

To: Home Performance Coalition
CC: ComEd, Nicor Gas, Peoples Gas and North Shore Gas, Jennifer Morris, ICC
From: Navigant Evaluation Team
Date: February 21, 2018
Re: Comments on Four-Year Evaluation Plan

Introduction

Navigant received comments from stakeholders on the four-year evaluation plans for ComEd, Nicor Gas, Peoples Gas and North Shore Gas. Navigant took those comments into account as we revised the evaluation plans. This memo summarizes how we responded to those comments and, where relevant, addresses questions.

Response to Comments

HPC Letter Comments on Draft Evaluation Plan for ComEd’s 2018-2021 Programs

Comment:

Thank you for the opportunity to comment on the Commonwealth Edison – Evaluation Plans (“ComEd Evaluation Plans”) for 2018-2021 through the Illinois Energy Efficiency Stakeholder Advisory Group. Additional notes and comments from the Home Performance Coalition appear in “Track Changes” format in the attached copy of the ComEd Evaluation Plans.

Comment:

Energy Efficiency and Jobs

The Illinois Legislature, the Illinois Commerce Commission and the investor owned utilities are engaged in a critical energy efficiency planning process that could make Illinois a national leader in energy efficiency technology deployment and small energy efficiency business development while also increasing the reliability and security of Illinois’s energy infrastructure moving forward.

Properly designed and implemented energy efficiency and demand response programs have been demonstrated in numerous state and national studies to be the lowest cost, most predictable and most immediate method to reduce energy demand, create local jobs, provide opportunities for small business energy efficiency entrepreneurs while also providing health and comfort benefits to consumers and lower utility rates in the long term.

With the passage of the Future Energy Jobs Act (Senate Bill 2814), Illinois has already become a national leader in the incorporation of job creation goals into the bedrock of its state energy policy planning processes. As a result, Illinois energy policy and planning should be informed by a growing body of research that puts energy efficiency at the top of the list of job creators in the clean energy sector. For example, on January 13, 2017, the U.S. Department of Energy (DOE) released its [2nd Annual United States Energy and Employment Report \(USEER\)](#) providing an updated, comprehensive analysis of 2016 data on energy related U.S. jobs. The [2nd USEER Jobs Report](#) indicated that 2.2 million Americans are employed, in whole or in part, in the design, installation, and manufacture of energy efficiency products and services; that More than 133,000 new energy efficiency jobs were created in the U.S. in 2016; and

that U.S. energy efficiency employers projected the highest job growth rate (9%) in 2017-2018 in all energy sectors surveyed.

Given this body of evidence in the growth of the energy efficiency jobs sector nationwide and the Illinois Legislature's policy commitment to job creation in the Future Energy Jobs Act, HPC is first and foremost interested in making sure that the cost effectiveness testing performed on programs administered through the Illinois Commerce Commission account for *job creation* in energy efficiency programs. In addition, the Illinois Commerce Commission should ask the broader question of whether Technical Reference Manual (TRM) of the Illinois Energy Efficiency Stakeholder Advisory Group (SAG) needs to be updated in light of recent changes the Future Energy Jobs Act and the Illinois statute on cost effectiveness testing.

For example, many states account for jobs creation through an assessment of non-energy benefits and/or societal benefits. Non-Energy Benefits refer to benefits experienced by program participants and/or all of society that are *in addition to* the cost reductions achieved in the utility system.

Societal non-energy benefits include reductions in environmental costs, reductions in public health costs, increased jobs and economic development and enhanced energy security. The ComEd Evaluation Plans for 2018-2021 do not seem to include an assessment of jobs created as a non-energy benefit of the proposed energy efficiency programs – a stunning omission.

Response:

In CY2018, we are focusing on quantifying NEBs associated with income eligible programs. For income eligible programs, we plan to study job (direct, indirect, and induced), reduced collection/arrears/shut-off costs, health improvement benefits, and safety improvement benefits. For other programs, we will conduct secondary research to determine what are the most likely NEBs associated with the individual programs. In addition, we are adding screening questions for NEBs in our participant surveys. Based on the responses, we will select two programs each year that are good candidates to quantify NEBs in CY2019-CY2021.

Comment:

National Standard Practices Manual (NSPM)

HPC respectfully requests that the ComEd Evaluation Plans and the Illinois Commerce Commission incorporate the fundamental principles of the May 2017 National Standard Practices Manual (NSPM) (which is available at: <https://nationalefficiencyscreening.org/national-standard-practice-manual/>) to its cost effectiveness testing analysis and review of the Evaluation Plans for 2018-2021.

We believe the NSPM framework could allow Illinois an opportunity to “test its tests” for cost effectiveness testing to see whether it reflects Illinois’s own energy efficiency policies and program goals, including the Future Energy Jobs Act. The principles contained in the NSPM can inform and greatly enhance Illinois’s ability to target and highlight the most impactful innovations and reforms in energy efficiency as they are being implemented.

The Illinois Cost Effectiveness Test

While HPC salutes the Illinois Legislature for taking the initiative and updating the cost effectiveness testing approach to be used to assess energy efficiency programs in statute, there are still many aspects of the Illinois cost effectiveness test that deserve careful analysis when implementing the draft Evaluation Plans. The Illinois cost effectiveness test to be used is defined by the Illinois General Assembly (in part) as follows:

A total resource cost test compares the sum of avoided electric utility costs, representing the benefits that accrue to the system and the participant in

*the delivery of those efficiency measures and including avoided costs associated with reduced use of natural gas or other fuels, avoided costs associated with reduced water consumption, and avoided costs associated with reduced operation and maintenance costs, **as well as other quantifiable societal benefits**, to the sum of all incremental costs of end-use measures that are implemented due to the program (including both utility and participant contributions), plus costs to administer, deliver, and evaluate each demand-side program*

As the Illinois Commerce Commission evaluates the Evaluation Plans and related energy efficiency programs, HPC respectfully requests that it apply the following NSPM principles, particularly to its analysis of the “other quantifiable societal benefits” (including non-energy benefits such as job creation) that are likely to be produced by the Evaluation Plans. The NSPM principles are:

National Standard Practice Manual Principles

Efficiency as a Resource	EE is one of many resources that can be deployed to meet customers’ needs, and therefore should be compared with other energy resources (both supply-side and demand-side) in a consistent and comprehensive manner.
Policy Goals	A jurisdiction’s primary cost-effectiveness test should account for its energy and other applicable policy goals and objectives. These goals and objectives may be articulated in legislation, commission orders, regulations, advisory board decisions, guidelines, etc., and are often dynamic and evolving.
Hard-to-Quantify Impacts	Cost-effectiveness practices should account for all relevant, substantive impacts (as identified based on policy goals,) even those that are difficult to quantify and monetize. Using best-available information, proxies, alternative thresholds, or qualitative considerations to approximate hard-to-monetize impacts is preferable to assuming those costs and benefits do not exist or have no value.
Symmetry	Cost-effectiveness practices should be symmetrical, where both costs and benefits are included for each relevant type of impact.
Forward-Looking Analysis	Analysis of the impacts of resource investments should be forward-looking, capturing the difference between costs and benefits that would occur over the life of the subject resources as compared to the costs and benefits that would occur absent the resource investments.
Transparency	Cost-effectiveness practices should be completely transparent, and should fully document all relevant inputs, assumptions, methodologies, and results.

We believe that applying these NSPM principles to cost effectiveness testing in Illinois will help the Illinois Commerce Commission come to a more profound understanding of “other quantifiable societal benefits” as described by the Illinois Legislature. It will also allow the Illinois Commerce Commission to appropriately incorporate other state policy goals (such as job creation, as well as other critical state policy goals) and statutes such as the Future Energy Jobs Act. The Illinois Commerce Commission should ask the broader question of whether the NSPM principles described above should be applied to the Technical Reference Manual (TRM) of the Illinois Energy Efficiency Stakeholder Advisory Group (SAG) in light of recent changes the Future Energy Jobs Act and the Illinois statute on cost effectiveness testing.

Response:

Evaluations in Illinois and by Navigant operate with continuous improvement principles, which includes reviewing the NSPM published in May 2017.

As we wrote above, Navigant expects to thoroughly study a range of non-energy benefits including increased jobs and we will discuss incorporating those findings in the TRC calculations in discussions with the utilities, ICC staff and SAG. We are preparing separate research plans for a variety of such specific research tasks and will distribute those for comment when they are ready. We expect to produce these research plans throughout the four-year evaluation cycle.

Nicor Gas plans to coordinate NEBs research with ComEd, especially on joint programs. For Peoples Gas and North Shore Gas, Navigant will consider coordination on a case-by-case basis as opportunities are available.

Comment:

Background on the Home Performance Coalition

The Home Performance Coalition (HPC) is a leading advocate for residential energy efficiency in Washington, DC and the states. We are closely engaged with key decision makers in the Congress, state agencies and public utility commissions. We work to educate stakeholders on the importance of home performance, the obstacles facing the home performance industry, and the policies that can break down barriers and advance home performance at the federal, state and local levels.

Conclusion

HPC hopes to work with the Illinois Commerce Commission and the investor owned utilities and industry stakeholders on the further examination of cost effectiveness testing in Illinois. We would like to provide further assistance and background on the development of the NSPM and its use by Public Utility Commissions and stakeholders in other states. Please feel free to contact me at (202) 759-9612 or JCullen@Homeperformance.org should you have any questions about the NSPM and/or the research and policy issues described in these comments.