COMMENTS BY THE STAFF OF THE ILLINOIS COMMERCE COMMISSION ON THE ILLINOIS POWER AGENCY'S 2015 DRAFT POWER PROCUREMENT PLAN FILED AUGUST 15, 2014

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Note: In these comments, aside from adding a “Conclusion” section or as otherwise noted, Staff retains the same outline that is used in the body of the Illinois Power Agency’s “2015 Electricity Procurement Plan,” which was distributed on August 15, 2014 (“Draft Plan”).

1 Executive Summary

On August 15, 2014, pursuant to Section 16-111.5(d) of the Illinois Public Utilities Act ("PUA"), the Illinois Power Agency ("IPA") made available to the public a "2015 Electricity Procurement Plan" ("Draft Plan") and invited affected utilities and other interested parties to submit comments on the Draft Plan by September 15, 2014. In response, the Staff of the Illinois Commerce Commission ("Staff") hereby submits these comments to the IPA. The outline of these comments conforms to the outline of the Draft Plan.

1.1 Power Procurement Strategy

1.2 Renewable Energy Resources

1.3 Energy Efficiency as a Supply Resource

1.4 Incremental Energy Efficiency

1.5 The Action Plan

The Draft Plan's Executive Summary summarizes twelve proposed actions. Staff's position with respect each action is indicated below.

1. The IPA recommends approval of the base case load forecasts of ComEd and Ameren as submitted in July 2014. Staff agrees.

2. The IPA recommends that the Commission require the utilities to provide an updated March 13, 2015 forecast, and that the Commission pre-approve the update, subject to the March 2015 consensus of each utility, the IPA, ICC Staff, and the Procurement Monitor. Staff agrees.

3. The IPA recommends that the Commission approve two energy procurement events: the first scheduled for April 2015 and the second scheduled

for September 2015. The IPA further recommends that the energy amounts to be procured in April be determined by the IPA based on the updated March 2015 load forecast and in accordance with the hedging levels stated in this Plan and as ultimately approved by the ICC. The IPA further recommends that the amounts to be procured in September, if any, be contingent upon the July 2015 load forecast, and a determination at that time by the IPA that the estimated risk management benefit exceeds the cost of the procurement event and also subject to other conditions as may be specified by the Commission. Staff recommends that this recommendation be modified so that the determination that the "estimated risk management benefit exceeds the cost of the [September] procurement event" be subject to the consensus of the IPA, ICC Staff, and the Procurement Monitor.

4. The IPA recommends that the Commission require the utilities to expand the July 2015 forecast to include the November 2015 to May 2016 period, to be used solely in determining the quantity of energy to be solicited, if applicable, in the September 2015 procurement event. Staff agrees.

5. The IPA recommends that the Commission approve "continued procurement by ComEd and Ameren of capacity, network transmission service, and ancillary services from their respective Regional Transmission Organization ("RTO") for the 2015-2016 delivery year." Draft Plan at 4. However, notification to PJM -- that a load serving entity like ComEd wants to participate in the Fixed Resource Requirement ("FRR") Alternative and avoid participation in RPM for any given delivery period -- must occur at least 2 months prior to the Base

Residual Auction ("BRA") for that delivery period. The BRA for the 2005-2016 delivery period opened on May 7, 2012 and the results were posted on May 18, 2012. Thus, the decision that ComEd procure capacity from PJM's RPM was made by default in ***2012***, and the IPA's ***2015*** Plan should be focused on the ***2018/2019*** delivery year. With that clarification, Staff would support the IPA's proposal that ComEd and Ameren continue to procure capacity, network transmission service, and ancillary services directly from their respective RTOs.

6. The IPA recommends that the Commission approve pro-rata curtailment of ComEd and Ameren's Long-Term Power Purchase Agreements for renewable energy in the "unlikely" event that the updated March 2015 expected load forecast indicates that such a curtailment is necessary. The IPA further states that "This forecast will form the basis for pro-rata curtailment of long term renewable contracts assuming consensus is reached among the parties identified in Item 2 above. Otherwise, the July 2014 forecast will form the basis for curtailment." Staff agrees.

7. The IPA recommends that the Commission approve a one-year procurement of SRECs to allow the utilities to meet their RPS requirement. Staff assumes that the recommended quantities of SRECs to be acquired would be equal to the "Remaining Target" quantities listed on pages 92 and 93 of the Plan (30,212 MWH for Ameren and 49,770 MWH for ComEd), or such lesser amounts to avoid spending more than the "Available RPS Funds" shown on pages 93 and 94 ($3,858,659 for Ameren and $5,360,834 for ComEd). If these assumptions

are correct, then Staff agrees with the IPA's proposal, but recommends that the IPA clarify the proposal, as just outlined.

8. The IPA recommends that the Commission approve a procurement of distributed generation RECs using already-collected hourly ACP funds. Clarifying this recommendation, the Draft Plan later states, "as contracts for DG resources must be 'no less than 5 years' in length, entering into 5 year contracts using existing ACP funds already collected from hourly customers eliminates the load migration risk present with the renewable resources budget (from which long-term contracts have already been subject to curtailments)." Draft Plan at 94-95. However, the Draft Plan is still unclear on the target quantities of RECs to purchase with these already-collected hourly ACP funds. Staff discusses this issue later in these Comments and concludes that the target quantities for the 2015 procurement of distributed generation RECs should be 6,518 MWH per year for Ameren and 13,194 per year for ComEd. With this addendum, Staff agrees with the IPA's proposal. The Draft Plan describes three "models" (or "options") for conducting the aforementioned DG procurement: (1) Full Competitive Procurement; (2) 2013 Plan Model; and (3) Program Administrator as Aggregator. For reasons discussed later in these Comments, Staff recommends that the IPA propose Option 1.

9. The IPA recommends that the Commission approve a fall 2015 procurement of "energy efficiency as a supply resource" to lower the overall cost of supply starting in 2016. Staff disagrees with this recommendation. Staff understands that the aim of the proposal is to reduce, through cost-effective

energy efficiency measures and programs, energy demand during "super-peak" time periods, when energy supply is or is expected to be particularly costly. It is perfectly reasonable for the Commission to authorize paying a premium price for reducing consumption when supply costs are also at a premium. However, this can be done within the scope of Section 16-111.5B. In addition, the proposal is flawed in several respects. Further discussion of these issues is included later in these Comments.

10. The IPA recommends that the Commission approve the consensus items from the 2014 ICC Staff-led workshops on Section 16-111.5B. Staff agrees with this recommendation.

11. The IPA recommends that the Commission approve Section 16-111.5B incremental energy efficiency programs. Staff's review of these new or expanded energy efficiency programs is still ongoing. Staff provides recommendations for additional information that should be included in the Plan.

12. The IPA recommends that the Commission approve the recommendations to improve the procurement event process including updating the processes to ensure that the IPA recovers the cost of holding procurement events. Staff generally agrees with the recommendations. The Draft Plan invites comments on several approaches toward the collection of fees to recover the cost of procurements, and on how the IPA can ensure that it complies with Section 1-75(h) of the IPA Act and Part 1200.220 of Title 83 of the Illinois Administrative Code. Generally, Staff supports the continued use of both a flat bid participation fee and a variable supplier fee, which varies with the number of

blocks awarded to the bidder. Of the alternatives suggested in the Draft Plan for ensuring payment of fees, Staff believes that the least complicated approach would be to require bidders to post with the IPA a separate letter of credit sufficient for purposes of ensuring payment of any reasonable fees that might be owed at the conclusion of the procurement event.

2 Legislative/Regulatory Requirements of the Plan

2.1 IPA Authority

2.2 Procurement Plan Development and Approval Process

2.3 Procurement Plan Requirements

2.4 Standard Product Procurement and Load-Following Products

2.5 Renewable Portfolio Standard

2.6 Distributed Generation Resources Standard

2.7 Energy Efficiency Resources

Generally, Staff has no objections to the content of this section of the Draft Plan. However, Staff recommends a slight rewording of the first full paragraph on page 12 of the Draft Plan for the sake of accuracy. Specifically, the first full paragraph on page 12 of the Draft Plan should be modified as follows:

> In response to the Commission's directive in its approval of the 2013 Procurement Plan, ICC Staff held a series of workshops leading to the consensus ~~resolution~~ of certain open issues associated with successfully implementing Section 16-111.5B's provisions. After additional open issues were identified in the development and approval of the 2014 Plan, the Commission again requested ICC Staff hold workshops. Consensus was reached over a set of additional open issues this summer; further discussion of the 2014 workshops is included in Section 2.9 below, and the IPA requests the Commission approve the consensus items from the workshops described in that Section.

Draft Plan at 12. While consensus was reached on certain open issues in the 2013 workshops, the issues were not resolved since the Commission did not explicitly adopt them. Indeed, the 2014 Procurement Plan even notes that "The IPA thus regards the Staff Report as a useful reference point for its discussion, but not a binding document." 2014 Procurement Plan at 82.

2.8 Demand Response Products

2.9 Clean Coal Portfolio Standard

3 Load Forecasts

4 Existing Resource Portfolio and Supply Gap

Although FutureGen is mentioned elsewhere in the Draft Plan[1], it is not mentioned in Section 4. For completeness, FutureGen should be included in the list of supply contracts discussed in this section, particularly the IPA's list of supply contracts with terms exceeding a three-year horizon. In addition, the IPA should numerically account for the FutureGen sourcing agreements, as discussed below.

Staff notes that, when first reported to the Commission in 2012, the IPA expected FutureGen to come on-line in 2017,[2] which is not only within the current plan's five-year planning horizon, it is within the next three years. Furthermore, having just referenced 2017 as the year when the plant is supposed to become operational, the Draft Plan states that the IPA "is not aware of any additional change in status of the project that would hinder FutureGen's ability to deliver clean coal electricity as anticipated." Draft

[1] Draft Plan at 13 and 86-87.

[2] ICC Docket No. 12-0544, Order, December 19, 2012, at 45.

Plan at 86. Hence, if the IPA still expects FutureGen to be operational within the next three years (let alone the next five), then it would be appropriate, at least in theory, to numerically account for the FutureGen sourcing agreements as price hedges, and to reduce the number of other hedging contracts to acquire through upcoming procurement events.

On the other hand, one might argue that the FutureGen sourcing agreements do not constitute valid price hedges, based on the following two considerations. First, the agreements do not include fixed rates. Rather, they have formula rates. Second, the quantities to be supplied by FutureGen on behalf of fixed price customers are not fixed. However, many of the components of the pricing formula are fixed and are either independent of or can be expected to be only weakly correlated with spot market electricity prices; and the quantities sold by FutureGen to the utilities for fixed price customers will be roughly proportional to the electricity usage of the fixed price customers, and expectations can be developed of these quantities. Finally, in its Order in Docket No. 12-0544, the Commission agreed with FutureGen that "the risk of carbon regulation and legislation is real and that FutureGen 2.0 will serve as a reasonable hedge." Thus, the IPA should conclude that the FutureGen sourcing agreements constitute price hedges.

Another possible objection to numerically accounting for the FutureGen sourcing agreements is that FutureGen is expected to provide only about 0.9% of the energy demanded by Illinois electric consumers.[3] Thus, numerically accounting for FutureGen

[3] FutureGen's expected output in the first full year of operation is 1,153,863 MWH. This is approximately 0.9% of the sum of Ameren and ComEd fixed-price, hourly-priced, and ARES-supplied sales in 2013, which was 126,125,709 MWH. Sources: FutureGen's "Pre-Approved Capital Cost Request & Updated Ratepayer Impact Analysis Report," submitted to the Commission February 19, 2013 in ICC Docket 13-

in the portfolios could be considered unnecessary from a practical standpoint. However, whether it is necessary or not, Staff sees no harm in going through the exercise.

To proceed with numerically accounting for the FutureGen sourcing agreements, the IPA would need a forecast of total customer usage at the meter, by utility (ComEd and Ameren), by class (fixed price and non-fixed price[4]), and by month, since this is how the output of FutureGen is to be allocated. Ameren provided the necessary forecast to the IPA, but, as far as Staff knows, ComEd did not. As a general practice, ComEd only includes in its forecast those customers who are eligible for fixed price service. In addition, the IPA would need a forecast of FutureGen's capacity and its capacity factor(s), by month and by sub-period (on-peak and off-peak). However, at least as a rough estimate, for purposes of these comments, based on the 2013 annual sales statistics and the FutureGen "Pre-Approved Capital Cost Request & Updated Ratepayer Impact Analysis Report," cited earlier, we can assume ***all*** customers receive FutureGen output for approximately 0.9% of their average load (before adding losses) and 0.84% of their average load (including losses). Thus, based on the July 2014 forecasts, Ameren's fixed-price customers would receive approximately 7 MW of FutureGen's output and ComEd fixed-price customers would receive approximately 15 MW. However, the IPA may determine that it should update these estimates using

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0034, p. 50. Available from: http://www.icc.illinois.gov/docket/files.aspx?no=13-0034&docId=194028 . Illinois Electric Utilities Comparison of Electric Sales Statistics For Calendar Years 2013 and 2012, Illinois Commerce Commission, June 2014, Table 22, p. 22, available from: http://www.icc.illinois.gov/downloads/public/en/13-12%20Comparison%20of%20Electric%20Sales%20Statistics-.pdf

[4] The term "non-fixed price" refers to hourly-priced customers of the utilities plus ARES-supplied customers.

more detailed and/or more up-to-date data and forecasts, in both this and later IPA plans.

4.1 Ameren Resource Portfolio

4.2 ComEd Resource Portfolio

5 MISO and PJM Resource Adequacy Outlook and Uncertainty

6 Managing Supply Risks

In Section 6.2.2, on page 45, the Draft Plan states: “However, it may be difficult or impossible to conduct the statutory RFP process for futures contracts; for example, it is unclear how the margin requirements would fit within the current regulatory framework.” Staff requests that the IPA clarify this statement by explaining how margin requirements may not fit within the current regulatory framework, and also by describing the other ways in which the IPA believes that it may be difficult or impossible to conduct the statutory RFP process for futures contracts.

7 Resource Choices for the 2013 Procurement Plan

For the sake of accuracy, the heading of Section 7 should be modified to read the correct year of the Procurement Plan under consideration, namely 2015 rather than 2013. “7 Resource Choices for the 2015~~3~~ Procurement Plan”. Draft Plan at 63.

7.1 Energy Efficiency as a Supply Resource (“EEAASR”)

The IPA recommends that the Commission approve a fall 2015 procurement of “energy efficiency as a supply resource” to lower the overall cost of supply starting in

2016. Staff understands that the aim of the proposal is to reduce, through cost-effective energy efficiency measures and programs, energy demand during “super-peak” time periods, when energy supply is or is expected to be particularly costly. It is perfectly reasonable for the Commission to authorize paying a premium price for reducing consumption when supply costs are at a greater premium. Indeed, this can and should be done within the scope of Section 16-111.5B, where the IPA is authorized to pursue additional energy efficiency programs. However, Staff opposes the Draft Plan’s particular approach toward procuring “energy efficiency as a supply resource” for the reasons discussed, below.

First, the Draft Plan’s approach is not authorized by statute. Neither the PUA nor the IPA Act refers to a supply product called “energy efficiency as a supply resource.” The PUA simply refers to two supply products. The IPA -- after considering the impact of demand response programs and energy efficiency programs and the supply needs offset by renewable energy resources (5/16-111.5(b)(2)) -- is to include in its Procurement Plan for meeting expected load requirements not met through existing contracts the following products: (1) demand-response products (5/16-111.5(b)(3)) and (2) standard wholesale products. (5/16-111.5(b)(3)(ii) and (iv).) Since neither the PUA nor the IPA Act refers to a supply product called “energy efficiency as a supply resource,” and since “energy efficiency as a supply resource” cannot be characterized as either (1) a standard wholesale product or (2) a demand response product, there is no authority for the IPA to include such a product in its Plan. In addition, when the Legislature intends for the IPA to procure energy efficiency, it is very clear on that intent through the language in the law. See, for example, Section 5/16-111.5B (“The procurement plan components described in subsection (b) of Section 16-111.5 shall also include an assessment of opportunities to expand the programs promoting energy efficiency measures that have been offered under plans approved pursuant to Section 8-103 of this Act or to implement additional cost-effective energy efficiency programs or measures.") and Section 5/8-103(i)-(j) (In these provisions the Legislature authorizes the IPA to assume responsibility for energy efficiency procurement when utilities and/or Department of Commerce and Economic Opportunity fail to meet energy efficiency standards set forth in Section 5/8-103.). Because no such authority to purchase energy efficiency as a supply resource is set forth in the PUA or the IPA Act, the IPA should remove this proposal from its plan.

Second, Staff has policy concerns with some of the principles and implementation details of the proposal, which are discussed below.

7.1.1 EEAASR Background

Staff has no comments pertaining to "Background" subsection.

7.1.2 EEAASR Principles

7.1.2.1 The second principle[5]

The second principle listed in this subsection of the Draft Plan is that "an EEAASR procurement should be focused on pre-designated "super-peak" blocks." While Staff understands that reducing energy usage in some periods is worth more in avoided costs than reducing energy usage in other periods, reducing usage in specific blocks of time is also liable to be more costly than reducing energy over a broader time frame. It is also liable to cost more to verify such energy savings. Even where there

[5] This heading does not appear in the Draft Plan.

are opportunities for programs targeting super-peak blocks to generate relatively higher and positive net benefits (avoided costs less program costs, including any fixed costs), the most efficient way to proceed is to exploit such programs until the marginal benefits of each program are no longer greater than the program's marginal costs. That is, the most efficient plan is one where both the programs that affect mostly super-blocks and the programs that do not affect mostly super blocks are each pursued to the point at which further pursuit costs more than it saves. In Staff's view, that is best accomplished if all programs are evaluated side-by-side as part of a portfolio, as per Section 16-111.5B.

7.1.2.2 The sixth and seventh principles[6]

Staff also takes issue with the sixth and seventh principles mentioned in the Draft Plan. The sixth principle is that "caution must be taken to ensure against non-delivery." It lists "strong credit requirements and non-delivery penalties, perhaps mirroring those for conventional supply contracts," as means to ensure against non-delivery. The seventh principle is that:

> EEAASR resources may be procured from customers statewide (and, if feasible, not merely "eligible retail customers"), including from competitive-class customers. As supply resources would be similarly unrestricted, demand-side resources displacing supply blocks should not be restricted to customers for whom the Agency procures energy. However, procured demand-side resources should be delivered within the service territory for which they're being procured (even if not situated within the service territory itself), and the Agency believes its initial EEAASR procurement should be limited to Illinois-based resources.

Both the sixth and seventh principles reflect the same attempt to forcibly equate a reduction in energy demand with supply, or as some have said, "nega-Watts" with

[6] This heading does not appear in the Draft Plan.

Watts. There are important differences between nega-Watts and Watts that lead to different approaches in how their efficient production should be pursued.

First, reductions in energy demand are inherently unknowable. That is why the State has authorized large sums to be paid to specialized consultants to estimate the energy savings produced by energy efficiency programs. In practice, such evaluations have taken months to complete; and the end result is still just an estimate, as opposed to a known metered datum. With energy efficiency programs, there really is no way to reliably "ensure against non-delivery."

Second, by reducing consumption of Watt-hours by 1000 units (1 kWh), a ratepayer is automatically rewarded based on the tariffed rate. At the same time, the utility is paid less, based on the tariffed rate of electricity, ***but the utility also benefits by having to purchase less at wholesale.*** As long as the tariffed rate for electricity is equal to the marginal wholesale price of electricity, everybody breaks even.[7] Furthermore, we can assume that the consumer is slightly happier by substituting his kWh for other things (as consumption patterns typically reveal the value consumers place on goods and services). In stark contrast, the Draft Plan states that, "if feasible," EEAASR resources may be procured not merely from eligible retail customers, but also from competitive-class customers. "As supply resources would be similarly unrestricted, demand-side resources displacing supply blocks should not be restricted to customers for whom the Agency procures energy." However, a reduction in energy demand by

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[7] Staff realizes that when the reduced consumption of electricity is associated with a utility-sponsored energy efficiency program, the total payment for the estimated reduction in kilowatt-hours usually exceeds the tariffed rate. Also, when it comes to electric tariffs, the tariffed rate generally is not equal to the marginal wholesale price of electricity: sometimes it is above and sometimes it is below. Indeed, the IPA's proposal to focus on super-peak periods could be seen as an attempt to adjust for this mismatch, without changing the tariff. Staff has no objection to such mismatches being taken into account in devising appropriate incentive payments.

customers other than eligible retail customers will not change the amount of supply that must be acquired for eligible retail customers, any more than a decrease in the number of corned beef sandwiches consumed in New York will somehow satisfy the food cravings of Illinoisans. Simply put, a reduction in the amount of energy demanded by the utilities' competitive class customers or by customers in other service territories has no direct impact on the procurement of supply for the utilities' fixed-price eligible retail customers.

Finally, Staff does not understand and seeks clarification from the IPA concerning the statement that "procured demand-side resources should be delivered within the service territory for which they're being procured (even if not situated within the service territory itself)." In particular, Staff wonders how demand-side resources can be "delivered" in a service territory if they are not "situated within the service territory itself." It seems like an irresolvable paradox.

7.1.3 EEAASR Procurement Proposal

Staff recommends against holding a special procurement event, to acquire "super-peak blocks" of energy reductions, in 100 kW increments. Rather, Staff recommends that the IPA encourage DCEO and the utilities to advertise -- to potential third party vendors wanting to participate in the 16-111.5B process – that the IPA, DCEO, and utilities: (1) will pay close attention to when third party vendors' programs are expected to produce energy savings; (2) will take into account intra-day and intra-year differences in expected energy prices when valuing program-induced energy savings; and (3) will take into account the relative reliability with which programs produce energy savings during specific time periods. While it is conceivable that a vendor will produce convincing evidence that its proposed program will primarily reduce energy during on-peak hours, Staff advises against the IPA, DCEO, and/or utilities expecting or requiring energy efficiency programs to produce guaranteed energy savings during specific super-peak time periods.

7.1.4 EEAASR Procurement Issues to Resolve

Staff does not take issue with the list of issues to resolve. Staff merely opines that the most critical of the unresolved issues are included in the final two bullet points of the subsection, dealing with verification of "delivery" and penalties for non-delivery. In addition, Staff points out that "2014" should instead read "2015" in the first sentence of the last paragraph found on page 66 of the Draft Plan:

> The Agency is hopeful that the Procurement Plan approval process, with comments on this draft of the ~~2014~~ 2015 Procurement Plan and the formal litigation of the filed ~~2014~~ 2015 Procurement Plan before the ICC, will shed further light on how best to resolve open issues.

7.2 Incremental Energy Efficiency

7.2.1 Incremental Energy Efficiency in Previous Plans

For the sake of accuracy, footnote 108 on page 67 of the Draft Plan should be modified to specify the correct number of energy efficiency programs approved by the Commission for the 2013 Procurement Plan, namely seven rather than eight were approved for ComEd as the Commission concluded that ComEd's "Fridge and Freezer Recycle Rewards program should be excluded from the approved 2013 Procurement Plan." ICC Order Docket No. 12-0544 at 270. Footnote 108 on page 67 of the Draft Plan should be modified as follows:

> The 2013 Procurement Plan included eight expanded or new programs ~~each~~ for Ameren and seven expanded or new programs for ComEd. Official results of the programs from the 2013 plan are likewise unavailable, but preliminary informal feedback indicates savings near or above expectations.

Draft Plan at 67.

For the sake of transparency, the preliminary results from each of the energy efficiency programs approved in the 2013 Procurement Plan should be provided to allow for a complete picture when discussing any results of the programs, or in the alternative, deletion of all discussion of preliminary results should occur because such comments could very well lead one to believe that all energy efficiency program vendors approved in the 2013 Procurement Plan have succeeded. Based on the publicly available preliminary results[8] ComEd filed August 29, 2014 in ICC Docket No. 10-0570, five out of seven (over 70%) of the approved energy efficiency programs did not reach their energy savings goals set forth in the Commission-approved 2013 Procurement Plan and four out of seven (over half) of the approved energy efficiency programs came in well under their projected participation/number of units[9] assumed in the cost-effectiveness analysis of the energy efficiency programs. The last paragraph on page 67 of the Draft Plan should be modified as follows:

> Table 7-1 below summarizes the overall expected impacts of previously approved Section 16-111.5B programs. Most of t~~T~~he programs from the 2013 Plan have not yet been fully evaluated~~ but preliminary results reported by Ameren and ComEd suggest that they achieved 126% and 106% respectively of their goals~~. The programs approved in the 2014 Plan are currently underway.

[8] ComEd Ex. 2.0, pp. 25-30, ICC Docket No. 10-0570 (filed August 29, 2014).

[9] Number of Units are specified in Column C of Appendix C-2 to ComEd's Load Forecast filed in ICC Docket No. 12-0544. http://www.icc.illinois.gov/downloads/public/edocket/332428.pdf

Draft Plan at 67. Footnote 108 on page 67 of the Draft Plan should be modified as follows:

> The 2013 Procurement Plan included eight expanded or new programs ~~each~~ for Ameren and seven expanded or new programs for ComEd. ~~Official results of the programs from the 2013 plan are likewise unavailable, but preliminary informal feedback indicates savings near or above expectations.~~

Draft Plan at 67.

In order to accurately reflect the expected megawatt-hour reductions from prior IPA Procurement Plans, the two far right columns of Table 7-1 should be revised. In particular, the 2014 Plan expected reductions in the ComEd service territory should be revised to reflect ComEd's February 25, 2014 filing, "Notice Regarding Change in Third Party Energy Efficiency Program Vendor Status" in ICC Docket No. 13-0546 that provides notice to all parties that the Commission-approved CSG energy efficiency program will not be implemented, "Please take note that ComEd's 2014-2017 energy efficiency portfolio will no longer include CSG's HESP."[10] Based on Appendix C-3,[11] the CSG Home Energy Services Program was assumed to result in 2,239 MWH in expected energy reductions in each of the three years the program was approved for. The expected reduction in the IPA-procured portfolio due to the CSG Home Energy Services Program was 297 MWH (2014/2015) and 822 MWH (2015/2016). (2014 Procurement Plan, Appendix C-3, p. 5, ICC Docket No. 13-0546.) The amounts described above should be deducted from the relevant amounts specified in Table 7-1. Table 7-1 on page 67 of the Draft Plan should be modified as follows:

[10] http://www.icc.illinois.gov/downloads/public/edocket/370299.pdf

[11] Appendix C-3 http://www.icc.illinois.gov/downloads/public/edocket/358799.pdf

Table 7-1: Section 16-111.5B Programs From Prior IPA Procurement Plans

	2013 Plan Total Expected Reductions (MWh)	**2013 Plan expected reduction in IPA-procured portfolio (MWh)**	**2014 Plan Total Expected Reductions (MWh)**	**2014 Plan expected reduction in IPA-procured portfolio (MWh)**
Ameren	70,834	25,409	65,680	17,950
ComEd	118,515	22,574	430,609~~2,848~~ (2014/15)	88,542~~839~~(2014/15)
			547,904~~50,143~~ (2015/16)	136,466~~7,288~~ (2015/16)

Draft Plan at 67.

7.2.2 “Duplicative” or “Competing” Programs – Guidance from Docket No. 13-0546

7.2.3 2014 Workshops

The Draft Plan claims the barriers to DCEO’s participation in the third-party RFP process is an open issue. Staff is concerned that such language may imply that further workshops need to be held to resolve this open issue, which Staff disagrees with. While specific consensus language was not reached regarding DCEO issues, the IPA should still report the results of the workshops to the Commission in the Plan. As noted on page 69 of the Draft Plan, the Commission requested the results of the workshops be reported to the Commission in the next available IPA procurement proceeding. Since the IPA includes in Appendix B-2 the Staff reports summarizing the results from the workshops, it technically complies with this directive. However, it would be clearer to provide a brief summary of the results of the workshops, especially as it pertains to the DCEO issue since a comment is already provided regarding DCEO in the Draft Plan. Further, the open issue language should be deleted for the reasons explained above. Page 72 of the Draft Plan should be modified as follows:

The IPA notes that no consensus language was recommended regarding DCEO participation in the third-party RFP process. Rather the barriers to DCEO's participation were identified and discussed and include the following: Performance Contracting and Funding; Lack of Additional Gas Funding for Low-Income Projects; Total Resource Cost ("TRC") Test; Public Sector Eligibility for Section 16-111.5B Programs; and Legal Issues.[12] While DCEO participated in the 2014 workshops, no clear path to resolving its barriers to participating in the third-party RFP process emerged ~~and this remains an open issue~~. Instead, a path for the low-income or public sector energy efficiency programs in the Section 16-111.5B process was addressed. In particular, DCEO is well-suited to play a consulting role for the low-income or public sector energy efficiency programs in the Section 16-111.5B process. Indeed, DCEO played such a role this year in reviewing potentially competitive or duplicative program bids received through the utilities' third-party RFP process that targeted low income or public sector customers. Further, DCEO can encourage its existing grantees/subcontractors to bid into the utilities' annual third-party RFP process conducted pursuant to Section 16-111.5B of the PUA. Therefore, should the vendors implementing DCEO's energy efficiency programs believe they have the capacity to expand the energy efficiency programs in a cost-effective manner, the vendors have an avenue under which to propose such energy efficiency programs, by bidding in those energy efficiency programs into the utilities' third-party RFP process conducted pursuant to Section 16-111.5B. DCEO's grantees/subcontractors that bid energy efficiency program expansions into the utilities' third-party RFP Process need to ensure adequate tracking mechanisms are in place to separately track expenses and savings for the original Section 8-103 portion versus expanded Section 16-111.5B portion of any expanded energy efficiency program.

Draft Plan at 72.

7.2.4 Third Party Bid Review – Collaboration and Qualitative Evaluations

For the sake of accuracy, the IPA should modify the Commission's standard for program approval to include the full text of Section 16-111.5B(a)(5). The language on page 73 of the Draft Plan should be modified as follows:

[12] DCEO's summary of the impediments that inhibit its participation in Section 16-111.5B third-party RFP process can be accessed at the following link: http://www.icc.illinois.gov/downloads/public/DCEO%20Response%20to%20Section%2016-111.5B%20Workshop.docx

> The Commission's standard for program approval is different; Section 16-111.5B(a)(5) reads as follows:
>
> > *Pursuant to paragraph (4) of subsection (d) of Section 16-111.5 of this Act, ~~T~~the Commission shall also approve the energy efficiency programs and measures included in the procurement plan, including the annual energy savings goal, if the Commission determines they fully capture the potential for all achievable cost effective savings, to the extent practicable, and otherwise satisfy the requirements of Section 8-103 of this Act.*
>
> The Agency believes that the pay-for-performance nature of Section 16-111.5B programs largely negates risks associated with flawed program design or subpar teams, and fears that new or innovative programs could inherently be subject to less favorable qualitative reviews. Nevertheless, the Commission may want to consider a) the legal question whether its standard for approval affords it the latitude to evaluate programs using qualitative criteria, and b) if so, the policy question of whether it should.

Draft Plan at 73.

The Draft Plan raises the question as to whether the utilities should be expressly encouraged to engage stakeholders (i.e., stakeholders with no interest in a bid's approval or rejection) in the review of the third-party energy efficiency program bids and duplicative program determinations. Draft Plan at 73. The Draft Plan then clarifies that final decisions would still rest with the utilities but that the IPA and potentially the Commission "may benefit from additional, independent sets of eyes providing review." Draft Plan at 73, footnote 122. Generally, Staff concurs with the IPA that it would likely be beneficial to both the IPA and the Commission to have additional, independent sets of eyes providing reviews of the third-party bids. Staff believes this will provide the Commission with more information to work from when making decisions in the time constrained procurement proceedings, for example, decisions between which of the duplicative programs should be pursued. Staff also notes that participants in the 2013 workshops reached the consensus that qualitative information should be submitted with the utilities' energy efficiency assessments: "Utilities should include bid reviews in their

EE assessments submitted to the IPA (similar to ComEd last year) (would be confidential)." (Draft Plan, Appendix B-2, p. 44.) Staff also agrees with the IPA that such independent reviewers should have no decision-making authority and would emphasize that the utilities are entirely responsible for preparing their annual July 15 energy efficiency assessments that get submitted to the IPA pursuant to Section 16-111.5B of the PUA.

The IPA also notes that the bid reviews contained in ComEd's submittal contain qualitative information that may be valuable to the IPA and the Commission, but that it is not clear whether or how this information can be utilized. Draft Plan at 73. While all the programs or measures included in the procurement plan must be cost-effective using the Illinois TRC test, the fact that the statute sets forth a number of additional requirements to include with the utilities' assessments means that information other than just the results from the TRC test may be considered by the IPA and the Commission when determining which programs or measures should be included in the procurement plan. ICC Order Docket No. 12-0544 at 237-238. When determining which programs or measures should be included/excluded from the procurement plan, the Commission and IPA have authority to use qualitative information to make those determinations. For example, in order to serve the public interest and protect ratepayers, the Commission may order that a program should be excluded from the procurement plan because it is perceived to contain unreasonable risks to consumers (e.g., voiding warrantees, creating electrical safety hazards); indeed, this is a reason used by the IPA to exclude the Commercial LED Program in the Draft Plan (p. 78). It is unreasonable to conclude that qualitative information must be ignored by the IPA and the Commission in reviewing which energy efficiency programs should be included in the procurement plan.

Staff seeks clarification and requests the IPA expand on its statement that "the pay-for-performance nature of Section 16-111.5B programs largely negates risks associated with flawed program design or subpar teams, and fears that new or innovative programs could inherently be subject to less favorable qualitative reviews." Draft Plan at 73. Staff requests the IPA also explain whether it believes pay-for-performance largely negates "non-delivery risk" for the Section 16-111.5B energy efficiency programs, as that term is used on page 66 of the Draft Plan.

7.2.5 Ameren

For the sake of accuracy, the cost-effective energy efficiency programs in the utilities' energy efficiency assessments are simply "identified" for the IPA per the terms of Section 16-111.5B of the PUA. Thus, language pertaining to the utilities recommending all of the programs be included in the procurement plan should be changed. The last paragraph on page 73 of the Draft Plan should be modified as follows:

> Ameren's submittal includes identification of~~recommending~~ nine energy efficiency offerings for this Procurement Plan (although as discussed further below, Ameren recommends inclusion of only one behavior modification program). All of these programs passed the TRC test at the time of assessment.[125] These programs are exhibited in Table 7-2.

Draft Plan at 73.

In order to provide a meaningful comparison in TRC results for competing or duplicative programs, the Draft Plan should present the TRC results for the programs on a net present value basis. A comparison of TRC benefit-cost ratios does not have much relevance to decisions about which of two competing or duplicative programs should be pursued. TRC ratios are much less important than total net benefits. Table 7-2 on page 74 of the Draft Plan should be modified as follows:

Table 7-2: Ameren Energy Efficiency Offerings

Program	Net Savings (MWh)		Total Utility Cost	TRC Ratio	TRC Net Present Value Benefits
	Program Year 1	Program Year 2			
Moderate Income Kits	1,567	1,567	$1,666,737	1.22	$331,339
Residential Lighting	48,190	53,556	$21,637,240	1.64	$14,481,702
Rural Efficiency Kit Distribution	7,876	7,876	$2,214,245	3.09	$4,118,896
Multi-Family Major Measures	38,943	38,943	$32,820,805	1.57	$16,832,465
Home Energy Reports	40,013	40,013	$4,555,440	1.12	$489,486
Behavioral Energy Efficiency	47,111	47,111	$4,488,750	1.59	$2,363,557
Small Business Direct Install	9,588	9,788	$7,174,723	1.19	$1,463,057
Small Business Refrigeration	17,947	17,947	$7,571,125	1.09	$761,875
Demand-Controlled Ventilation	5,318	-	$1,146,840	1.20	$290,768

Draft Plan at 74.

7.2.5.1 Ameren Bid Review Process

7.2.5.2 Small Business Direct Install – Demand Control Ventilation

7.2.5.3 Competing Residential Behavioral Modification Programs

Subsection 7.2.5.3 of the Draft Plan provides very limited information regarding the competing residential behavioral modification programs for the Commission's consideration. In Staff's view, subsection 7.2.5.3 of the Draft Plan does not provide the Commission with adequate information to consider in making its determination for the behavioral program vendor(s) to approve in the Ameren service territory. This subsection of the Draft Plan concludes with the IPA's recommendation to include the Home Energy Reports behavioral program in its Procurement Plan and a request for feedback from stakeholders on which proposal may constitute the best approach. Draft Plan at 76. Staff submits feedback on these issues below.

Information Needed[13]

In order to provide a more complete record upon which the Commission will make a decision on this issue, Staff responds to specific statements from the Draft Plan and makes requests for additional information needed in the Plan. Staff urges the IPA to work with Ameren and the behavioral program vendors to obtain the requested information such that the Commission will have the information it needs to make an informed decision on this complex issue.

1. "[B]oth programs originate from reputable vendors with a track record of delivered savings in this space[.]" Draft Plan at 76. The IPA should provide more information, including statistics, concerning this track record from any independent evaluation reports that may be available.

2. "While both proposals were analyzed using the same number of participants, the Behavioral Energy Efficiency proposal features roughly 17% greater estimated expected savings." Draft Plan at 76. The IPA should clarify whether the TRC results provided in Table 7-2 reflect both programs targeting the same number of participants (and if not, the TRC results should be provided for that case) and specify the number of legacy customers and new customers that each program proposes to target within the budget specified. Staff notes that when it reviewed Appendix B of the Draft Plan and the TRC inputs used to produce the TRC ratio specified in Table 7-2, it did not appear to Staff that both proposals were analyzed using the same number of participants. In

[13] This heading does not appear in the Draft Plan.

addition, the IPA should provide the number of reports each program is expected to generate and the frequency with which the two customer types (i.e., legacy versus new (no reports in at least 2 years)) would receive such reports over the time period. The IPA should also specify what the start-up costs are for each of the programs and whether they are included in the budget. It would be beneficial to have some clarity as to the gas/electric cost allocation percentages being assumed in the analysis for reports delivered to Ameren gas and electric customers.

3. "[T]his increased rate of savings may come from using a savings rate taken from a different service territory." Draft Plan at 76. This assertion needs to have support in the record. If the savings rate is taken from a different service territory, the IPA should specify which service territory that is and also specify whether the savings rate from the Home Energy Reports Program is available from that other service territory as well to allow for comparisons.

4. 'The Home Energy Reports program has been operating Ameren's residential behavioral modification program since its inception; its projected savings may be less optimistic, but also more proven and reliable." Draft Plan at 76. "[T]he IPA believes that the Home Energy Reports program team's experience to date in Ameren's service territory and established working relationship with the utility makes it slightly more likely to deliver increased savings to customers and maximize the impact of Section 16-111.5B funds." Draft Plan at 76. The IPA should provide support for this assertion. In particular, the IPA should summarize the savings achieved in each program year from Ameren's Home Energy Reports program since its inception such that fluctuations or trends across time, if any, can be reviewed by the Commission. The IPA should also

provide the annual ex post TRC results for the Home Energy Reports Program operated in the Ameren service territory. The IPA should also provide a comparison of planned costs and savings to actual costs and savings in order to support its statement. If available, results from the Behavioral Energy Efficiency Program vendor operating in other service territories should be provided.

5. "Taking these factors together, and accounting for similarities in program goals and design, both programs seem likely to deliver similar levels of energy savings to the same customers." Draft Plan at 76. This statement makes it seem like the programs are identical. The IPA should identify any differences in program design between the two proposals that could be leading to the different savings rate estimates. For example, the IPA should specify whether one program plans to target a greater portion of Ameren's customers who have not received reports before, leading to the assumption that those customers are assumed to have greater potential for cost-effective energy savings in the future.

Policy Considerations[14]

Based on the Draft Plan, it appears the IPA is requesting the Commission approve a vendor's program that provides fewer net benefits than another vendor's program on the basis that it is an "existing" vendor of the utility. Staff is concerned that adoption of the IPA's request on this issue may have negative implications for future utility annual solicitation processes for third-party energy efficiency providers required by Section 16-111.5B of the PUA. In particular, less competitive pricing may be

[14] This heading does not appear in the Draft Plan.

incentivized for incumbent energy efficiency providers and potentially a reduced number of bids.

Staff also notes that the IPA, in making its recommendation, appears to be relying on its belief that both behavioral programs seem likely to deliver similar levels of energy savings to the same customers. Draft Plan at 76. If this indeed is the case, the IPA needs to recalculate the TRC for both of the behavioral programs to reflect these beliefs in the TRC input assumptions and report the revised TRC results (TRC benefit cost ratios and net present value of TRC benefits) in its Plan it submits to the Commission. The IPA should demonstrate that the behavioral program it is supporting provides greater net benefits than the one it is rejecting as duplicative. As it currently stands, the TRC results in the Draft Plan indicate that the IPA supports a behavioral program that provides significantly fewer net benefits (~$1,874,071) than the one it is rejecting as duplicative. The IPA should work with the Ameren and the behavioral program vendors to disaggregate program components so as to allow as direct an "apples to apples" comparison of costs, savings, and net benefits as possible.

Implications of Approving Only One Vendor[15]

Finally, the IPA should explain whether it recommends the Commission approve the Behavioral Energy Efficiency Program in the event that a contract with the Home Energy Reports Program vendor does not come to fruition or is terminated. Staff recommends the IPA include such contingency in its Plan for the following reasons: (1) the Commission directed that a behavioral energy efficiency program be pursued through Section 16-111.5B in ICC Docket No. 13-0498; (2) both behavioral programs

[15] This heading does not appear in the Draft Plan.

satisfy the cost-effective requirements of Section 16-111.5B, with the Behavioral Energy Efficiency Program currently projected to produce $2,363,557 in TRC net benefits and the Home Energy Reports Program projected to produce $489,486 in TRC net benefits; and (3) the behavioral program is a joint gas and electric program that was already approved on the gas side for implementation in PY8 and PY9 in Ameren's most recent plan in ICC Docket No. 13-0498 and it is not clear that Ameren could fund a gas-only behavioral program at the level expected to reach its gas savings goals. Thus, the IPA should request the Commission pre-approve Ameren to negotiate with the other behavioral program vendor if contract negotiations fall through with the originally approved behavioral program vendor.

Duplicative versus Competing[16]

Staff is not convinced that only one behavioral program can be adopted due to the reasons set forth on page 75 of the Draft Plan. The Draft Plan should further elaborate on why only one behavioral program can be adopted or provide the TRC results from scenarios that could be workable for both vendors to co-exist, as described further below.

The Draft Plan outlines a seven factor inquiry to be employed in making determinations concerning duplicative or competing.

(1) similarity in product/service offered;

(2) market segment targeted, including geographic, economic, and customer classes targeted;

(3) program delivery approach;

[16] This heading does not appear in the Draft Plan.

> (4) compatibility with other programs (for instance, a program that created an incentive to accelerate the retirement of older inefficient appliances could clash with a different program that tunes-up older appliances);
>
> (5) likelihood of program success (a proven provider versus an undercapitalized or understaffed provider, if such evidence is placed in the record);
>
> (6) the effect(s) on utility joint program coordination, and
>
> (7) impact on Section 8-103 EEPS portfolio performance.

Draft Plan at 68. The IPA should explicitly address each of these factors in the Plan when it makes its duplicative determination in relation to the two behavioral programs.

The Draft Plan states that Ameren previously determined that only one program should be adopted because "the total number of residential customers eligible for the program could not support two behavior modification programs" and "running multiple programs would lead to significant confusion of residential customers, which would hamper the adoption of the Behavioral Modification program, rather than increase it." Draft Plan at 75. Staff addresses each of these statements in turn below.

First, Staff notes that the claim that "the total number of residential customers eligible for the program could not support two behavior modification programs" holds true if the initial estimates of the number of legacy households targeted per vendor were fixed. In making this determination, Staff considered that there are not enough previously treated households to allow for 200,000 legacy households[17] to continue under the Home Energy Reports Program and another 90,000 legacy households[18] to continue under the Behavioral Energy Efficiency Program because there exist only

[17] (Draft Plan, Appendix B 16-111.5B Submittal, p. 34.)

[18] (Draft Plan, Appendix B 16-111.5B Submittal, p. 35.)

236,789 electric legacy households[19] receiving the reports as of quarter 3 of PY6. However, as discussed further below, the vendor program templates indicate an apparent willingness of the vendors to work with Ameren to help refine the targeted households based on a variety of factors.

Second, Staff believes the assertion that "running multiple programs would lead to significant confusion of residential customers" holds true only to the extent that each program sends reports to some of the exact same households, as each vendor coincidentally proposed in the initial submission. Staff believes that it is conceivable that a residential customer, upon receipt of two separate reports within the same month, may be somewhat confused.

On the other hand, if the vendors were to alternate months when the reports were sent to that customer then it may not be a huge concern; however, Staff notes that such coordination would then require a split in the savings that could be claimed from the programs between the two vendors, and the TRC analyses would need to be performed to determine whether coordination in that manner where the exact same households are targeted would still be cost-effective. Staff could envision some complications occurring in such a scenario. Thus, Staff does not believe such revised TRC analysis should occur based on each program targeting the same households; rather Staff believes coordination could occur whereby each vendor sends the reports to a separate set of households.

As noted in the Draft Plan, ComEd identified 9 of its 11 programs as "competing" but not "duplicative", meaning appropriate delivery conditions could be structured and

[19] http://ilsagfiles.org/SAG_files/Quarterly_Reports/Ameren/Ameren_IL_PY6_Q3.pdf

customers could be targeted in a way to ensure that consumers benefit from multiple delivery channels, and thus the presence of a similar program would not be grounds for exclusion. Draft Plan at 79. Staff is not convinced that the behavioral programs proposed for the Ameren service territory cannot be structured in a way to avoid customer overlap and confusion. Indeed, the Home Energy Reports Program description already envisions a target marketing approach to determine where to deploy the proposed program:

> Ameren's contractor will perform historical energy usage, demographic, and geographic research, in conjunction with Ameren, to identify the regions of Ameren Illinois' territory best suited to deploy the program. Zip codes, city, and county boundaries will be considered so as to optimize data coverage and ensure speedy deployment.

(Draft Plan, Appendix B 16-111.5B Submittal, p. 33.) If coordination occurred to avoid targeting the same households as the other vendor's program then both may be able to co-exist, though at least the number of legacy households targeted per vendor would need to be revised. The Behavioral Energy Efficiency Program description indicates the vendor is willing to work with Ameren to adjust the number of households targeted (i.e., treated) through their proposed program: "As with treatment group 'A', Tendril will work with Ameren Illinois to further define this segment" and will further qualify the treatment numbers. (Draft Plan, Appendix B 16-111.5B Submittal, p. 35.) Given the apparent willingness of the vendors to work with Ameren to help refine the targeted households, the IPA and Ameren should work with the two behavioral program vendors to see if they are willing to develop several workable scenarios where both vendors could co-exist and that could be presented in the Plan for the Commission's consideration in order to ensure the programs “fully capture the potential for all achievable cost-effective savings, to the extent practicable” as set forth in Section 16-111.5B.

Staff further notes that it could be quite manageable to keep track of which vendor targets which households as the vendors and the evaluators are already accustomed to tracking particular groups or “cohorts” of households receiving reports by the month the reports began.

For illustrative purposes, Staff provides an example of how such coordination could be workable to enable both vendors to co-exist. The Behavioral Energy Efficiency Program plans to target 90,000 legacy households as part of its treatment group A identified in the program description. (Draft Plan, Appendix B 16-111.5B Submittal, p. 35.) Ameren’s existing Expansion Cohort 2 consists of 90,791 legacy households.[20] Hypothetically, given the Behavioral Energy Efficiency Program is projected to provide significantly greater net benefits based on the TRC analysis provided in the Draft Plan, it seems reasonable that Ameren’s Expansion Cohort 2 (~90,791 (Nov-2011)) or some other legacy cohort could simply be transferred over to that new vendor, and allow Ameren’s existing vendor to target the remaining 145,998 legacy households, which primarily consists of households who have been receiving the reports the longest (Original Cohort~42,095 (Aug-2010) and Expansion Cohort 1~65,608 (April-2011)). Given the existing program was operational at one time with this lessor number of households targeted (145,998 households as opposed to 200,000 legacy households initially proposed in the program description), Staff assumes that the program would still

[20] Staff uses the terminology used in the PY5 Evaluation Report of Ameren’s Behavior Modification Program (see page 6) available at the following link:
http://www.icc.illinois.gov/downloads/public/edocket/366144.pdf

remain cost-effective in such a scenario; however, such TRC analysis would need to be included in the Plan for both behavioral programs under such a scenario to ensure each is still cost-effective. To be clear, Staff is not proposing that this specific modification occur, rather Staff is highlighting that it seems feasible to coordinate the programs (in lieu of choosing one vendor over another and assuming a vendor is amenable to such an arrangement) to avoid customer confusion, and the IPA and Ameren should work with the two vendors to see if they are interested in developing several workable scenarios where both vendors could co-exist that could be presented in the Plan for the Commission's consideration. In the event vendors are unwilling to work with each other so the two can co-exist, such a situation can be accommodated by Staff's earlier recommendation that has the IPA working with Ameren and the behavioral program vendors to disaggregate program components so as to allow as direct an "apples to apples" comparison of costs, savings, and net benefits as possible. The behavioral programs should at least be broken out such that the TRC results can be reviewed in the event the vendors target only legacy households, and in the event the vendors target only new households (including those households that have not received reports in two years). The TRC benefit-cost ratios, the net present value of TRC benefits, costs, start-up costs,[21] and savings should be provided for the various scenarios and the two program components.

Staff provides another example of how such coordination could be workable to enable both vendors to co-exist. The existing vendor could focus on targeting only

[21] Based on recent filings, Staff understands the start-up costs to expand the scope and size of the behavioral programs can be significant and thus requests a breakout of the start-up costs being assumed in the TRC analyses for each of the vendors. See, e.g., ComEd Ex. 2.0, p. 29, ICC Docket No. 10-0570 (filed August 29, 2014).

legacy households and the new vendor could focus on households that have not received reports in over two years (i.e., treatment group B identified in the program's description on page 35 of Appendix B 16-111.5B Submittal of the Draft Plan), or the other way around. Again, Staff is not proposing that this particular modification should occur, but believes such a modification could be made to avoid customer confusion and the IPA and Ameren should work with the two vendors to see if they are interested in developing several workable scenarios that could be presented in the Plan for the Commission's consideration whereby both programs co-exist and provide greater net benefits than if only one existed.

Finally, Staff disagrees with the statement that "running multiple programs would lead to significant confusion of residential customers, ***which would hamper the adoption of the Behavioral Modification program, rather than increase it***" (emphasis added). These behavioral programs are opt-out programs. As discussed above, if each of the programs target different households with the reports then there will not be significant confusion of residential customers, and indeed adoption (i.e., customers not opting out of the program) would likely increase overall because more households would be receiving the reports.

7.2.5.4 Ameren Requested Determinations

For internal consistency, page 76 of the Draft Plan should be modified to delete recommendations that are inconsistent with the recommendations to adopt the consensus language from the 2014 workshops.

> Ameren also requested in their filing that the ICC make several determinations:

- ~~“AIC is formally requesting in this submission that the measure values and NTG ratios used in the IPA program analyses, as represented in Appendix 7, are hereby deemed to determine the estimated savings achieved by the programs.” (pg. 7)~~
- “AIC formally requests in this submission that annual updates to the measure values in the TRM and NTG ratio values result in changes to the implementer’s savings goals and/or the cost structures between AIC and the implementer and will be re-negotiated for the savings calculations based upon the annual IL-TRM and NTG updates for one program year’ and further that programs resulting in multi-years (PY8 and PY9) will be re-negotiated annually to reflect the annual `deemed’ IL-TRM measure values and NTG ratio values” (pp. 7-8)
- “AIC again formally requests approval for an indeterminate fluctuation in savings that may occur by program year end.” (pg. 9)
- “AIC once again seeks confirmation that AIC is permitted to recover costs that incidentally (3-5%) exceed the estimated program costs as consistent with prior ICC findings.” (pg. 9)
- “AIC is requesting the Commission pre-authorize a 20% budget shift across program years for the multi-year (PY8 and PY9) programs while remaining within the total approved multi-year program budget to allow for successful energy efficiency programs to continue operation in the early (or later) program years of the multi-year contract.” (pg. 9)
- ~~“AIC is formally requesting that these values [savings estimates based on the current IL-TRM and NTG values] be deemed for the implementation and evaluation for the determination of achieved savings on an annual basis.” (pg. 14)~~

Draft Plan at 76.

7.2.6 ComEd

For the sake of accuracy, the cost-effective energy efficiency programs in the utilities’ energy efficiency assessments are simply “identified” for the IPA per the terms of Section 16-111.5B of the PUA. Thus, language pertaining to the utilities “recommending” all of the programs be included in the procurement plan should be changed. Further, the definitive language “will deliver” should be modified to reflect the fact that the programs are only “forecasted to deliver” a specific reduction in peak procurement. Accordingly, page 77 of the Draft Plan should be modified as follows:

> ComEd’s submittal includes identification of~~recommending~~ ten energy efficiency programs that could be included~~for inclusion~~ in this Procurement Plan. All of these programs passed the TRC test at the time of assessment.[130] These programs are exhibited in Table 7-3.

Table 7-3: ComEd Energy Efficiency Offerings

Program	Net Savings (MWh)		Two Year Program Cost	TRC
	Program Year 1	Program Year 2		
LED Streetlighting	6,077	12,156	$12,663,103	9.02
Residential Lighting(Moved from 8-103)	247,648	241,541	$77,270,755	16.56
Energy Stewards	944	944	$277,000	1.51
Door-to-Door Light Bulbs	1,255	1,255	$2,153,400	1.51
Middle School Take-home Kits	1,354	1,354	$1,304,316	1.25
Direct Install –Schools (Clear Result)	4,548	4,785	$2,148,292	1.06
Direct Install – Schools (Matrix)	6,156	6,156	$1,978,350	1.67
Demand Control Ventilation (Matrix)	6,125	6,125	$2,531,072	2.85
Demand Control Ventilation (Sodexo)	5,658	5,658	$1,713,040	6.11
New Construction	2,339	4,667	$1,749,776	1.25

> All of ComEd’s ~~proposed~~ programs are for two years. The net savings at the busbar are 282,104 MWh for the first program year, and 284,651 MWh in the second program year. These programs are forecasted to~~will~~ deliver 159 MW of reduction in peak procurement for the 2015-2016 program year. The savings attributable to eligible retail customers is 103,039 MWh in the first program year, and 104,652 MWh in the second program year. The IPA believes that ComEd’s filing meets the requirements of Section 16-111.5B(a)(1)-(3) and the programs listed in Appendix C-2 should be approved pursuant to Section 16-111.5B(a)(5).

Draft Plan at 77.

Page 79 of the Draft Plan should be clarified as follows:

> Besides this determination, the IPA requests that the ICC approve the incremental energy efficiency programs identified~~proposed~~ by ComEd.

Draft Plan at 79. To minimize confusion, the IPA should provide tables clearly showing which energy efficiency programs it is requesting Commission approval of and the associated energy savings goals, budgets, and other important assumptions about the programs.

7.3 Indicative Quantities and Types of Products to be Purchased

7.4 Ancillary Services, Transmission Service and Capacity Purchases

7.5 Demand Response Products

7.6 Clean Coal

7.7 Summary of Strategy for the 2015 Procurement Plan

8 Renewable Resources Availability and Procurement

8.1 Current Utility Renewable Resource Supply and Procurement

8.2 LTPPA Curtailment

8.3 Alternative Compliance Payments

8.3.1 Use of Hourly ACPs Held by the Utilities

On pages 94-99, the Draft Plan discusses the procurement of RECs from distributed generation renewable resources, using alternative compliance payments ("ACPs") already collected from the utilities' hourly-priced customers. The already-collected funds amount to $5,556,580 for Ameren and $7,842,658 for ComEd. The Draft Plan later states, "as contracts for DG resources must be "no less than 5 years" in length, entering into 5 year contracts using existing ACP funds already collected from hourly customers eliminates the load migration risk present with the renewable resources budget (from which long-term contracts have already been subject to curtailments)." Draft Plan at 94-95. However, the Draft Plan is still unclear on the target quantities of RECs to purchase with these already-collected hourly ACP funds. As discussed, below, Staff recommends that the IPA set the target quantities for the 2015 procurement of distributed generation RECs to 6,518 MWH per year for Ameren and 13,194 per year for ComEd. The Draft Plan also describes three "models" (or "options") for conducting the DG procurement: (1) Full Competitive Procurement; (2) 2013 Plan Model; and (3) Program Administrator as Aggregator. As discussed, below, Staff recommends that the IPA adopt Option 1 and remove Options 2 and 3 from the Plan.

8.3.1.1 Target quantities[22]

According to the Draft Plan, the DG requirements for the next five plan years are as follows:

Distributed Gen Requirements as of 2015 (MWH of RECs)		
	Ameren	**ComEd**
2015-16	**6,518**	**13,194**
2016-17	**7,073**	**16,811**
2017-18	**9,391**	**19,612**
2018-19	**10,467**	**21,502**
2019-20	**11,525**	**23,857**

Of course, the requirements for the last four of the five plan years shown in the above table will increase or decrease, by the time that the 2016 procurement plan is filed (and each year, thereafter). For the 2015 procurement, one option is to set the target quantities (to secure under the planned five-year contracts) at the 2015-16 requirements: i.e., 6,518 for Ameren and 13,194 for ComEd. In the 2016 procurement, only the incremental increase in DG requirements would be procured for each of the five plan years beginning with 2016-17. The same pattern would continue in future years.

Thus, for Ameren, the actual 2015 procurement targets and the anticipated 2016 through 2019 targets would be as follows:

[22] This heading does not appear in the Draft Plan.

Ameren 5-year Distributed Generation REC Contracts						
	Requirements	**Planned Procurements Targets, as of 2015**				
	as of 2015	**2015**	**2016**	**2017**	**2018**	**2019**
2015-16	**6,518**	6,518				
2016-17	**7,073**	6,518	555			
2017-18	**9,391**	6,518	555	2,318		
2018-19	**10,467**	6,518	555	2,318	1,076	
2019-20	**11,525**	6,518	555	2,318	1,076	1,058
			555	2,318	1,076	1,058
				2,318	1,076	1,058
					1,076	1,058
						1,058

For ComEd, the actual 2015 procurement targets and the anticipated 2016 through 2019 targets would be as follows:

ComEd 5-year Distributed Generation REC Contracts						
	Requirements	**Planned Procurements Targets, as of 2015**				
	as of 2015	**2015**	**2016**	**2017**	**2018**	**2019**
2015-16	**13,194**	13,194				
2016-17	**16,811**	13,194	3,617			
2017-18	**19,612**	13,194	3,617	2,801		
2018-19	**21,502**	13,194	3,617	2,801	1,890	
2019-20	**23,857**	13,194	3,617	2,801	1,890	2,355
			3,617	2,801	1,890	2,355
				2,801	1,890	2,355
					1,890	2,355
						2,355

This is how the Staff recommends that the IPA set the target quantities. Of course, since the requirements beyond the immediate plan year change each year, future targets would be revisited each year. Nevertheless, the initial five-year contracts would be fixed and the budget per MWH of RECs associated with these contracts would be as computed below:

	Ameren	ComEd
Annual RECs	6,518	13,194
Years	5	5
Total RECs	32,590	65,970
Budget	$5,556,580	$7,842,658
Budget per REC	$170.50	$118.88

For future procurements, Staff expects that new funds available from applying the ACP rates to hourly-priced customers will generate approximately $4 million and $8 million per year for Ameren and ComEd, respectively, as long as hourly-priced customer load remains relatively steady. Such revenues would support even higher average payments for DG RECs through 2025, provided that Ameren and ComEd eligible retail customer load does not increase by more than 3.7% per year and 7.3% per year, respectively (starting from the 2013-2014 plan year).[23]

8.3.1.2 Procurement Model[24]

Of the three procurement models that the Draft Plan describes, Option 1 is the only one that can be consistent with the IPA Act and the PUA. As noted in the Draft Plan, Option 1 is "most similar to the Agency's established one-year REC procurement process: conducting a single procurement competitive bid process with bids selected solely on the basis of price." In contrast, Options 2 and 3 include non-competitive "standard offers" for DG projects under 25 kW in capacity. If the General Assembly had desired a "standard offer" model for the procurement of RECs from DG projects under 25 kW, presumably, it would have made this clear. Furthermore, the General Assembly

[23] Between now and 2025, the RPS percentage increases each year and so does the DG requirement. Also, as retail load increases, so does the DG requirement. These effects were combined and DG requirements projected out to 2025. With the load growth levels cited, by 2025, $4 million and $8 million per year in available funds would no longer support payments of $170.50 and $118.88 per REC, respectively, in meeting the DG requirement. Either the average price paid for DG RECs would have to decrease or the number of DG RECs would have to fall below the required amounts.

[24] This heading does not appear in the Draft Plan.

could have simply amended the PUA to require utilities to file new or amended tariff sheets to implement such a program. There would have been no need for five year contracts or "third-party organizations to aggregate distributed renewable energy into groups of no less than one megawatt in installed capacity." Thus, Staff concludes that the General Assembly wanted to continue to utilize the same type of "competitive procurement processes in accordance with the requirements of Section 16-111.5 of the Public Utilities Act" that is required for all other IPA procurements. Among other things, that means utilizing a procurement administrator to: "serve as the interface between the electric utility and suppliers" (220 ILCS 5/16-111.5(c)(1)(iii)); "manage the bidder pre-qualification and registration process" (220 ILCS 5/16-111.5(c)(1)(iv)); and "administer the request for proposals process" (220 ILCS 5/16-111.5(c)(1)(vi)). It also means utilizing a procurement process that includes, among other things, each of the following components: "Solicitation, pre-qualification, and registration of bidders" (220 ILCS 5/16-111.5(e)(1)); and a "request for proposals," setting forth "a procedure for sealed, binding commitment bidding with pay-as-bid settlement, and provision for selection of bids on the basis of price" (220 ILCS 5/16-111.5(e)(4)). None of these required components are consistent with the standard offer approach included with the IPA's Options 2 and 3. For this reason, Staff recommends that the IPA adopt Option 1 in the final plan.

8.3.2 Use of ACPs Held by the IPA

9 Procurement Process Design

9.1 Contract Forms

9.2 IPA Recovery of Procurement Expenses

The Draft Plan invites comments on several approaches toward the collection of fees to recover the cost of procurements, and on how the IPA can ensure that it complies with Section 1-75(h) of the IPA Act and Part 1200.220 of Title 83 of the Illinois Administrative Code. Generally, Staff supports the continued use of both a flat bid participation fee and a variable supplier fee, which varies with the number blocks awarded to the bidder. Of the alternatives suggested in the Draft Plan for ensuring payment of fees, Staff believes that the least complicated approach would be to require bidders to post with the IPA a separate letter of credit sufficient for purposes of ensuring payment of any reasonable fees that might be owed at the conclusion of the procurement event.

9.3 Second Procurement Event

9.4 Informal Hearing

Appendices

Appendix A. Regulatory Compliance Index

Appendix B. Ameren Load Forecast

Appendix C. ComEd Load Forecast

Appendix D. Ameren Load Forecast and Supply Portfolio by Scenario

Appendix E. ComEd Load Forecast and Supply Portfolio by Scenario

Appendix F. Estimation of Price Premium from New Jersey

Conclusion

Staff respectfully requests that the Illinois Power Agency revise its Draft Plan consistent with Staff's Comments herein.

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