

Illinois EE Stakeholder Advisory Group Policy Manual Subcommittee

Thursday, June 23, 2022 Meeting: Kick-Off Part 1
10:30 am – 3:30 pm
Teleconference

Attendees and Meeting Notes

Meeting Materials

- Posted on the [Policy Manual Subcommittee page](#):
 - [Policy Manual Version 3.0 Kick-Off Meeting \(SAG Facilitator Presentation\)](#)
[Policy Proposal Presentation: Renewable Energy as Energy Efficiency \(Guidehouse\)](#)
[Policy Proposal Presentation: Electrification Cost-Effectiveness \(Opinion Dynamics\)](#)
 - [Policy Manual Subcommittee Version 3.0 Plan \(6/27/22 – Final Draft for Review\)](#)
 - [Proposed Policy Tracker \(updated 6/27/22\)](#)

Attendees (by webinar)

Celia Johnson, SAG Facilitator
Greg Ehrendreich, Midwest Energy Efficiency Alliance (MEEA) – Meeting Support
Allen Dusault, Franklin Energy
Andrew Cottrell, Applied Energy Group (AEG)
Andy Vaughn, Leidos
Billy Davis, Bronzeville Community Development Partnership / IQ North Leadership Team
Charles Ampong, Guidehouse
Chris Neme, Energy Futures Group, representing NRDC
Chris Vaughn, Nicor Gas
Christina Pagnusat, Peoples Gas & North Shore Gas
Collin Brecher, American Chemistry Council
Cynthia Segura, Citizens Utility Board
David Brightwell, ICC Staff
Deb Perry, Ameren Illinois
Diana Fuller, Walker-Miller Energy Services
Erin Stitz, AEG
Jean Gibson, Peoples Gas & North Shore Gas
Jeff Erickson, Guidehouse
Jim Dillon, Ameren Illinois
Jim Fay, ComEd
Jim Jerozal, Nicor Gas
Joe Reilly, AEG
Jonathan Kleinman, Aiqueous
Keith Goerss, Ameren Illinois
Kevin Grabner, Guidehouse
Koby Bailey, Peoples Gas & North Shore Gas
Kristol Simms, Ameren Illinois
Laura Goldberg, NRDC
LaJuana Garret, Nicor Gas

Mark Szczygiel, Nicor Gas
Martha White, Nicor Gas
Matt Armstrong, Ameren Illinois
Matthew Ludwig, ComEd
Micchael Pittman, Ameren Illinois
Michael Brandt, Elevate
Michael Pittman, Ameren Illinois
Molly Lunn, ComEd
Omayra Garcia, Peoples Gas & North Shore Gas
Randy Opdyke, Nicor Gas
Rebecca McNish, ComEd
Samarth Medakkar, MEEA
Scott Eckel, ICC
Seth Craigo-Snell, SCS Analytics
Sy Lewis, Meadows Eastside Community Development / IQ North Leadership Team
Ted Weaver, First Tracks Consulting, on behalf of Nicor Gas
Tina Grebner, Ameren Illinois
Zach Ross, Opinion Dynamics

Opening & Introductions

Celia Johnson, SAG Facilitator

Purpose of meeting:

1. To discuss the Policy Manual update process and request final feedback; and
2. To briefly introduce proposed policy issues to better understand the proposals and identify initial questions and/or feedback.

Meeting Notes

See **red text** for follow-up items.

Policy Manual Subcommittee Kick-Off

Celia Johnson, SAG Facilitator

Kick-Off Presentation Agenda

- Overview of Policy Manual update process
- Updated schedule proposal
- Brief overview of policies resolved by SAG from 2019-2021 – introduce question whether these policies should be added to the Policy Manual
- Q&A

Background

- Policy manual was created by SAG Subcommittee following ICC directive in 2014. Developed by year-long subcommittee process. Approved by ICC in Dec 2015. Current version is v2.1; this process is developing v3.0.
- Goals: consistent policies, reduce litigation, reduce risk, provide clarity, support portfolios.
- There is also a TRM Policy Document, which is separate from the Policy Manual. The TRM Policy Document can be updated through this SAG process if needed.

Policy Manual Update Process

- SAG is meant for collaborative discussion and consensus building
- Purpose of this process is to reach agreement on Policy Manual Version 3.0. Discussion of policy proposals open to all SAG and IQ Committee participants. Final consensus proposed to be with non-financially interested parties.
- Draft materials are posted on the subcommittee page, and will be removed from the website after the updated policy materials are approved by the ICC
- Final consensus – goal is consensus at end of process before submission of the Policy Manual with the ICC, requesting approval. Between utilities and non-financially interested parties. There was a proposal submitted that CBOs/CAAs not be considered financially interested parties (will discuss in the July meeting kick off). Agreement will include
 - Conceptual agreement on policies to include in the manual
 - Final policy language
 - Effective date
- If agreement is reached:
 - ICC Staff will file with the Commission for approval;
 - A writing committee will meet following conceptual agreement, to review final agreed language before submission.
- If agreement is not reached:
 - There will be a comparison exhibit of non-consensus issues created by the SAG Facilitator
 - Policy Manual will be filed with the Commission and a docket opened to address non-consensus issues
- Policy Proposals
 - 40 policy proposals were received; organized into some topic categories
 - Posted on the Policy Manual Subcommittee page
 - Additional submissions will not be considered unless there is consensus in the Subcommittee
 - Proposals may be shifted to a different venue (TRM, SAG working group, IQ committee, etc.) by this subcommittee, as needed
- Schedule update
 - Original goal was to be wrapped up in six months to be filed by Dec 1, 2022; this is a stipulation goal date (Dec. 1 date was agreed upon prior to CEJA passing)
 - Based on the number of proposals and the other processes, proposing that we need a full year to get through this and the new timeframe would have filing by June 30, 2023.
- Meeting Venue
 - Mostly by teleconference. 3-hour meetings.
 - Goal to have 2-3 in-person meetings if we can – August & November, in Chicago and April 2023 negotiation meeting in Springfield.

Policies from 2019-2021

- Policies resolved since the last policy manual update – process to resolve things when Subcommittee is inactive. A few items in the “policy tracker”
 - [Final Draft Market Transformation Policy Issues](#) – Working Group got to a final draft, but participants weren’t ready to finalize them. Might not fit in this Subcommittee, may be better addressed in Market Transformation Working Group.
 - [Estimating savings due to COVID-19](#) (resolved in 2021)

- [Low Income Customer Eligibility Verification](#) (resolved in 2020)
- [Estimating savings from non-qualified equipment](#) (resolved in 2020)
- [Project Application Date for Affordable Housing New Construction Program](#) (resolved in 2019)

Discussion and Next Steps:

- Chris Neme: Process suggestion – consider additional discussion in sub-groups, to bring policy discussion back to the larger Policy Manual Subcommittee.
- Molly Lunn: If anything needs to be resolved sooner than June 2023, we should review and identify that.
- **Feedback due by Wednesday, July 27 – see page 12/13 for the feedback request.**

Discuss Proposed Policies: Independence Provisions

IL-TRM Administrator and Independent Evaluator Contract Review (Ameren Illinois Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Contract-Review_Ameren-IL.pdf
- Provides a timeline for Commission review of executed contracts. Proposing revisions to current independent policies. Outlines the process that program administrators submit finalized but not yet executed contracts for review with the ICC. Proposal is to provide structure on that review process to help facilitate the process of finalizing the contract. Draft language has been discussed with ICC Staff.

LIEEAC Facilitator Independence (ComEd Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_LIEEAC-Facilitator-Independence_ComEd.pdf
- Protocols to ensure independence of the LIEEAC Facilitator. This comes from the ComEd 2022-2025 EE Plan Stipulated Agreement. There are four independence protocols in ComEd’s stipulation as a starting point. Protocols from stipulation likely the same in Ameren’s stipulation. Depending on gas utility participation in Committee, this may also apply to them.

Independence Policy Clarification (ICC Staff Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Independence-Policy-Clarifications_ICC-Staff_Final.pdf
- Minor edits proposed linguistic consistency between current independence policy provisions.

Discussion and Next Steps:

- **SAG Facilitator to flag the LIEEAC Facilitator Independence proposal for the July 13th “kick-off part 2” meeting since it relates to IQ issues.**
- Kristol Simms: This is not a position on the current proposal being presented. The Subcommittee generally needs to consider what belongs in the Policy Manual and what doesn’t; also, whether stipulation language belongs in the Policy Manual or not. For example, there are processes or operations that might change from time to time that may not be appropriate for a Policy Manual that is updated every 4 years. There may also be items where flexibility is needed throughout a given year. May need to consider high-level policy principles. Threshold discussion is needed.

Discuss Proposed Policies: Relating to Program Administration

Cumulative Persisting Annual Savings (CPAS) Goal Setting (ComEd Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_CPAS-Goal-Setting_ComEd.pdf
- Proposal to develop a process to establish CPAS goals beyond 2030. There were conversations after CEJA passed about goals beyond 2030. Due to a statutory deadline, it would be impossible to adjust goals in the timeframe given. There are no potential studies post-2030 yet. Policy would involve revisiting the goals ahead of the Plan filing, when more data and analysis is available. Discussion on goals should occur ahead of the Plan filing. ICC Staff suggested this could be addressed in the Policy Manual; the Commission directed Staff and others to revisit.
- **Discussion:**
 - Suggestion to create a subgroup with ComEd, Ameren Illinois and other interested stakeholders to develop a policy for review by the Subcommittee.

Framework for Claiming Savings from Co-Funded Programs (ComEd Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Co-Funding_ComEd.pdf
- Proposal to discuss framework for claiming savings from co-funded programs & partner assistance with federal/state funding opportunities. This was referenced in ComEd's EE Plan stipulation. ComEd has been finding more opportunities to leverage co-funding. Previously we have done some one-off policies on how to attribute savings (e.g., IHWAP with braided funding). We want to think about how address future funding sources – like federal or state or even within the utility. We would like to come up with an overarching policy that would apply to significant sources of co-funding (not one-off pilots). We had some ideas on options, including claiming 100%, making a Memorandum of Understanding every time, or something in the middle. There is sometimes concern about going after federal funding if it means that it will affect what we can claim for savings.
- **Discussion:**
 - Suggestion to create a subgroup.
 - Chris Neme: This is cross-cutting and applicable to all utilities; this makes sense in a Policy Manual unless there is a unique reason for it not to be depending on how the policy is written. There may be differences depending on the funding sources, or 'rules' on how much co-funding triggers the policy.
 - Kristol Simms: This is an example of a policy we haven't seen as an issue; is there an opportunity to streamline the process of developing certain policies?

Statewide Potential Study (Joint Stakeholders*** Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Statewide-Potential-Study_NRDC-ICC-Staff-NCLC-COFI_Final-6-9-22.pdf
- Proposal has two components. Utilities have historically done their own potential studies – challenging for stakeholders because they were done differently, some inconsistencies with how they approached questions, maybe some inefficiencies. This is a proposal for 1) a statewide potential study, with reporting out on a utility territory specific basis; and 2) the entity that is hired to do the potential study needs to be independent and objective because of the importance for future goal setting. The proposed language here was developed from the Ameren stipulation, with changes to reflect application to all utilities.
- **Discussion:**
 - Suggestion to include in the IQ-specific kick-off meeting – SAG Facilitator will add to the July 13 agenda.

- Jim Jerozal: Gas utilities will need to review since this is not in the gas stipulations.

Prohibited Expenses Expansion (ICC Staff Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Prohibited-Expenses-Expansion_ICC-Staff.pdf
- This is an expansion of the existing policy on Prohibited Expenses in the Policy Manual. Proposal to add tickets and financial metric related compensation and compensation unrelated to EE. There wasn't consensus on the broader entertainment prohibition and there was concern about this sports tickets item, so it's been proposed to go back in. With ICC Staff, NCLC also proposes entertainment be added back to prohibited list. There is proposed policy language in this template.
- **Discussion:**
 - **Chris Neme: Interested in clarification from ICC Staff on the meaning of incentive compensation tied to financial metrics. Is this about shareholder price, or EE savings targets? [SAG Facilitator will follow-up with ICC Staff]**
 - Molly Lunn: I think financial metrics for electric utilities are tied to energy savings performance, so it would be helpful to clarify what Staff is asking for.
 - Keith Goerss: Incentive compensation has been resolved in our delivery service case (what is allowed). The ICC has approved how this works on the delivery service side; this shouldn't be different for EE compared to the rest of the utility company.
 - Chris Vaughn: This is a litigated issue right now in Nicor dockets. Will need to wait until the matters are resolved to discuss.
 - Kristol Simms: There may be topics that are tied to the operational components of how we deliver programs and might not be appropriate for the Policy Manual. Others are maybe too big for us to deal with in this group and need to be resolved in another setting.

Discuss Proposed Policies: Electrification

Electrification Savings in Cost-Effectiveness (Opinion Dynamics Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Electrification-Savings-in-CE_Opinion-Dynamics_2022-06-09.pdf
- Proposal to deal with negative electric savings in benefit-cost testing. Focuses on how to account for added electricity consumption – and how we account for that in cost-effectiveness. Background, the passage of CEJA allows electrification. These will simultaneously change fossil fuels down and electricity use upward. Increased consumption can be considered as “negative savings” – heating penalties are a common application of this. We have taken a net benefits approach to this traditionally – we have left the negative savings on the benefits side and made them negative benefits. But the magnitude of these negative savings could be pretty large so they could be moved to the cost side.
- We do not have a specific position on the issue, but we believe there should be explicit guidance in the Policy Manual for administrators, implementers and evaluators to evaluate this in a consistent manner. This is similar to O&M cost savings guidance that we have previously considered in this Subcommittee.
- **SAG cost-effectiveness reporting template will need to be updated in the future, to be consistent with policy changes.**

Electrification Cost-Effectiveness (Ameren Illinois Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Electrification-Cost-Effectiveness_Ameren-IL.pdf
- Recognizing that CEJA added subsection b-27 within that, allowing measures that are called out in the statute to electrify certain end uses if they reduce energy use at the premises. There is some tension between cost-effective EE measures and reducing load, versus cost-ineffective electrification that will increase load. Ameren believes that any EE electrification programs should provide significant benefits to the customers, and they should have a choice to switch fuels, and that cost-effectiveness should be considered as part of that. Also, it is allowed, but not required to do electrification. Within this framework, measures shouldn't just save BTUs, programs should incentivize efficient equipment that fits within our programs.
- **Discussion:**
 - Keith Goerss: Cost-effectiveness is a clear driver. Globally we should look at what we are doing with EE and how it fits into electrification instead of the other way around. Our proposal is that measures should be cost-effective / pass the TRC test.
 - Molly Lunn: ComEd will review; not sure about the cost-effectiveness requirement. The portfolio is required to be cost-effective, and there are limits on how much electrification we can offer.
 - Chris Neme: There are potential circumstances where there may be customer benefits to electrification; needs further discussion. **Suggests that Ameren review their policy proposal, review whether it is clear what the proposal is.**

Interactive Effects (VEIC Policy Proposal)

- https://ilsag.s3.amazonaws.com/SAG-Policy-Manual-Subcommittee_Proposed-Policy_Interactive-Effects_VEIC.pdf
- VEIC is asking for guidance on the 'order of operations' for projects including both insulation and HVAC, for example. Which measure do you do first and then adjust parameters in the other measure to account for the fact that you did the first one? The order affects the savings allocated to each measure, but not the total savings claimed. There has been some precedent in the TRM and some memos suggesting that we do the longest measure life first, then calculate the next one. This came up in the TRM process, and was moved to the Policy Manual Subcommittee for discussion.

Interactions Between Electrification and Other Efficiency Measures (Joint Stakeholders** Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Electrification-EE-Interactions_Joint-Stakeholders.pdf
- Proposal to clarify the approach for counting savings when electrification and EE are installed at the same time. The guidance that exists in the TRM references an 11-year-old memo that suggested measure life order. Proposal is to do electrification measures first, then building envelope measures second. It makes more sense logically when they occur at the same time to account for the electrification first. This approach we propose was in the ComEd settlement that has been approved by the Commission, so this is consistent. Need to check on whether this is included in Ameren's stipulation.
- **Discussion:**
 - Andy Vaughn: For a home that now has an Air Source Heat Pump, would the building envelope savings count against the electrification savings?

- A: No. The b-27 limitation would be on the heat pump savings and then the attic insulation you add would be pure electricity savings off the new heat pump baseline.
 - Ted Weaver: How would this apply in cost-effectiveness, in savings claims, in bill savings calculations?
 - A: It doesn't change cost-effectiveness because that is typically done on the package of measures. The fossil fuel savings would be a benefit. The increased consumption of electricity would be a cost.
 - Keith Goerss: Suggests adding 2-3 examples for future discussion.

Fuel Switching (Peoples Gas & North Shore Gas Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Fuel-Switching-Definition_PGL-NSG_Final_061022.pdf
- This is a two-part proposal: 1) add a definition of fuel switching to the Policy Manual and 2) prioritize customer benefits through a 3-part approach to fuel switching measures. Three-part approach is that measures 1) Reduce carbon emissions; 2) Reduce customer bills and 3) TRC greater than 1. We recommend measures be reviewed prior to incentivizing a fuel switching measure. The EV Act has some intentions and wording about beneficial electrification definition. We believe that carbon emission reduction applies to EE as well.
- **Discussion:**
 - Molly Lunn: ComEd doesn't feel this, and a few other electrification proposals, needs to be in the Policy Manual. The EV Act is a separate part of the law. Additional criteria not necessary. We appreciate that the gas utilities are interested from a business standpoint, but these policy proposals would impact ComEd's programs. Also, the definition of fuel switching is clear from 8-103b.
 - Chris Neme: NRDC agrees with ComEd.

Assessments for Fuel Switching Measures Using HFCs (Peoples Gas & North Shore Gas Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Fuel-Switching-Assessment_PGL-NSG_HFCs_6-17-22.pdf
- When fuel switching occurs that uses refrigerants, should have an assessment of leakage impacts after the life of the measure and employed in each of the applications. We also believe a TRC score should be included in the annual reporting. We think this should be in the Policy Manual because CEJA has a goal of reducing greenhouse gas emissions. That's embedded throughout the law. HFCs are a possible negative impact. Increasing heat pump usage will increase the release of refrigerants and California now has requirements to track those leakage. This should be included in utility tracking. EE programs shouldn't increase emissions. California has found HFC leakage to be a significant issue and they are trying to reduce those impacts.
- **Discussion:**
 - Chris Neme: Agrees with importance of consideration leaks of refrigerants. Not sure it needs to be in the Policy Manual, but something programs should consider. In most cases, you are replacing a central A/C which has the same refrigerants, so not sure there is a net change. This could get very complex – may be a rabbit hole. In addition to refrigerant leaks, we could start trying to track un-combusted methane at gas consuming appliances.
 - Mark Szygiel: ACs are typically brazed in and heat pumps have a flange connection, and can have a higher leakage rate.

- Molly Lunn: ComEd feels the law was pretty clear. The law included HFCs elsewhere, but not in this part of the law. We don't think it is appropriate for the Policy Manual. This is an electric-specific issue.

Electrification Savings Calculations (Nicor Gas Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Electrification-Savings-Calculations_Nicor-Gas.pdf
- Define a number of issues for electrification savings calculations. It would be a good idea to get consensus on what the approach is on this and not wait until evaluation reports come out or cost-recovery proceedings. I think these are all solvable problems if we come to consensus early. These 4 proposals are interrelated. The TRM addresses the gross savings. In going from gross to net there are some issues. The main one, for example, the TRM will probably have a base furnace efficiency of 80% then going to some heat pump then calculate the savings and then calculate a NTG. There is an extra NTG piece of what are the odds the customer would have put in an efficient furnace versus the heat pump. Massachusetts and we think Connecticut have worked through some of this. That's the main calculation issue. May be similar issues with leakage on midstream which could be different. There is also an errata to the TRM.
- Proposal is to understand what custom calculations will be used, and come up with the right inputs for the algorithms. The savings approach and NTG may go in the Policy Manual, but the others relate to issues that need resolution, but were not appropriate for the TRM process.
- **Discussion:**
 - Chris Neme: For NTG, is it a baseline question, for example what is the gas baseline if ComEd incentivizes a heat pump?
 - A: It's two factors for the NTG. If you aren't careful, you'll only have the electrification NTG without the gas NTG and you get the savings wrong.
 - Chris Neme: For custom calculations/measures not in the TRM, propose is to figure that out ahead of time?
 - A: Yes, instead of waiting to see the evaluations next year. Nicor has an interest in these being evaluated correctly. For 2022, there are two groups – measures not in the TRM, and those in the TRM where input values have to be selected. This proposal is for measures that are not in the TRM.
 - Molly Lunn: ComEd is comfortable that the TRM process and ComEd's evaluator can resolve the issues. We don't think a separate forum is needed. We are on a good path for our evaluations and our reconciliation docket.
 - Andy Vaughn: I don't think midstream leakage is an issue.

Electrification Bill Impacts (Nicor Gas Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Electrification-Bill-Impacts_Nicor-Gas.pdf
- Proposal to address the approach that electric utilities will use to estimate bill impacts and how that is communicated. The bill impacts are the savings times the rate. The savings issues come up here as well. When you communicate savings to the customer is it the total of the measures, how are you focusing on the electrification, how are you defining electrification...a variety of other issues to address. Then you have to multiply by a rate. What is that rate? What is the marginal rate on the electric and gas side? What about competitive suppliers? Consensus would be a good idea. The other topic is

how site-specific the bill impacts are. The average bill impact for an average customer may meet the letter of the law, or it could be very specific to a customer facility.

- **Discussion:**
 - Molly Lunn: We think this is important since it's called out in the legislation, however this framework is already addressed in ComEd's stipulation. The stipulation also refers to ComEd discussing with negotiating parties.

Electrification Energy Consumption Reduction (Nicor Gas Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Electrification-Energy-Consumption-Reduction_Nicor-Gas.pdf
- Proposal to address the approach for determining whether electrification projects reduce total site energy consumption, and how that is communicated. This references the part of the law that requires BTU savings at the site.
- **Discussion:**
 - Chris Neme: Are you flagging these issues, or is there a specific proposal?
 - A: Flagging the issues for now, we would be happy to draft or work with a group to draft.

Greenhouse Gas Savings Calculations (Nicor Gas Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_GHG-Savings-Calculations_Nicor-Gas.pdf
- This proposal addresses the approaches for calculating GHG savings. It's broader than electrification. It's EE both electric and gas. Saving GHG is a key driver behind EE. Program Administrators should start reporting GHG savings. It connects to the order of operations. Depending on how you treat that you could get a different answer. There is a combination of EE plus decarbonized fuel supply that will have to happen. EE should be the first fuel, reduce the magnitude of fuel that needs to be supplied. That's will imply EE first in the order of operations and then GHG from EE should count against the dirty grid, and then the decarbonized fuel supply would be on the lower magnitude. There are a number of other key issues – what GHGs to track, how far upstream do you track them, how do you address them over time? Thorny issues of marginal versus average emissions. This isn't a requirement, but we think it would be good to start reporting.
- **Discussion:**
 - Note – discussion missed due to computer failure issue.

Discuss Proposed Policies: Evaluation

Heating Penalties Policy (Opinion Dynamics and Guidehouse Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_Heating-Penalties_Opinion-Dynamics-and-Guidehouse_6-10-2022.docx
- **Opinion Dynamics:** Proposal to address how gas and electric heating penalties from EE measures are accounted for. Majority of what is being proposed is broadly consistent with what we proposed in 2020 and then drafted in 2021 and was then put on hold. It was a SAG discussion. The first question is how evaluation should treat gas heating penalties from measures that save electricity. Proposal is that we should only use those values in cost-effectiveness but not in calculating goal attainment or converting gas to electric for FEJA or selling gas savings to the gas utility. If it is a package project and produces both gas savings and a heating penalty, we would ignore the gas penalty. We did add a vice-versa situation as well when gas measures produce an electric heating penalty, where this policy should also be used. This was generally reached consensus

previously and we have just made minor consistency tweaks. This is consistent with how evaluation has been treating for 10 years, but it hasn't been recorded anywhere yet. The second question is how to treat electric heating penalty with electric saving measures. In the same fuel, evaluation should calculate the penalty and apply it in both cost-effectiveness and goals. Similarly, if there is a gas/gas situation. Third question isn't really a policy, per se. It's a clarification we added since the previous conversation. How electrification measures should interpret negative savings, which we don't think should apply here – there is statutory language. This could be a footnote to policies 1 and 2.

- **Guidehouse:** Question 4 is how should evaluation treat negative savings due to custom analysis. Traditionally for EMS we would conduct regression analysis of the information and the results based on variable parameters, sometimes it shows energy consumption has increased after the installation of the measure. We have treated negative savings by setting the savings to zero. The policy is to clarify how the evaluations should handle this going forward, when they should count toward the savings or be set to zero. There is also a clarification on when the evaluation can delay assigning values to a project by collecting additional data. This is the final draft resolution from the previous SAG discussions. Question 5 is how should evaluation treat projects that have negative savings due to actions taken to meet code. Example EMS, where repairing outside air dampers or minimum outside air requirement, requiring code compliant conditions as the baseline. Or set savings to a value of zero rather than negative to not penalize the program. This is how we have been treating it in the past and previous discussions. The language was previously agreed to in SAG.

Allowing Renewable Energy Measures as EE (Guidehouse Policy Proposal)

- https://ilsag.s3.amazonaws.com/Proposed-Policy-RE-as-EE_Guidehouse_2022-06-09.pdf
- Proposal to define conditions under which RE measures are eligible. This was originally presented to the SAG Evaluation Working Group in July 2021, with a draft policy memo circulated to SAG in fall 2021. Due to CEJA negotiations, we decided to wait on finalizing until the Policy Manual. The memo has been updated since the original version, reflecting comments from various parties. This doesn't necessarily reflect consensus yet.
- This policy would give utilities and implementers guidance on what RE measure components of a project can count toward EE. It's a complex issue with lots of variations in devices. It grew in complexity for the "what ifs" and cover the scenarios. The way the policy is drafted is set up as defining what the conditions that define a system with RE components, when it is eligible for EE. It would be eligible when three listed conditions are all true, it would count as EE. First, the measure reduces the use of grid connected electricity or pipeline supplied natural gas because one of the independent A, B, C conditions listed are true. One scenario is an active RE conversion component integral to a specific device with a specific end-use need – e.g., PV in outdoor lighting. Second is a passive RE scenario where naturally available RE benefits are coming in but no additional energy conversion step – e.g., passive solar lighting, light tubes, etc. That would separate the what-about scenario where someone could put PV in their parking lot and light their whole facility – that wouldn't count as EE, however natural daylighting could. Then Scenario C has unique features about renewable natural gas – a realization that the site produced feedstock and site energy reduction. Importing biofuels is okay as we drafted it but the benefits from that couldn't count as EE.
- The second Condition that must be true is that grid or pipeline can provide supplemental energy, but the energy received from that can't count as EE – e.g., backup electricity for PV integrated lighting that is still grid connected. The final Condition is useful energy

output doesn't receive incentives or contribute savings to Illinois RE programs and EE programs. It can go to one or the other but can't double-count.

- **Discussion:**
 - Allen Dusault: There was an earlier version of this that PG/NSG commented on. Some of the substance in the first condition, I'm not sure some of our fundamental elements of concern are reflected there. A follow-up discussion would be helpful. Also interested in how "on-site" is described or defined.
 - Chris Neme: Suggests adding examples in (c).

NTG Policy Clarification (ICC Staff)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_NTG-Clarification_ICC-Staff_Final-6-9-22.pdf
- Clarify how NTG is applied to the benefits side of the benefit-cost analysis. This came up a few years ago in an evaluation. Included in the proposal are excerpts from two sections of the current Policy Manual where edits could be made. There is a clarification needed that NTG should also be applied where there are negative incremental costs that are considered as a benefit. Also, existing definition of TRC costs, one of which is in O&M and deferred baseline. There is no proposed language yet.

WAML Policy Clarification (ICC Staff)

- https://ilsag.s3.amazonaws.com/Proposed-Policy_WAML_ICC-Staff_Final_6-2-22.pdf
- Proposal to clarify exclusion of voltage optimization from WAML. This was raised in the 2021 evaluation review process. It's electric utility specific. It would be a simple edit of excluding VO – proposed edit included in the policy document.
- **Discussion:**
 - Chris Neme: I assume the rationale is that WAML is factored into the cost-recovery and rate impact and VO is outside of the rate impact cap, so that's why it would be excluded?
 - Zach Ross: That is my understanding. Plus, WAML is related to how the costs are recovered.

Closing & Next Steps

- Kick-Off Part 2 Meeting Wednesday, July 13: Briefly introduce IQ / IE policy proposals, to better understand the proposals and identify initial questions or feedback
- **Feedback Requested by Wednesday, July 27** - send to Celia@CeliaJohnsonConsulting.com
 1. Comments or proposed edits to the Policy Manual Subcommittee Plan and Updated Schedule
 - [Policy Manual Subcommittee Version 3.0 Plan \(6/27/22 - Final Draft for Review\)](#)
 2. Whether policies addressed by SAG from 2019-2021 should be considered in the Policy Manual
 - [Policy Manual Version 3.0 Kick-Off Meeting \(SAG Facilitator Presentation\)](#) - see slides 20-24
 3. Subcommittee participants to review all proposed policies and consider whether there are policies that either 1) belong in another forum (a different SAG Working Group; TRM process; IQ North or IQ South Committee; etc.) or 2) are not necessary/appropriate for the Policy Manual process. A follow-up discussion will be held at the August 3 meeting. Instructions on how to share feedback will be presented at the July 13 meeting.