

**Additional Provisions Related to the Future Energy Jobs Act (FEJA)  
Policy Manual Subcommittee Version 2.0  
Prepared by the SAG Facilitator (9/17/2018)**

**Policy Proposal:** Add a number of additional provisions necessary to address other key aspects of these statutory changes that were not part of past versions of the Manual. Examples of policies that may need to be are listed below.

- 1-3 were raised during Version 1.1 discussions
- 4a raised by Andy Vaughn, Ameren IL
- 4b, 5, 6 and 7 raised by NRDC
- 8 raised by ICC Staff

**Open Question:** Several SAG participants have indicated there are policies that may need to be added to Version 2.0 from the Future Energy Jobs Act (FEJA). Are there any additional issues related to FEJA that need to be included in Version 2.0?

**Policy 1: Societal discount rate**

Proposal to:

1. Document what is included in the statute and
2. Specify the type of long-term T bills that are being used.

Excerpted Statutory Language

**20 ILCS 3855/1-10, Definitions.** "Total resource cost test" or "TRC test" means a standard that is met if, for an investment in energy efficiency or demand-response measures, the benefit-cost ratio is greater than one. The benefit-cost ratio is the ratio of the net present value of the total benefits of the program to the net present value of the total costs as calculated over the lifetime of the measures. A total resource cost test compares the sum of avoided electric utility costs, representing the benefits that accrue to the system and the participant in the delivery of those efficiency measures and including avoided costs associated with reduced use of natural gas or other fuels, avoided costs associated with reduced water consumption, and avoided costs associated with reduced operation and maintenance costs, as well as other quantifiable societal benefits, including avoided natural gas utility costs, to the sum of all incremental costs of end-use measures that are implemented due to the program (including both utility and participant contributions), plus costs to administer, deliver, and evaluate each demand-side program, to quantify the net savings obtained by substituting the demand-side program for supply resources. In calculating avoided costs of power and energy that an electric utility would otherwise have had to acquire, reasonable estimates shall be included of financial costs likely to be imposed by future regulations and legislation on emissions of greenhouse gases. **In discounting future societal costs and benefits for the purpose of calculating net present values, a societal discount rate based on actual, long-term Treasury bond yields should be used. Notwithstanding anything to the contrary, the TRC test shall not include or take into account a calculation of market price suppression effects or demand reduction induced price effects.**

**Commented [CJ1]:** Open question: Was this agreement already reached (10 years or 20 years)?

**Policy 2: Measure life fixed at time of implementation**

Proposal to document this policy.

**Policy 3: Tracking persistent savings (electric EE programs)**

Open question: Are there more specifics about what is tracked and reported, and how (at the measure and program level)? The policy described below in Policy 4 relates to program or portfolio level tracking.

**Policy 4: Cumulative Persisting Annual Savings**

**4a: How to perform CPAS calculations for measures with measure lives that are not whole numbers (including measures with baseline shifts).**

- For example, if a measure had a 5.5 year measure life, should the program count the full first year savings for 5 years and in the last year count half of the first year savings?

**4b: Overall question: How should CPAS compliance be calculated?**

- How to calculate CPAS is in an Excel file in the Quarterly Report Template.

Excerpt from Quarterly Report Template:

Cumulative Persisting Annual Savings (CPAS) Goal Progress <i>(Ability to Add Year and Quarter)</i>		
a	Current Year CPAS Goal (% of Eligible 2014-2016 Average Annual Sales)	ICC approved plan compliance filing
b	Baseline - 2014-2016 Average Annual Sales Less Exempt Customers (MWh)	ICC approved plan compliance filing
c	Current Year CPAS Goal (MWh)	- = a * b
d	CPAS Achieved at End of Previous Year (MWh)	verification report for previous year
<b>Savings Expiring in Current Year</b>		
e	2012-2017 Legacy Savings Persisting in Current Year (% of Sales)	statute
f	2012-2017 Legacy Savings Persisting in Previous Year (% of Sales)	statute
g	2012-2017 Legacy Savings Expiring in Current Year (% of Sales)	0.00% = f - e
h	2012-2017 Legacy Savings Expiring in Current Year (MWh)	- = g * b
i	Savings from Measures Installed post-2017 Expiring in Current Year (MWh)	verification report for previous year
j	<b>Total Savings Expiring in Current Year (MWh)</b>	- = h + i
k	New Annual Savings Needed to Meet Current Year CPAS Goal (MWh)	- = c - d + j
l	New Annual Savings this Quarter (MWh)	utility report
m	New Annual Savings this YTD (MWh)	sum of utility reports for all quarters to date
n	<b>New Annual Savings YTD as % Needed to Meet Current Year CPAS Goal</b>	#DIV/0! = m / k
<b>Applicable Annual Incremental Goal (AAIG) Progress</b>		

Cumulative Persisting Annual Savings (CPAS) Goal Progress <i>(Ability to Add Year and Quarter)</i>			
o	Previous Year's CPAS Goal (% of Sales)		ICC approved plan compliance filing
p	Previous Year's CPAS Goal (MWh)	-	= o * b
q	Current Year Applicable Annual Incremental Goal (MWh)	-	= c - p
r	New Savings Required to Meet AAIG (MWh)	-	= q + j
s	New Savings Achieved YTD (MWh)	-	same as "m"
t	Expiring savings that have to be offset before counting progress towards AAIG (MWh)	-	= j
u	Progress towards AAIG (after offsetting expiring savings) - MWh YTD	-	= s - t
v	<b>Progress towards AAIG (after offsetting expiring savings) - % YTD</b>	<b>#DIV/0!</b>	= u / q

### Proposed Policy Language Developed During Version 1.1

#### 1.1 Statutory Definitions

Electric utilities subject to Section 8-103B shall achieve a Cumulative Persisting Annual Savings goal, per Sections 8-103B(b), 8-103B(b-5), and 8-103B(b-15) of the Act.

**Cumulative Persisting Annual Savings** means the total electric energy savings in a given year from measures installed in that year or in previous years, but no earlier than January 1, 2012, that are still operational and providing savings in that year because the measures have not yet reached the end of their useful lives<sup>1</sup>.

#### 1.2 Calculating Cumulative Persisting Annual Savings

Portfolio-level Cumulative Persisting Annual Savings shall be calculated annually including all eligible Measures as defined by Section 8-103B(a).

For prescriptive Measures, measure-level net savings shall be locked in at the time of installation using the IL-TRM and NTG Ratios in effect on that date. Savings are subject to evaluation, measurement and verification, and IL-TRM errata, as applicable to gross savings estimates, but otherwise not adjusted retrospectively. For most measure-level savings, savings shall be included in Cumulative Persisting Annual Savings calculations for the lifetime of the measure, as defined by the effective useful life within the IL-TRM, and retired or removed from the Cumulative Persisting Annual Savings calculation at the conclusion of the effective useful life. For Measures that have a baseline shift during their effective useful life, as indicated in the IL-TRM that was effective at the time of installation, the baseline shift applies (either reducing or eliminating persisting measure-level savings) at the time after installation specified in the applicable IL-TRM.

For non-prescriptive Measures, measure-level or project-level net savings, which includes building-level, project-level and customer-level net savings, shall be locked in at

<sup>1</sup> Public Utilities Act (220 ILCS 5/8-103B(b)).

the completion and approval of the impact evaluation(s) establishing the Program savings. If the Evaluator identifies any custom Measure (or project)-specific variance to what was originally estimated by the Program Administrator, the Evaluator's savings for the specific Measure (or project) will be used. If the Evaluator identifies any Program level variance as an overall Program realization rate, then all custom Measures in the Program for that Program Year will be adjusted by the program-level realization rate to determine Measure (or project)-specific savings. Savings and custom calculation inputs are subject to evaluation as detailed in the IL-TRM Policy Document, Section 3.3. Most measure-level or project-level net savings shall be included in Cumulative Persisting Annual Savings calculations for the lifetime of the Measure or project, as defined by the effective useful life established within the impact evaluation (or custom calculation if the evaluation finds no variance), and retired or removed from the Cumulative Persisting Annual Savings calculation at the conclusion of the effective useful life. For those measure-level or project-level savings that have a baseline shift, as established within the impact evaluation (or custom calculation if the evaluation finds no variance), will be applied at the appropriate time to adjust or eliminate the persisting savings.

Excerpted Statutory Language:

**8-103(B)(b):** For purposes of this Section, "cumulative persisting annual savings" means the total electric energy savings in a given year from measures installed in that year or in previous years, but no earlier than January 1, 2012, that are still operational and providing savings in that year because the measures have not yet reached the end of their useful lives.

**8-103(B)(b-15):** The difference between the cumulative persisting annual savings goal for the applicable calendar year and the cumulative persisting annual savings goal for the immediately preceding calendar year is 0.8% for the period of January 1, 2018 through December 31, 2025 and 0.6% for the period of January 1, 2026 through December 31, 2030.

**ComEd – 8-103(B)(b):** For purposes of this Section, electric utilities subject to this Section that serve more than 3,000,000 retail customers in the State shall be deemed to have achieved a cumulative persisting annual savings of 6.6% from energy efficiency measures and programs implemented during the period beginning January 1, 2012 and ending December 31, 2017, which percent is based on the deemed average weather normalized sales of electric power and energy during calendar years 2014, 2015, and 2016 of 88,000,000 MWhs. For the purposes of this subsection (b) and subsection (b-5), the 88,000,000 MWhs of deemed electric power and energy sales shall be reduced by the number of MWhs equal to the sum of the annual consumption of customers that are exempt from subsections (a) through (j) of this Section under subsection (l) of this Section, as averaged across the calendar years 2014, 2015, and 2016. After 2017, the deemed value of cumulative persisting annual savings from energy efficiency measures and programs implemented during the period beginning January 1, 2012 and ending December 31, 2017, shall be reduced each year, as follows, and the applicable value shall be applied to and count toward the utility's achievement of the cumulative persisting annual savings goals set forth in subsection (b-5):

#	Cumulative Persisting Annual Savings Goals	Year Ending
(1)	7.8%	December 31, 2018
(2)	9.1%	December 31, 2019
(3)	10.4%	December 31, 2020
(4)	11.8%	December 31, 2021
(5)	13.1%	December 31, 2022
(6)	14.4%	December 31, 2023
(7)	15.7%	December 31, 2024
(8)	17.0%	December 31, 2025
(9)	17.9%	December 31, 2026
(10)	18.8%	December 31, 2027
(11)	19.7%	December 31, 2028
(12)	20.6%	December 31, 2029
(13)	21.5%	December 31, 2030

**Ameren Illinois – 8-103(B)(b-10):** For purposes of this Section, electric utilities subject to this Section that serve less than 3,000,000 retail customers but more than 500,000 retail customers in the State shall be deemed to have achieved a cumulative persisting annual savings of 6.6% from energy efficiency measures and programs implemented during the period beginning January 1, 2012 and ending December 31, 2017, which is based on the deemed average weather normalized sales of electric power and energy during calendar years 2014, 2015, and 2016 of 36,900,000 MWhs. For the purposes of this subsection (b-10) and subsection (b-15), the 36,900,000 MWhs of deemed electric power and energy sales shall be reduced by the number of MWhs equal to the sum of the annual consumption of customers that are exempt from subsections (a) through (j) of this Section under subsection (l) of this Section, as averaged across the calendar years 2014, 2015, and 2016. After 2017, the deemed value of cumulative persisting annual savings from energy efficiency measures and programs implemented during the period beginning January 1, 2012 and ending December 31, 2017, shall be reduced each year, as follows, and the applicable value shall be applied to and count toward the utility's achievement of the cumulative persisting annual savings goals set forth in subsection (b-15):

#	Cumulative Persisting Annual Savings	Year Ending
(1)	5.8%	December 31, 2018
(2)	5.2%	December 31, 2019
(3)	4.5%	December 31, 2020
(4)	4.0%	December 31, 2021
(5)	3.5%	December 31, 2022
(6)	3.1%	December 31, 2023
(7)	2.8%	December 31, 2024
(8)	2.5%	December 31, 2025
(9)	2.3%	December 31, 2026
(10)	2.1%	December 31, 2027
(11)	1.8%	December 31, 2028
(12)	1.7%	December 31, 2029
(13)	1.5%	December 31, 2030

## Policy 5: Definition of Applicable Annual Incremental Goal

### Proposed Policy Language Developed During Version 1.1:

#### **Statutory Definition:**

Electric utilities subject to Section 8-103B may count savings of fuels other than electricity, which shall be converted to electric savings on an equivalent Btu basis for the premises, and may recover the costs of offering the gas energy efficiency measures, as defined by Section 8-103B(b-25). The electric utility shall prioritize Programs for low-income residential customers to the extent practicable.

Section 8-103B(b-25) also states, "In no event shall more than 10% of each year's applicable annual incremental goal as defined in paragraph (7) of subsection (g) of this Section be met through savings of fuels other than electricity."

**Applicable Annual Incremental Goal** means the difference between the cumulative persisting annual savings goal for the calendar year that is the subject of the independent evaluator's determination and the cumulative persisting annual savings goal for the immediately preceding calendar year, as such goals are defined in subsections (b-5) and (b-15) of Section 8-103B and as these goals may have been modified as provided for under subsection (b-20) and paragraphs (1) through (3) of subsection (f) of Section 8-103B. Under subsections (b), (b-5), (b-10), and (b-15) of Section 8-103B, a utility must first replace energy savings from measures that have reached the end of their measure lives and would otherwise have to be replaced to meet the applicable savings goals identified in subsection (b-5) or (b-15) of Section 8-103B before any progress towards achievement of its applicable annual incremental goal may be counted. Notwithstanding anything else set forth in Section 8-103B, the difference between the actual annual incremental savings achieved in any given year, including the replacement of energy savings from measures that have expired, and the applicable annual incremental goal shall not affect adjustments to the return on equity for subsequent calendar years under subsection 8-103B(g)<sup>2</sup>.

#### **Electric Conversion Factors and Savings Calculations**

The conversion of gas therm savings to kWh will be calculated as 29.31 kWh per therm and 3412 Btu per kWh. Converted savings shall be counted toward the achievement of the electric utility's annual savings goal, up to 10% of the year's applicable annual incremental goal. If there are gas savings funded with electric ratepayer funds that, when converted, exceed 10% of the Applicable Annual Incremental Goal, then all gas conversions for income-qualified Programs must be used first, up to the full amount of gas conversion savings available from income-qualified programs, or the full 10% of the Applicable Annual Incremental Goal limit, whichever is less. Any gas conversions for non-income-qualified Programs can only be used once 100% of the income-qualified gas conversions are made.

#### Excerpted Statutory Language:

**ComEd – 8-103(B)(g)(7.5):** For purposes of this Section, the term "applicable annual incremental goal" means the difference between the cumulative persisting annual savings goal for the calendar year that is the subject of the independent evaluator's determination and the

<sup>2</sup> Public Utilities Act (220 ILCS 5/8-103B(g)(7.5)).

**Commented [CJ2]:** Open question: Should this be a separate policy item for inclusion in Version 2.0?

cumulative persisting annual savings goal for the immediately preceding calendar year, as such goals are defined in subsections (b-5) and (b-15) of this Section and as these goals may have been modified as provided for under subsection (b-20) and paragraphs (1) through (3) of subsection (f) of this Section. Under subsections (b), (b-5), (b-10), and (b-15) of this Section, a utility must first replace energy savings from measures that have reached the end of their measure lives and would otherwise have to be replaced to meet the applicable savings goals identified in subsection (b-5) or (b-15) of this Section before any progress towards achievement of its applicable annual incremental goal may be counted. Notwithstanding anything else set forth in this Section, the difference between the actual annual incremental savings achieved in any given year, including the replacement of energy savings from measures that have expired, and the applicable annual incremental goal shall not affect adjustments to the return on equity for subsequent calendar years under this subsection (g).

**Ameren Illinois – 8-103(B)(g)(8):** For electric utilities that serve less than 3,000,000 retail customers but more than 500,000 retail customers in the State:

- **8-103(B)(g)(8)(A):** Through December 31, 2025, the applicable annual incremental goal shall be compared to the annual incremental savings as determined by the independent evaluator.
  - (i) The return on equity component shall be reduced by 8 basis points for each percent by which the utility did not achieve 84.4% of the applicable annual incremental goal.
  - (ii) The return on equity component shall be increased by 8 basis points for each percent by which the utility exceeded 100% of the applicable annual incremental goal.
  - (iii) The return on equity component shall not be increased or decreased if the annual incremental savings as determined by the independent evaluator is greater than 84.4% of the applicable annual incremental goal and less than 100% of the applicable annual incremental goal.
  - (iv) The return on equity component shall not be increased or decreased by an amount greater than 200 basis points pursuant to this subparagraph (A).

**Ameren Illinois – 8-103(B)(g)(8)(B):** For the period of January 1, 2026 through December 31, 2030, the applicable annual incremental goal shall be compared to the annual incremental savings as determined by the independent evaluator.

- (i) The return on equity component shall be reduced by 6 basis points for each percent by which the utility did not achieve 100% of the applicable annual incremental goal.
- (ii) The return on equity component shall be increased by 6 basis points for each percent by which the utility exceeded 100% of the applicable annual incremental goal.
- (iii) The return on equity component shall not be increased or decreased by an amount greater than 200 basis points pursuant to this subparagraph (B).

**8-103(B)(g)(8)(C):** If the applicable annual incremental goal was reduced under paragraphs (1), (2) or (3) of subsection (f) of this Section, then the following adjustments shall be made to the calculations described in subparagraphs (A) and (B) of this paragraph (8):

- (i) The calculation for determining achievement that is at least 125% or 134%, as applicable, of the applicable annual incremental goal shall use the unreduced applicable annual incremental goal to set the value.
- (ii) For the period through December 31, 2025, the calculation for determining achievement that is less than 125% but more than 100% of the applicable annual incremental goal shall use the reduced applicable annual incremental goal to set the value for 100% achievement of the goal and shall use the unreduced goal to set the value for 125% achievement. The 8 basis point value shall also be modified, as necessary, so that the 200 basis points are evenly apportioned among each percentage point value between 100% and 125% achievement.
- (iii) For the period of January 1, 2026 through December 31, 2030, the calculation for determining achievement that is less than 134% but more than 100% of the applicable annual incremental goal shall use the reduced applicable annual incremental goal to set the value for 100% achievement of the goal and shall use the unreduced goal to set the value for 125% achievement. The 6 basis point value shall also be modified, as necessary, so that the 200 basis points are evenly apportioned among each percentage point value between 100% and 134% achievement.

**Policy 6: Cap on gas savings that can be counted in MWh equivalents, towards the Applicable Annual Incremental Goal (and the prioritization of low income gas savings)**

Policy Language Proposed During Policy Manual Version 1.1:

*Electric utilities subject to Section 8-103B may count savings of fuels other than electricity, which shall be converted to electric savings on an equivalent Btu basis for the premises, and may recover the costs of offering the gas energy efficiency measures, as defined by Section 8-103B(b-25). The electric utility shall prioritize Programs for low-income residential customers to the extent practicable.*

Excerpted Statutory Language – Funding of Gas Measures:

**8-103(B)(b-25):** In the event an electric utility jointly offers an energy efficiency measure or program with a gas utility under plans approved under this Section and Section 8-104 of this Act, the electric utility may continue offering the program, including the gas energy efficiency measures, in the event the gas utility discontinues funding the program. In that event, the energy savings value associated with such other fuels shall be converted to electric energy savings on an equivalent Btu basis for the premises. However, **the electric utility shall prioritize programs for low-income residential customers to the extent practicable.** An electric utility may recover the costs of offering the gas energy efficiency measures under this subsection (b-25). •

**8-103(B)(b-25) Con't:** For those energy efficiency measures or programs that save both electricity and other fuels but are not jointly offered with a gas utility under plans approved under this Section and Section 8-104 or not offered with an affiliated gas utility under paragraph (6) of subsection (f) of Section 8-104 of this Act, the electric utility may count savings of fuels other than electricity toward the achievement of its annual savings goal, and the energy savings value associated with such other fuels shall be converted to electric energy savings on an equivalent Btu basis at the premises.



**8-103(B)(b-25) Con't:** In no event shall more than 10% of each year's applicable annual incremental goal as defined in paragraph (7) of subsection (g) of this Section be met through savings of fuels other than electricity.

**Policy 7: Calculation of the annual spending caps**

Spending caps are statutory, but the methodology is not. Proposal to define "Average Residential Retail Rate." The utilities are currently using the same definition.

For example, Ameren Illinois took it from: ICC Illinois Electric Utilities Comparison of Electric Sales Statistics for Calendar Years 2015 and 2014 page 7

See 17-0311 Supporting Calculations – part 1  
<https://www.icc.illinois.gov/docket/files.aspx?no=17-0311&docId=267083>

Here's a link to the ICC reports:  
<https://www.icc.illinois.gov/publicutility/salesstatistics.aspx?type=e>

**Policy 8: Whether the performance incentive should be included in the TRC as a cost**

- The National Standard Practice Manual includes this as a cost. There may need to be edits to the definition of "Non-Incentive Costs" and "Portfolio Costs."

See page 22 of the National Standard Practice Manual (Spring 2017):  
[https://nationalefficiencyscreening.org/wp-content/uploads/2017/05/NSPM\\_May-2017\\_final.pdf](https://nationalefficiencyscreening.org/wp-content/uploads/2017/05/NSPM_May-2017_final.pdf)

**Table 4. Example Electric Utility System Impacts to Include in Cost-Effectiveness Tests**

Scope	Costs	Benefits
Utility System	Measure Costs (utility portion)	Avoided Energy Costs
	Other Financial or Technical Support	Avoided Generating Capacity Costs
	Program Administration	Avoided T&D Costs
	Marketing and Outreach	Avoided T&D Line Losses
	Evaluation, Measurement, and Verification	Avoided Ancillary Services
	Utility Performance Incentives	Wholesale Price Suppression Effects
		Avoided Costs of Complying with RPS
		Avoided Environmental Compliance Costs
	Avoided Credit and Collection Costs	
	Reduced Risk	
	Increased Reliability	

*This table is presented for illustrative purposes, and is not meant to be an exhaustive list.*

See page 23:

**Table 5. Example Gas Utility System Impacts to Include in Cost-Effectiveness Tests**

Scope	Costs	Benefits
Utility System	Measure Costs (utility portion) Other Financial or Technical Support Program Administration Marketing and Outreach Evaluation, Measurement, and Verification Utility Performance Incentives	Avoided Gas Costs Avoided Gas Pipeline Costs Avoided Gas Distribution Costs Avoided Gas Line Losses Wholesale Price Suppression Effects Avoided Environmental Compliance Costs Avoided Credit and Collection Costs Reduced Risk Increased Reliability

*This table is presented for illustrative purposes, and is not meant to be an exhaustive list.*