Citizens Utility Board
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Comments of the Citizens Utility Board on the

2015 Illinois Power Agency Draft Procurement Plan

September 14, 2015

The Citizens Utility Board ("CUB") provides the following comments on the Illinois Power Agency ("IPA") Draft 2016 Procurement Plan ("Draft Plan" or "the Plan"). CUB commends the IPA on its hard work in weighing the input of various stakeholder groups and workshop feedback to develop the Plan. CUB agrees with many of the IPA's conclusions, and offers these comments on some areas where the IPA has requested further stakeholder feedback.

There are three areas of the Plan where CUB wishes to comment, all pertaining to the IPA's selection of resources to procure energy and capacity for customers of Commonwealth Edison ("ComEd") and Ameren Illinois Company ("Ameren" or "AIC"). CUB supports the inclusion and further development of incremental efficiency programs targeted towards hourly savings, or the "energy efficiency as a supply resource" ("EEAASR") concept, and supports longer term contracts for those programs, of five years of more. CUB also supports the IPA's decision in including measures from AIC's incremental energy efficiency program portfolio that were excluded based on an incorrect comparison to the cost of supply, and would like to see greater detail in AIC's TRC calculations with regard to administrative costs and non-energy benefits ("NEBs"). Finally, CUB believes the IPA is correct in beginning to hedge forward-year capacity for AIC through the RFP process, rather than procuring such capacity wholly from the Midcontinent Independent System Operator ("MISO") auction as in previous years.

7.1.2.1 Energy Efficiency as a Supply Resource ("EEASR") Workshops

The IPA provides a summary of the EEAASR workshops conducted pursuant to the Illinois Commerce Commission's Final Order in Docket No. 14-0588, which while productive to the degree that they resulted in changes to Ameren's and ComEd's Section 16-115.5B Requests for Proposals, did not produce consensus on all relevant issues.[1] The IPA is correct in singling out contract length as an important issue left unresolved.

Third-party energy efficiency programs represent significant economic opportunities for entrepreneurs, and often entail correspondingly significant up-front investment. For many potentially cost-effective business models, a three-year contract length is insufficient to recover investors' investment, and is also shorter than the functional life of many energy efficiency measures. From a simple accounting perspective, the contract length should match the life of a measure; from a policy perspective, longer contracts would attract more entrepreneurs and vendors into the space. For these reasons, CUB recommends the IPA procure incremental energy efficiency under Section 16-115.5B for periods of at least five years, with the option of longer contracts for longer-lived energy efficiency measures.

7.1.5.2, 7.1.5.3 Review of Ameren Illinois TRC Analysis

The IPA outlines several areas of concern in AIC's incremental energy efficiency programs[2], both within the company's application of the TRC test itself,[3] and the Company's decision to exclude some bids based not on the TRC but on comparison to the "cost of supply".[4] The IPA notes that in applying the TRC test, AIC uses a blanket administrative cost adder of 13.58% to all submissions, a figure higher than that used in prior years, without clearly accounting for how that figure is derived or why an increase is necessary. This ratio is over 2% higher than the adder used by ComEd in their TRC calculations. Moreover, AIC also excludes all NEBs from its calculations, in a departure from last year's submission.[5]

With regard to the TRC calculation issues, CUB believes the IPA is right in asking for greater specificity from AIC in their inputs. The administrative adder of 13.58% is higher than ComEd's input; given that the company's previous adder of 15% proved a contentious matter for

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[1] IPA, 2016 Draft Procurement Plan, pg. 82

[2] Programs submitted pursuant to 220 ILCS 5/16-111.5B.

[3] IPA, 2016 Draft Procurement Plan, pg. 90.

[4] *Ibid.*, pg. 91.

[5] *Ibid.*, pg. 90.

litigation during the 2015 Plan proceedings, AIC should provide greater justification for the higher figure if it is to be used in the future. Given that of the three programs the IPA identified as being affected by the higher cost assumption, two would have cleared the TRC with the 13.58% administrative assumption but for the exclusion of NEBs, the difference between 13.58% and 11.5% appears to be immaterial in this year's proceeding. However, the IPA should reconsider allowing AIC to ignore NEBs in its TRC calculations, and instead ask the company to follow ComEd's example and apply measure-by-measure adders.

The IPA is correct in taking issue with AIC's decision to exclude some programs based upon those measures exceeding the cost of supply. AIC appears to be applying a misreading of the statute in excluding these programs; Section 115.5B of the PUA directs to the IPA to procure all measures that meet the total resource cost test,[6] and while it also directs utilities to include a comparison of those measure to the cost of supply, that is not a directive or permission to use that comparison as a basis for excluding energy efficiency measures. Rather, all cost effective measures are to be procured, regardless of the cost of procurement versus supply, as cost of supply is only one basis out of many against which to measure energy efficiency programs. As has been litigated numerous times previously before this Commission, utilities are not to consider any test other than the statutory TRC in determining which programs are submitted to the IPA for review. A "cost of supply" comparison does not follow the statutory framework and should be rejected. The IPA is right in including those programs AIC used this comparison to exclude.

7.2 Procurement Strategy

In a departure from last year's plan, the IPA is electing to hedge the capacity price risk for AIC customers by procuring 50% of 2016/17 capacity through an RFP, rather than through the MISO PRA.[7] Given the extreme increase in MISO's capacity price for Southern Illinois seen this summer, and the further price volatility being forecast for the region, CUB supports this decision, as a reasonable measure to protect Illinois consumers.

[6] 220 ILCS 5/16-111.5B(a)(4).

[7] IPA, 2016 Draft Procurement Plan, pp. 99-101