

Illinois Stakeholder Advisory Group Subcommittee Plan: Illinois Power Agency Total Resource Cost Test (IPA TRC) Draft (Version 1.0)

Subcommittee	Participants
Facilitator	Annette Beitel, EE SAG Facilitator
Subcommittee Members: Utilities / DCEO	<ul style="list-style-type: none"> • Ameren IL (Cheryl Miller; Keith Goerss; Keith Martin) • ComEd (Roger Baker; Mike Brandt) • DCEO (Deirdre Coughlin; Molly Lunn; Shraddha Raikar, ERC/UIC) • Nicor Gas (Bridgid Lutz; Jim Jerozal; Chris Vaughn; Hammad Chaudhry; Ted Weaver (First Tracks Consulting)) • Peoples Gas-North Shore Gas (Pat Michalkiewicz; George Roemer, Franklin Energy; Sue Nathan, AEG)
Subcommittee Members: Non-Utility Members	<ul style="list-style-type: none"> • ICC Staff (Jennifer Morris; David Brightwell; Jim Zolnierek; Richard Zuraski) • NRDC (Chris Neme, Energy Futures Group) • IL AG (Phil Mosenthal, Optimal Energy) • IPA (Brian Granahan; Anthony Star) • IIEC (Ali Al-Jabir; Bob Stephens; Eric Robertson) • ELPC (John Paul Jewell; Rob Kelter) • DeReg Law (Patrick Nelson Giordano)
Final Deliverable(s)	The Subcommittee will create the following documents: <ol style="list-style-type: none"> 1. List of Q&A 2. Issue Tracking Sheet 3. Comparison Exhibit of Non-Consensus Items (as needed)
Commencement Date	February 2015
Conclusion Date	May 2015

I. Subcommittee Objectives

The key objectives of the Subcommittee will be to address Total Resource Cost Test (TRC) issues from ICC Docket No. 14-0588, per directives to SAG from the IPA Final Order.

The following issues were directed by the IPA Final Order:

- Threshold TRC issue:
 - Whether the IPA should develop and perform an independent TRC calculation with distinct inputs and assumptions rather than relying on inputs provided by the utilities.
- Demand Reduction Induced Price Effect (DRIPE):
 - Whether DRIPE should be included in the Illinois TRC calculation (See DRIPE Comparison Exhibit for additional issue detail).
- Non-Energy Benefits.

- Whether NEBS should be included in the Illinois TRC calculation. If so, how should they be quantified?
- Marginal line losses:
 - Whether Ameren IL should include marginal line losses, instead of average line losses.
 - Why does Ameren IL not utilize its best estimate of marginal in place of average line losses, which ComEd utilizes?
- Administrative costs:
 - How will administrative costs be tracked going forward, by program?
 - How can overhead/administrative costs be determined with reasonable certainty; and how should they be included in the TRC test?

The following “other” TRC issues may also be addressed by the Subcommittee:

- Measure costs;
- Interactive effects;
- Dual baselines; and
- Appropriate discount rates.

II. Description of Issues

The purpose of the IPA TRC Subcommittee is address specific TRC issues directed by the Illinois Commerce Commission (ICC or the Commission) in the IPA Final Order of ICC Docket No. 14-0588. The Subcommittee will address additional TRC issues, time permitting.

III. Background Information

The Final Order approving the 2015 IPA Procurement Plan in December 2014 includes directives from the Commission for SAG to work with stakeholders to discuss specific TRC issues raised by parties in the docket.

Excerpt of Commission Analysis and Conclusions (emphasis added **in bold**):

Incremental Energy Efficiency (IPA Final Order p223-227):

- NRDC urges the Commission to require the inclusion of marginal line losses, DRIPE, and NEBs when Illinois utilities perform the TRC test to evaluate energy efficiency programs. Portions of this recommendation are supported by ELPC, CUB/EDF, and the AG. Portions of the recommendations are opposed by ComEd, Ameren, and Staff. ComEd, Ameren, and Staff make economic arguments against the NRDC recommendations and ComEd and Staff make legal arguments against portions of NRDC’s recommendations.
- **The IPA believes the best path forward is to conduct workshops that would allow for the proper time and process for considering if any of the proposed TRC changes should be made.** While the IPA is sympathetic to NRDC and ELPC’s desire for immediate resolution, the IPA believes the record in this proceeding is simply too limited relative to what may be accomplished through more thorough and deliberate consideration. If a workshop does not suffice, the IPA suggests another

approach could be for the Commission to open a formal investigation of the TRC methodology, but the IPA does not believe that a formal investigation would be a faster or more efficient way to proceed, and thus continues to recommend a workshop process.

- Those parties, along with the IPA, also believe it is premature for the Commission to implement NRDC's recommendations because it could impact parties that are not participating in this proceeding. They believe the Commission should refer the issue to workshops conducted either by Staff or the SAG. NRDC and ELPC believe workshops on these issues would not be productive. They claim the issues have been previously raised in such forums and, for the most part, the utilities are not open to considering their positions.
- As an initial matter the Commission notes that it has considered at least some of NRDC's recommendations in previous procurement proceedings and declined to adopt them. A significant problem with procurement proceedings is the expedited schedule combined with a relatively large number of contested issues and parties. This makes it difficult for the Commission to deal with complex economic issues, such as those raised by NRDC. As a result, and because not all potentially affected parties are participating in this proceeding, the Commission must again decline to adopt the NRDC's recommendations. Instead, the Commission finds the IPA's recommendation on these issues to be the most reasonable.
- **The Commission refers the three issues raised by NRDC to be addressed at workshops conducted by the SAG. In the event the SAG is unable to conduct the workshops, for whatever reason, the Commission directs the Staff to conduct the workshops. Among the broader issues to be explored in the workshops, the Commission specifically directs the parties to address why Ameren does not utilize its best estimate of marginal line losses in place of average line losses, which ComEd already utilizes. Additionally, the parties should address the possibly outdated literature relied upon by ComEd in its opposition to the inclusion of DRIPE in the TRC test. The Commission also finds the AG's arguments regarding the inclusion of DRIPE intriguing.** As noted above, procurement proceedings are not the ideal forum for considering complex economic issues and the Commission urges the parties to make serious efforts to reach consensus on at least some of these issues. While the Commission does not wish to open a proceeding for the purpose of addressing possible changes to the TRC test at this time, it may be necessary if the parties are unable to make progress in the workshop forum.
- NRDC also argues that Ameren is overstating its overhead or administrative costs as used in the TRC test and notes that ComEd does not use a similar percentage adder when performing the TRC test. Ameren disagrees, while Staff suggests Ameren should not be using any generic adder for all programs as administrative costs are likely to vary by program size type and size. The Commission finds the quality of evidence relating to this issue lacking. No party presented evidence regarding Ameren specific overhead or administrative costs though it is almost certain they exist. To the extent the utilities do not explicitly track this information already, the Commission hereby directs Ameren and ComEd to track administrative costs by program in order to aid in future determinations of appropriate administrative cost assumptions to use

in the TRC analysis of the Section 16-111.5B programs. The Commission rejects Staff's suggestions that Ameren should use a value of zero for a cost that almost certainly exists and could probably be estimated with reasonable certainty. **As a result, while the Commission must reject NRDC's recommendations on this issue because they are not supported by the record, the Commission directs the parties to address this issue in the workshops discussed above.**

- According to Staff, the IPA indicates it appreciates that Section 16-111.5B(a)(4) in isolation could be understood to demand a more rigorous evaluation, even justifying the use of evaluative criteria separate from criteria used to evaluate programs under Section 8-103. **Staff says the IPA suggests in the procurement plan that a workshop could also consider if the IPA should develop and perform an independent TRC calculation with distinct inputs and assumptions rather than relying on inputs provided by the utilities. (Staff BOE Attachment A at 222) The Commission agrees that this would be a reasonable topic to address in the workshops discussed above.**
- NRDC recommends that the Commission revise the Plan or otherwise expressly encourage utilities to develop requests for proposals with input from and collaboration with interested stakeholders throughout the process in the review of third party program bids. Ameren adamantly objects claiming such a requirement is unnecessary. In its Response, the IPA supports NRDC's recommendation. ELPC supports NRDC's recommendation and suggests the Commission should direct Ameren to follow the same collaborative bid review approach used by ComEd. Staff supports the ELPC and NRDC recommendations with certain modifications. (Staff BOE Attachment A at 225)
- Staff supports the Commission requiring Ameren to submit a confidential utility and stakeholder bid review document with its energy efficiency assessment similar to the one submitted by ComEd but recommends that such utility and stakeholder bid review documents include more detail concerning the rationale for the competing and duplicative determinations as well as the facts considered by the utilities and stakeholders in making those determinations. Staff says all parties appear to agree that the stakeholder reviewers should have no decision-making authority. (Staff BOE Attachment A at 225)
- The Commission notes that, to some extent, the schedule for the third party bid process is out of the utilities' control and is somewhat sympathetic to Ameren's argument that it attempts to include interested stakeholders to the extent possible. On the other hand, the complaints regarding Ameren's process and openness to input from interested stakeholders, relative to ComEd's is troubling. While the Commission does not believe it necessary to make a change to the Plan under consideration in this proceeding, the Commission directs Ameren to improve its efforts to include interested stakeholders and give their input more serious consideration when reviewing third party program bids in the future. While the Commission does not wish to initiate a formal proceeding to address this issue at this time, it may be necessary if the issue arises in future procurement proceedings.
- Staff objects to the IPA's justification for the recommendations as to which Ameren behavioral program should be included in the plan. Staff's objection has several parts: first, a request to include in the Plan an alternative expression of the total resources

- cost test expressed as the difference between costs and benefits rather than as a ratio; second, a discussion of the experience of energy savings and cost effectiveness for home energy reports for Ameren and elsewhere in Illinois; and third, a discussion of whether the two Ameren behavioral programs are “competing” or “duplicative.”
- The IPA and Ameren do not believe that changes to its Plan are warranted in response to Staff’s objections. Ameren states that if both programs were adopted, then the respective programs would be cut in half, assuming either vendor would have an interest in contracting for half of the incentives for which it bid. Ameren believes the correct path is to not have these programs compete at half budget, with increased administrative costs, but rather to have one program, chosen by the Commission, run at full capacity so that the bid savings can be achieved.
 - The IPA believes pragmatic decisions must be made when there are “duplicative” bids and that information will never be perfect, but a determination must be made. The IPA sympathizes with Staff’s concern regarding the implications of not adopting the non-incumbent program with the higher TRC. The IPA says its recommendation between these programs is based on a qualitative consideration of multiple factors. The IPA claims the disconnect between vendor-supplied estimates and evaluated therm savings, along with the inherent uncertainty surrounding vendor-supplied values, underscores the weakness of choosing between the two programs on the basis of their TRCs when the input values are not based on the Technical Reference Manual.
 - Staff suggests various ways that Ameren and the IPA could work with vendors to refine and coordinate bid responses. The IPA indicates it first saw vendor bid responses as part of Ameren’s July 15 filing, but says it is not opposed to a consideration of a more active and earlier role in the bid screening and evaluation process in future years.
 - The Commission appreciates the efforts of Staff relating to incremental energy issues. Ultimately, the Commission agrees with Ameren that the best result is to not have these programs compete at half budget, with increased administrative costs, but rather to have one program run at full capacity so that the bid savings can most likely be achieved. As a result, the Commission rejects Staff’s proposed modifications to the Plan.
 - The consensus language from the 2014 Section 16-111.5B energy efficiency workshops was submitted by Ameren to the IPA in Ameren’s energy efficiency assessment required by Section 16-111.5B (now set forth in Appendix B-2 of the Plan) and the IPA filed the consensus language with its Plan with a recommendation that the Commission adopt it. Staff supports Commission adoption of the consensus language from the 2014 Section 16-111.5B energy efficiency workshops as it will increase transparency and certainty for all parties involved with the Section 16-111.5B energy efficiency programs.
 - The Commission appreciates the efforts of all parties that worked to reach consensus through the workshops on the complicated Section 16-111.5B energy efficiency issues raised in previous procurement dockets. The Commission hereby adopts the consensus language from the 2014 Section 16-111.5B energy efficiency workshops in order to increase certainty for all parties involved with the Section 16-111.5B energy efficiency programs.

- The Commission hereby approves the cost-effective incremental energy efficiency programs recommended by the IPA, except as modified in this conclusion above.

IV. Schedule

Date	Agenda	Next Steps
<p>2/17 10:30 am – 4:30 pm</p>	<p>DRIPE:</p> <ul style="list-style-type: none"> • Review issues in Comparison Exhibit; narrow differences; determine whether Comparison Exhibit is complete; identify rationale for each side; eliminate points of contention where possible. • DRIPE Adoption/Rejection by Other Jurisdictions. <p>Additional TRC Issues:</p> <ul style="list-style-type: none"> • Threshold issue of whether IPA should perform its own TRC analysis • Non-Energy Benefits – Overview of Proposal and Issues. • Marginal Line Losses – Explanation of Ameren IL using average vs. marginal. • Administrative Costs – How should admin costs be tracked going forward, by program? How should admin costs be determined when there is no data on a previous program? 	
<p>3/17 10:30 am – 4:30 pm</p>	<ul style="list-style-type: none"> • Threshold issue • TRC Models – Research and Comparisons (Presenter TBD) • Administrative Costs (Chris Neme, Energy Futures Group) • Non-Energy Benefits (Presenter TBD) • Marginal Line Losses (Presenter TBD) <p>Additional discussion:</p> <ul style="list-style-type: none"> • “Other” TRC Issues 	
<p>4/21 10:30 am – 4:30 pm</p>	<ul style="list-style-type: none"> • Follow-up discussion of “Other” TRC Issues. • Additional discussion of issues as-needed. • Follow-up on non-consensus items from March meeting. 	
<p>5/19 10:30 am – 4:30 pm</p>	<ul style="list-style-type: none"> • Follow-up on non-consensus items from March and April meetings. 	<ul style="list-style-type: none"> • Determine how to proceed with Non-

	<ul style="list-style-type: none"> • Seek resolution of outstanding issues. 	<p>Consensus items. Is a separate docketed proceeding necessary?</p> <ul style="list-style-type: none"> • Update final Comparison Exhibit.
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V. Attachments

- IPA Final Order
- DRIPE Comparison Exhibit