW IL EE LEGISLATION

SAG MEETING

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ENERGY FUTURES GROUP

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Summary

- New Electric Savings Targets
- Utility Performance Incentive Mechanism
- Multi-Year Plan Cycles and Requirements
- Low Income Issues
- Cost-Effectiveness Analysis
- Spending Caps

New Electric Savings Targets

A. Target definition
B. Specific targets for Com Ed, Ameren
C. Expanded definition of what can count

Savings Target Defined Differently

The Old Targets:

- Incremental annual savings as % of sales
  - New annual savings was all that mattered
  - Savings with 1-year life counted just as much as savings with 10-year life
  - Savings from measures installed previous years irrelevant

The New Targets:

- Cumulative persisting annual savings as % of sales
  - Counts all annual savings from measures installed since 2012 that have not reached the end of their useful life
  - Persisting savings from 2012-2017 measures are deemed
  - Will need to track persisting savings for 2018 and beyond

The Denominator

- Expressed as % of avg annual sales in 2014 thru 2016, minus average annual sales in 2014 thru 2016 from exempt large industrials
- Average annual sales in 2014 thru 2016 is deemed
  - 88.0 million MWh for Com Ed
  - 36.9 million MWh for Ameren
- Sales from exempt large customers needs to be calculated
  - Estimated at ~10% of total Com Ed sales
  - Estimated at ~25% of total Ameren sales

Summary

(Cumulative Persisting Savings from Measures installed since 2012)

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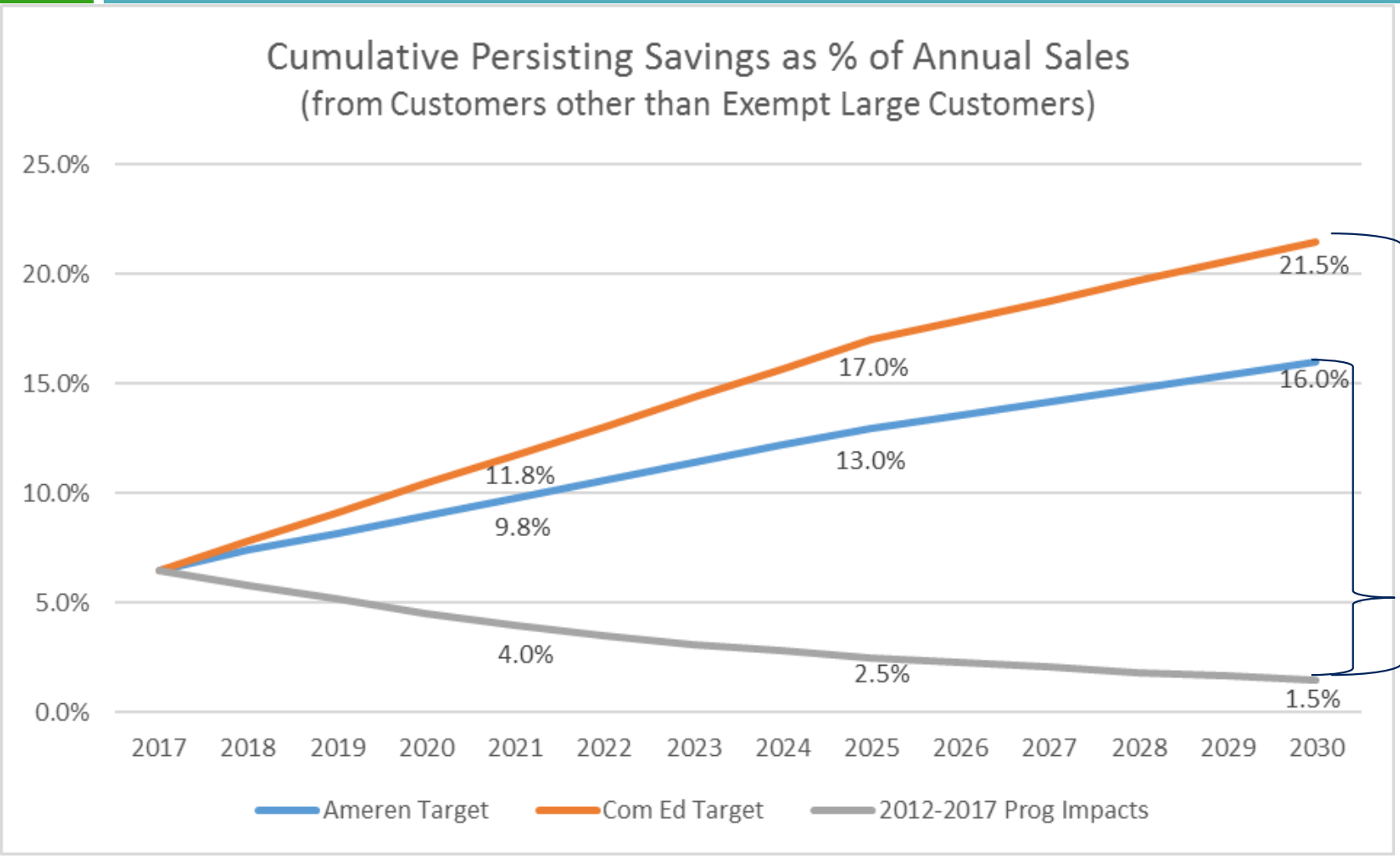
(Avg Annual Sales 2014 thru 2016 from Customers other than Exempt Large Customers)

Hypothetical Example – Com Ed 2021

	2018	2019	2020	2021
Com Ed Target	**7.8%**	**9.1%**	**10.4%**	**11.8%**
Savings Persisting from 2012-2017 Programs	5.8%	5.2%	4.5%	4.0%
Savings persisting from 2018 program	**2.0%**	1.7%	1.6%	1.5%
Savings persisting from 2019 program		**2.2%**	1.9%	1.8%
Savings persisting from 2020 program			**2.4%**	2.0%
Savings persisting from 2021 program				**2.5%**
Total Savings that Count Towards Target	**7.8%**	**9.1%**	**10.4%**	**11.8%**

Hypothetically assumes 15% savings degradation after 1st year, 20% after 2nd year and 25% after 3rd year - for illustrative purposes only.

New Savings Targets



Conservation Voltage Regulation

- CVR savings can count towards savings targets
  - Deemed 15 year savings life
- Com Ed:
  - CVR impacts implicitly included in overall savings target
  - Up to Com Ed to decide how much CVR to include
  - NRDC assumption: ramp to ~2% savings over 8 years
- Ameren
  - Also included in overall savings target
  - But explicit legislative assumption of ramp up to 1% in 8 years
  - Ameren must submit plan identifying how much is cost-effective
  - Commission must approve, or adjust CVR targets
  - If more than assumed in the bill, Ameren's total savings target goes up accordingly; if less, target goes down

Counting Other Fuel Savings

- Can count gas or other fuel savings towards electric savings target under certain conditions:
  - Joint electric/gas utility programs for which gas utility runs out of money and electric utility continues – with priority for low income programs
  - Measures or programs that save both electricity and other fuels but for which gas utility is not running a program
- Other fuel savings converted to kWh "on equivalent BTU basis for the premises."
- Max of 10% of each year's applicable annual incremental goal can be met this way.

Possible Savings Target Adjustments

- If utility demonstrates in its plan that it cannot meet targets within the EE spending cap (see later slides)
- If utility demonstrates in a plan that it cannot meet targets cost-effectively (see later slides on TRC changes)
  - Must show both:
    - Analysis suggesting targets not cost-effectively achievable; and
    - That future annual savings levels are less than what utility actually achieved in most recent evaluated year
  - Targets cannot be adjusted to less than max cost-effectively achievable
  - Note: cost-effectiveness rationale for adjusting targets applies only to Ameren in first 4-year plan (2018-2021); applies to both utilities for 2022-2025 and 2026-2030 plans.

Utility Performance Incentives

Predicated on Rate-basing of EE Spending

Purpose of Rate-Basing

- Aligns timing of costs with timing of savings
- Mechanism for utilities to earn on investments in EE

Notes:

- this is a utility option; they can choose to expense spending if they prefer
- Investment in voltage regulation handled in other existing cost recovery mechanisms

Performance Targets

- All relative to "applicable annual incremental goal"
  - Difference btw cumulative persisting goal for the year and the cumulative persisting goal for the previous year
  - Must achieve enough savings to offset all savings die-off from measures reaching end of life before you can start counting progress towards goal
  - Hypothetical Example:

	2018	2019	2020	2021
Com Ed Target	**7.8%**	**9.1%**	**10.4%**	**11.8%**
Savings Persisting from 2012-2017 Programs	5.8%	5.2%	4.5%	4.0%
Savings persisting from 2018 program	**2.0%**	1.7%	1.6%	1.5%
Savings persisting from 2019 program		**2.2%**	1.9%	1.8%
Savings persisting from 2020 program			**2.4%**	2.0%
Savings persisting from 2021 program				**2.5%**
Total Savings that Count Towards Target	**7.8%**	**9.1%**	**10.4%**	**11.8%**

- 2021 applicable annual incremental goal is 1.4% (11.8 minus 10.4)
- Must offset 1.1% savings die off before counting progress towards goal
  - 0.5% from 2012-2017
  - 0.1% from 2018
  - 0.1% from 2019 and
  - 0.4% from 2020

Performance Mechanism – Com Ed

2018 to 2025:

- Full rate of return if goal reached
- 8 basis point penalty for every 1% shortfall
  - max penalty of 200 basis points for 75% or less of goal
- 8 basis point bonus for every 1% above goal
  - max bonus of 200 basis points for 125% or more of goal
  - If goals reduced due to cost-effectiveness or spending cap constraints, max bonus remains pegged to 125% of original goal

2026 to 2030:

- Performance band percentages expanded
  - Max penalty at 67% of goal
  - Max bonus at 133% of goal

Performance Mechanism – Ameren

2018 to 2025:

- Full rate of return if 84.4% to 100% of goal reached
- 8 basis point penalty for every 1% shortfall below 84.4%
  - max penalty of 200 basis points for 59.4% or less of goal
- 8 basis point bonus for every 1% above goal
  - max bonus of 200 basis points for 125% or more of goal
  - If goals reduced due to cost-effectiveness or spending cap constraints, max bonus remains pegged to 125% of original goal

2026 to 2030:

- Performance band percentages expanded
  - Max penalty at 67% of goal
  - Max bonus at 133% of goal

Utility Plans

Planning Cycles

- Three electric planning cycles
  - 2018-2021
  - 2022-2025
  - 2026-2030
- Gas planning cycles are every four years in perpetuity
  - Same as electric for first two plans
  - Shorter cycle (4 years instead of 5) for third plan

Utilities Responsible for All EE

- Consolidates previous three delivery mechanisms;
  - Utilities EEPS programs (8-103/8-104)
  - DCEO programs (low income and public buildings)
  - IPA Procurement (16-111.5B)

New Electric Portfolio Budget Requirements

Minimums:

- Low income:
  - Com Ed: $25.00 million/year
  - Ameren: $ 8.35 million/year
- Public buildings
  - Com Ed: 10% of total budget
  - Ameren: 7% of total budget
- Public Housing: equal to share of public building kWh use
- 3rd-party programs (starting 2019)
  - Com Ed: $25.00 million/year
  - Ameren: $ 8.35 million/year

New Electric Portfolio Budget Requirements (2)

Maximums:

- R&D, pilots: 6% of budget
- EM&V: 3% of budget

Additional Plan Provisions

- Continues previous 8-103 provisions requiring 0.1% DR/year
- Must "incorporate advanced metering infrastructure data into the planning, implementation and evaluation of energy efficiency measures and programs…"

Low Income Issues

Electric Low Income Provisions

- Budget minimums (see above)
- Target: <80% area median income
- LI program delivery (when "practicable") should be…
  - Contracted to 3rd parties with "demonstrated capabilities to serve such households"
  - Preference for non-profits and government agencies "that have existing relationships with or experience serving low-income communities in the state"
- Low income advisory committee should be created
  - Assist in design/evaluation of LI programs
  - Comprised of electric utilities, gas utilities, LI implementation contractors, community-base organizations
- Prioritization of low income programs in counting gas savings from joint electric/gas programs towards electric goals

Cost-Effectiveness

TRC Definition Changes (electric only)

- Specifies use of societal discount rate
  - based on long-term Treasury bond yields
- Explicitly calls out inclusion of avoided water and avoided O&M costs
- Explicitly excludes market price suppression effects
- Left unaddressed treatment of other non-energy benefits (still has language saying “as well as other quantifiable societal benefits”)

Cost-Effectiveness Requirements

- Makes explicit that TRC cost-effectiveness requirement for plan approval is only at the portfolio level
  - Excludes low income programs
- Explicitly says “individual measures need not be cost-effective.

Spending Caps

Electric Efficiency Program Spending Cap

Components	Approx. Com Ed Calc (2018-2021)
Avg 2015 Res. Cost/kWh	13 cents/kWh
X	X
Spending Cap %	3.50%
X	X
Total 2015 kWh Sales, minus sales to exempt large customers	88 billion x 0.9
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Max Annual Net Cost	~$360 million

- Costs for conservation voltage regulation do not count towards cap
- Capacity market revenue from efficiency or other revenue that can be leveraged should not count towards cap

Energy Efficiency Program Spending Cap %

- Spending cap % varies by plan:
  - 3.50% for 2018 to 2021
  - 3.75% for 2022 to 2025
  - 4.00% for 2026 to 2030

Overall Bill Rate Cap

- Legislation includes caps on overall rate impacts from combination of efficiency, renewables and nuke provisions
- Utilities submit rolling 10-year projections of impacts to ICC
- If utilities forecast an exceedance, they must submit plans for decreasing spending on EE, RE and/or nukes support

Q&A

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