

Illinois Energy Efficiency Stakeholder Advisory Group
 Policy Manual Subcommittee Version 2.0
 Net-to-Gross Policy
 Policy Recommendation From Nicor Gas

Net-to-Gross Policy	
Policy Issue	<p>The current net-to-gross policy creates unnecessary uncertainty associated with changes in net-to-gross (NTG) values. NTG values fluctuate over time, driven primarily by external market factors and inability of evaluators to precisely measure actual NTG values. Utilities have little control of NTG results however utilities bear all the risks associated with changing NTG values.</p> <p>Other states have implemented a range of policies that address these unreasonable risks, while continuing to allow ongoing measurement of NTG values. These options are outlined in the “Background Research” section of this Policy Template, and include:</p> <ul style="list-style-type: none"> • Measuring savings performance using gross savings. • Deeming NTG ratios for entire portfolios at 1.0. • Deeming NTG ratios for entire portfolios at values below 1.0. • Providing a multi-year lock on prospective NTG values within plan cycles. <p>While not implemented in other states, an additional option available in Illinois is to include changes in NTG in Adjustable Savings Goals calculations. This approach provides all of the risk protection associated with the four options used in other states, without some of their negative consequences; it is the approach recommended by Nicor Gas.</p> <p>Note that Nicor Gas is not recommending that evaluators stop performing NTG research in Illinois. Under the Nicor Gas proposal, NTG research would continue to occur at frequencies deemed appropriate by evaluators, with input from utilities and stakeholders. While utility savings goals will adjust to mitigate NTG risk, utilities will continue to report net savings based on updated NTG values. Utilities, with input from evaluators and stakeholders, could also use NTG research to adjust program design—if warranted or possible—that improve NTG results and program performance.</p>
Proposed Resolution	<p>Policy Manual section 6.2, which defines Adjustable Savings Goals, should be revised to address changes in NTG as well as changes in gross savings calculations.</p> <p>Revised language for gas utilities is proposed below. Since Policy Manual Version 1.1 leaves open adjustable savings goals for electric utilities, additional language might be appropriate for electric utilities.</p> <p style="text-align: center;"><u>6.2 Adjustable Savings Goals</u></p> <p>Gas utility annual energy savings goals will be adjusted to align them with changes to ILTRM values <u>and updated prospective NTG values</u>.</p>

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	<p>In addition, gas utility annual energy savings goals will be adjusted for the entire Plan period, prior to the start of the first Plan Year of an approved Plan, so that they are aligned with the most recent Evaluator's recommended Net-to-Gross (NTG) values available. No further adjustments to goals shall be made in response to new estimates of NTG values that are developed and applied during the Plan period (i.e. once the Plan period has begun).</p> <p>Within sixty (60) days after Commission approval of the annual IL-TRM values, each gas utility will file adjusted energy savings goals reflecting updated IL-TRM values <u>and NTG values</u> applicable to the Program Year commencing January 1.</p>
Market Impact	This policy impacts all gas utilities and could also impact electric utilities.
Commission Directive(s) – if applicable	In addition to adjustable savings goals provisions included in Policy Manual v1.1, the Commission approved annual energy savings goals for Ameren Illinois in Docket 13-0498 (covering Electric Plan Years 7-9 and Gas Plan Years 4-6) that allowed goals for both electric and gas savings to adjust each year for changes in IL-TRM savings algorithms values as well as NTG values. These provisions have since been superseded by the language included in Policy Manual 1.1.
Statutory Consistency	<p>The Public Utilities Act defines “annual incremental saving goals” for gas utilities and “cumulative persistent annual goals” for electric utilities, but is silent on whether these goals should be measured as net or gross savings. The only references to net savings in the Public Utilities Act come in Section 8-104(f)8, which requires and “a full independent evaluation of the multi-year 3-year results of the performance and the cost-effectiveness of the utility's and, if applicable, Department's portfolios of measures and broader <i>net</i> program impacts” and Section 8-103B(g)6, which requires “an annual independent evaluation of the performance of the cost-effectiveness of the utility's portfolio of measures, as well as a full review of the multi-year plan results of the broader <i>net</i> program impacts”. (Emphasis added.)</p> <p>The Commission’s order allowing adjustable savings goals in Docket 13-0498 was consistent with Illinois statutes.</p>
Background Research (optional)	The attached memorandum provides background research and links to relevant information.
Additional Information	<p>Nicor has also proposed changes to Section 6.2 regarding treatment of weighted average measure lives. Combined language addressing both proposals is presented below:</p> <p>Gas utility annual energy savings goals <u>and weighted average measure life targets</u> will be adjusted to align them with changes to <u>gross energy savings algorithms and deemed and default measure lifetimes, defined in the IL-TRM values as well as updated prospective NTG values</u>.</p> <p>Within sixty (60) days after Commission approval of the annual IL-TRM values, each gas utility will file adjusted energy savings goals <u>and weighted average measure life targets</u> reflecting updated IL-TRM values <u>and NTG values</u> applicable to the Program Year commencing January 1.</p>