IPA Integrated Resource Planning Workshop #3: Customer Cost Impacts Methodology

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Question 1

How should "commercial" versus "industrial" customer classes be defined for purposes of reporting customer cost impacts?

Customer class definitions should be grounded in an externally benchmarkable framework so that reported cost impacts are interpretable and comparable. To the extent practicable, "commercial" and "industrial" classifications should align with established public reporting categories used for electric-sector data. FERC Form 1, EIA Form 861, and Edison Electric Institute - Typical Bills and Average Rate Reports are examples of available benchmarkable data sets. The IIEC recommends using EIA Form 861 as the best source of externally benchmarkable data. Form EIA-861 is the only source among the three that is a census of all U.S. electric utilities, and it contains revenue, sales (MWh), and customer count of electricity delivered to end-use customers by state and sector. It is also public, nationally standardized, and already organized around the residential/commercial/industrial end-use sectors. Customer classes used in revenue requirement analysis in the IRP process should align with customer class definitions used in EIA-861 data collection. The workshop materials indicate that customer-cost outputs will be derived through a revenue requirement, class allocation, and average rate framework. In that context, it is important that rate class definitions be applied consistently across all candidate portfolios so that differences in customer-cost outcomes reflect portfolio effects rather than definitional variation. More fundamentally, the usefulness of customer-cost analysis depends not only on how classes are defined, but also on whether the analysis is applied consistently across the portfolio set being evaluated. Limiting customer-cost analysis to only a subset of scenarios reduces the ability to determine whether system-cost minimizing portfolios also produces acceptable affordability outcomes. A more informative approach would evaluate customer-cost impacts across the full scenario set of optimized candidate portfolios under comparative review.

Question 2

If "commercial" and "industrial" are defined using load thresholds, what threshold(s) do you recommend and why?

See response to item #1 for IIEC's recommendation for determining customer classes. However, if load thresholds are used, they should be designed to reflect meaningful differences in cost characteristics, including demand intensity, load factor, and system usage patterns. Arbitrary or overly simplified thresholds risk grouping together customers with materially different cost drivers, resulting in unreliable customer cost impact conclusions. More broadly, the purpose of any threshold definition should be to support clear and consistent comparison across portfolios, not to establish a single universally correct cutoff.

Question 3

For the stakeholder group(s) that you are representing in the IRP process, what are you hoping to learn from the cost impact analysis specific to the customer group you are interested in?

To begin, IIEC believes that, for the industrial class and for ratepayers collectively, the most useful affordability metric is the customer-cost impact of portfolio choice. Therefore, the cost impact analysis should provide a clear, understandable, and comparable view of how different candidate portfolios affect total customer costs over any of the required planning scenarios, including both delivery-related and market-related components. Furthermore, the cost analysis should be reproducible by an independent third party. If the cost impact analysis is done in a less than totally transparent way, confidence in the answer will be lost. To be most informative, the analysis should allow stakeholders to compare customer-cost outcomes across portfolios in a consistent manner, including how the principal cost drivers—distribution, transmission, capacity, energy, and program fees (non-bypassable charges) evolve under different system conditions. IIEC is particularly concerned with the statement made at the workshop that non-bypassable charges will be "frozen" at current levels, as such an assumption conflicts with historical experience and legislative mandates that such charges increase in the future. Most importantly, stakeholders, agency plan developers, and the Commission should be able to determine whether a portfolio is not only the lowest cost over time relative to other portfolios, but also affordable for customer classes over time, as the Commission may approve a plan if it finds that it supports the provisioning of adequate, reliable, affordable, efficient and environmentally sustainable electric service at the lowest total cost over time. 220 ILCS 5/16-202 (b)(4). The analysis should also provide insight into the robustness of portfolio selection by showing the range of customer-cost outcomes under differing assumptions, particularly where policy-driven costs and market exposures may create downside affordability risk.

Question 4

E3 proposes to estimate the future delivery revenue requirement by starting with the current delivery revenue requirement and applying a growth rate based on historical authorized revenue requirement increases over the past 10 years, along with modeled additions for new transmission and distribution investments. Do you believe this is a reasonable approach for projections?

Yes, but should be adjusted

Question 5

If "Yes, but should be adjusted" or "No" was selected in the previous question, what adjustment is most appropriate?

Align growth rate with recent multi-year rate plans (e.g., using recent approved increases as a forward-looking proxy)

Question 6

If "Use a different historical window" was selected in the previous question, what lookback period should be used to estimate the growth rate and why?

Questions 4 through 6 are narrower than the methodological issues raised by the workshop materials because they focus on only one input assumption—Delivery – Base—within the broader customer-cost framework presented on slide 13. The Staff/E3 presentation describes a customer-cost framework that includes delivery, supply, and program-fee components, and it expressly distinguishes that broader customer-cost analysis from the separate system-cost analysis performed in portfolio modeling. IIEC is therefore submitting a supplemental attachment that addresses the broader revenue requirement framework and explains how that framework can be refined and extended to support a more complete present value of customer cost (PVCC) approach for comparing affordability across candidate IRP scenarios and portfolios. IIEC's supplemental attachment does not oppose the use of a revenue requirement framework. Rather, it explains where the proposed utility revenue requirement methodology is directionally consistent with the need for a customer-cost impact lens, where it remains incomplete as an affordability framework, and what refinements are needed so that customer-cost impacts can be evaluated consistently across alternatives. In particular, comments limited to the historical growth-rate treatment of delivery – base would not adequately address the broader methodological issues raised by slide 13, including treatment of other delivery costs, supply-related customer obligations, program fees, and the relationship between projected class rates and a broader affordability metric.

Question 7

Energy burden is defined as the percentage of a household's annual income spent on household energy bills. What baseline would be most useful for examining energy burden in the IRP (e.g., historical, business-as-usual, etc.)?

A business-as-usual baseline anchored in current conditions would be the most useful reference point for evaluating changes in energy burden within the IRP framework. That approach would allow stakeholders to assess how different portfolios affect energy-burden outcomes relative to a credible reference case. The workshop materials indicate that customer impacts will be presented as projections. In that context, it is important that the selected baseline will support meaningful comparison across portfolios rather than serve as a precise forecast of future outcomes. Energy burden is an important indicator for residential customers, and especially for low-income households, but it is not by itself a comprehensive measure of affordability. In addition to energy

burden, the IRP should also consider broader customer-cost metrics that support present-value comparison across portfolios and provide visibility into the trajectory of customer costs over time. Taken together, those measures can provide a more complete view of customer-cost impacts and affordability.

Question 8

Are there data sources available at the community or census-tract level in Illinois that should inform how EJ and equity investment eligible communities are identified and characterized?

IIEC does not offer a specific recommendation on additional community- or census-tract-level data sources in this submission. To the extent the agencies rely on such data sets, the methodology should be transparent, consistently applied, and capable of supporting meaningful comparison across portfolios.

Question 9

What are the most significant barriers to participation in existing programs for EJ and/or equity investment eligible communities, e.g. upfront costs, eligibility restrictions, lack of information, or structural factors like renter status?

IIEC does not offer a detailed program-participation assessment in this submission. As a general matter, barriers to participation should be evaluated using transparent criteria and should distinguish among informational, financial, and structural barriers so that any resulting analysis remains analytically clear and appropriately targeted.