

# TRC Issues in Proposed Legislation – HB 2607

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# IPA Act Section 1-10

Definition of “Total resource cost test” (pages 14-16):

- "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, including avoided energy costs, avoided generating capacity costs, avoided transmission and distribution system investments and price suppression effects, as well as other quantifiable societal benefits, including avoided natural gas utility costs, other avoided energy costs, and reasonable estimates of non-energy benefits, such as the health, safety, comfort, operation and maintenance, business productivity, and financial security benefits to low-income and moderate-income customers of efficiency investments,

# IPA Act Section 1-10

## Definition of “Total resource cost test” (cont.):

- 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 costs and benefits for the purpose of computing net present values, a societal discount rate based on real, long-term Treasury bond yields or other appropriate indicators should be used.

# PUA Section 8-103

Sec. 8-103(a) (pages 91-92):

- “It is the policy of the State that electric utilities are required to use cost-effective energy efficiency and demand-response measures to reduce delivery load. Requiring investment in cost-effective energy efficiency and demand-response measures will reduce direct and indirect costs to consumers by decreasing environmental impacts impacts, by reducing electricity prices in the regional power market, and by avoiding or delaying the need for new generation, transmission, and distribution infrastructure...”

# PUA Section 8-103

Sec. 8-103(d) (page 97):

- “...For utility efficiency programs offered on or after January 2018, the amount of savings shall be limited only to the extent necessary to ensure that the measures installed will, in the aggregate, result in net benefits to customers when the full costs of the efficiency programs are compared with the full benefits, as defined in the total resource cost test.”