



20 N. Wacker Drive, Suite 1301  
Chicago, Illinois 60606  
312.587.8390 Main Line  
312.587.8391 Fax  
[www.mwalliance.org](http://www.mwalliance.org)

April 30, 2017

Chairman Brien Sheahan  
Illinois Commerce Commission  
160 N. LaSalle St., Suite C-800  
Chicago, IL 60601

**Re: MEEA's Comments on the Illinois Commerce Commission's NextGrid Initiative**

Dear Chairman Sheehan and Members of the Illinois Commerce Commission:

On behalf of the Midwest Energy Efficiency Alliance, I commend the members of the Commission for undertaking the NextGrid initiative. This important effort will help ensure Illinois ratepayers benefit from innovation in the fields of technology, finance, and ratemaking. Thank you for the opportunity to comment on the scope of this initiative. The objective of the comments below is to maximize investment in cost-effective energy efficiency and deliver the energy and non-energy benefits of energy efficiency to all customers.

MEEA is a non-profit, membership association working across a 13-state region in the Midwest. Our members include utilities (investor-owned, municipal, and cooperatives), energy efficiency technology and service providers, manufacturers, state and local governments, and research and advocacy organizations. We are the Midwest's key proponent and resource for energy efficiency policy, helping to educate and advise a diverse range of stakeholders on ways to pursue a cost-effective, energy-efficient agenda. Our members in Illinois include: Commonwealth Edison, Ameren Illinois, Nicor Gas, Northshore Gas, Peoples Gas, Department of Commerce and Economic Opportunity, City of Chicago, Citizens Utility Board, Navigant, Franklin Energy, Clearresult, Argonne National Laboratory, Energy Resources Center at UIC, DNV GL, Association of Illinois Electric Cooperatives, Geothermal Alliance of Illinois, Blackstone Group, Lime Energy, West Monroe Partners, Inova Energy Group Future Energy Enterprises, Mitsubishi Electric Heating and Cooling, NEST, Ecobee, Agentis, Leidos, GE Lighting, Green Home Experts, CB&I, Energy Education Council and City Water, Power & Light.

The resolution regarding Illinois' consideration of the Utility of the Future: "NextGrid" Grid Modernization Study establishes a wide scope for the NextGrid effort. MEEA submits the following recommendations on the scope of NextGrid as a means to maximize the



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investment in cost-effective energy efficiency and deliver the benefits of energy efficiency to Illinois residents, businesses, and institutions.

### **Consumers, Communities, and Economic Development**

Two customer segments that are hard to reach and hard to deliver the benefits of energy efficiency are economically disadvantaged residents and large energy users. Economically disadvantaged residents are hard to reach due to historic underinvestment in low-income communities, upfront costs of improvements, and uncoordinated program delivery. Certain large energy users are now exempt from paying into and receiving the benefits from utility-delivered energy efficiency programs. NextGrid offers an opportunity to explore ways to better serve these customers and substantially increase potential energy savings and economic benefits.

#### *Economically Disadvantaged Customers*

Low-income ratepayers experience the highest energy burden.<sup>1</sup> Nationally, energy expenditures among multifamily renters is 38% higher than they are for single-family homeowners.<sup>2</sup> Illinois utilities and state agencies offer numerous programs to help lower utility bills, reduce this burden, and improve the health, safety, and comfort of the homes of low income residents. These programs have included electric and natural gas ratepayer funded energy efficiency programs aimed at this sector, as well as governmental programs such as the Low-Income Home Energy Assistance Program (LIHEAP), the Illinois Home Weatherization Assistance Program (IHWAP), and the Urban Weatherization Initiative (UWI). Funding for these programs comes from ratepayer dollars, the U.S. Department of Energy, and state and local funds and bond issuance.

While many of the programs were intended to be complimentary to one another, in practice they often end up being substitutes and are rarely coordinated in a way that leverages the most funding. One example is that weatherization crews are often unable to perform energy and money saving work because of expensive health and safety concerns. Those delivering ratepayer-funded energy efficiency programs face similar challenges and it is difficult to justify spending money on health and safety remediation efforts when utility-delivered energy efficiency is primarily evaluated on energy savings. The result is that occupants of these low-income households continue

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<sup>1</sup> Drehobl, Ariel and Ross, Lauren. *Lifting the High Energy Burden in America's Largest Cities: How Energy Efficiency Can Improve Low-Income and Underserved Communities*. American Council for an Energy-Efficient Economy. April 2016. <http://aceee.org/research-report/u1602>

<sup>2</sup> *Energy Efficiency for All*. Natural Resources Defense Council. March 2014. <http://www.nrdc.org/energy/files/energy-efficiency-for-all-FS.pdf>

to be subject to disproportionately higher energy bills while living in a potentially unsafe environment.

MEEA hopes that through the NextGrid process, the ICC will explore ways in which these programs can be coordinated and delivered in a way that achieves maximum energy savings while also improving the health, safety, and comfort of low-income residents. The recently passed Future Energy Jobs Act combined with NextGrid creates an ideal opportunity to ensure this coordination. MEEA proposes the following questions be considered during the process:

1. How can the ICC work with other state and local agencies to improve the coordination of program delivery?
2. What barriers exist – data privacy, data sharing, project specifications, etc. – to targeting those customers most in need and increasing the impact of the dollars spent delivering energy improvements and assistance?
3. What metrics might be adopted to better measure the impacts of these programs?

### *Large Energy Users*

Industrial energy efficiency represents significant energy savings potential and programs serving this sector are often some of the most cost-effective in a utility's portfolio. However, under the Future Energy Jobs Act, some of the largest energy users – those with a peak demand of or over 10 MW for 30 minutes in ComEd's territory and 10 MW for 15 minutes in Ameren's – are exempt from participating in utility demand-side management programs beginning on January 1, 2018. Through the NextGrid process, the ICC should explore the ways in which it might establish and design a self-direct framework for those customers exempt from utility demand-side management programs under the new legislation.

Self-direct policies allow large energy users to design their own energy efficiency programs and provide third party evidence of investment and energy savings. We propose borrowing elements of Michigan's self-direct<sup>3</sup> model where large energy users do not fully pay into the utility's efficiency plan but pay a portion of their assigned fees to cover administration of the self-direct program; customers submit their energy savings plans for review by their utility, and the utility approves the plan and reports

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<sup>3</sup> Act No. 295. Public Acts of 2008. State of Michigan. 9<sup>th</sup> Legislature.  
<http://www.legislature.mi.gov/documents/2007-2008/publicact/pdf/2008-PA-0295.pdf>



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aggregated program data to the public service commission. MEEA suggests a similar model where the ICC collects an administrative fee from a volunteering industrial customer and works with a third party (such as one of Illinois' Industrial Assessment Centers) to embark on the audit process. The customer is then invested in the audit process and the fees cover evaluation and verification conducted by the ICC.

### **Grid Design, Digital Networks and Markets**

NextGrid participants will be exploring numerous ways to improve the functionality, resource and resource ownership diversity, reliability, and affordability of electricity generation, transmission, distribution, and consumption. As the ICC and other stakeholders look to the future, considering the present availability and cost of these resources is important. Presently, energy efficiency has the lowest levelized cost of energy of any new resource in the state.<sup>4</sup> For this reason, MEEA urges the ICC to explore the implications of requiring utilities and private energy project developers to implement all site-specific, cost-effective energy efficiency prior to moving forward with other distributed energy resource projects (solar, energy storage, microgrids, etc.). Such a requirement may result in significant monetary savings as investments in energy efficiency will right-size other distributed energy resources and grid investments. Efficiency is often not one of the metrics or objectives used when determining the feasibility of other distributed energy resource investments creating a substantial lost opportunity

### **Regulation and Encouraging Innovation**

Two areas that we hope the ICC will explore as they pertain to regulation and encouraging innovation are energy efficiency market transformation and benefit-cost testing of energy efficiency measures and programs.

#### *Market Transformation*

Market Transformation (MT) is the use of strategic interventions to speed up the adoption of energy efficient technologies, products, or services in ways that leverage existing markets and reduce per measure transaction and administration costs. To date, MT in Illinois has focused on increasing knowledge and/or skills among builders, building engineers, code officials, contractors, distributors, retailers, real estate professionals,

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<sup>4</sup> *Energy Efficiency is a Good Investment for Illinois*. Midwest Energy Efficiency Alliance. Accessed April 29, 2017. <http://www.mwalliance.org/sites/default/files/uploads/Illinois-Factsheet.pdf>



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manufacturers, consumers and other market participants. EE providers are more likely to offer energy efficient services if they have the skills and tools to be able to provide them; likewise, consumers are more likely to demand energy efficient products and services if they are familiar with their benefits.

With the new Illinois EE structure, MEEA believes that in addition to continuing education to educate suppliers and consumers of EE, Illinois utilities have the opportunity to expand market transformation to include programs that reduce market barriers to the most efficient choice by focusing on improved delivery channels and processes. The largest opportunity for innovation and expanded claimable savings lies in increasing the market adoption of more efficient products, technologies, and services through means other than educating market participants.

Other regions use this approach and its feasibility is largely contingent on planning for evaluation, particularly for attribution. Who pays for and accrues the achieved savings is at the crux of the issue. Thankfully, there are models for how to effectively address this issue. MEEA's sister organization the Northwest Energy Efficiency Alliance (NEEA), and to a lesser extent, the Northeast Energy Efficiency Partnership (NEEP), have a long history of delivering regional market lift programs. Their approach to market transformation is technology-focused and encouraged by a regulatory structure that allows for market change attribution as opposed to measure-by-measure attribution. For example, they do not need to track utility accounts for every efficient dryer sold in their territories in order to claim savings, but rather rely on broad market indicators to determine the effects of their interventions. These MT programs focus on reducing barriers consumers face in accessing more efficient choices, and result in more rapid adoption.

MEEA proposes the NextGrid Initiative investigate regulatory examples in the Northwest and elsewhere that allow for utility partnerships to leverage markets inside and outside of their service territories to reduce costs and create larger impacts. The key question to answer is: how can Illinois create a regulatory framework that allows for market change attribution as opposed to measure-by-measure attribution for evaluating market transformation programs?

### *Benefit-Cost Testing*

The primary benefit-cost test that utilities use for designing and evaluating energy efficiency programs and portfolios is the total resource cost test (TRC). While 8 states in MEEA's territory use the TRC as the primary test to determine cost-effectiveness, the application of the test and the inputs varies from state to state and even utility to utility.



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One of the primary differences is how non-energy benefits are accounted for in the test.<sup>5</sup>

The Future Energy Jobs Act requires that utilities consider the water savings and operations and maintenance savings that result from energy efficiency measures. However, the legislation is silent on the inclusion of many other NEBs.<sup>6</sup> Determining how other non-energy benefits may be included in benefit-cost tests will allow the full value of energy efficiency to be accounted for by regulators overseeing utility investments and utilities delivering energy efficiency programs to their customers. Moreover, accounting for the full value of energy efficiency in benefit-cost tests may result in more measures and programs being deemed cost-effective or improve the cost-effectiveness of those measures and programs that already pass the TRC. Improved measure and program TRC scores opens up the potential for greater innovation in innovation in program design and delivery

Beyond considering NEBs as inputs to the TRC, the ICC may also explore efforts such as the National Efficiency Screening Project (NESP) to improve the design and application of cost-effectiveness screening.<sup>7</sup> Exploring NESP and other state practices will help the ICC use cost-effectiveness screening as a means to maximize prudent investments in the public interest. NextGrid is an opportunity to evaluate how regulation can better reflect the full value of energy efficiency.

## **Climate Change and the Environment**

The Clean Power Plan established carbon reduction goals for every state in the nation. Those requirements, and the possibility of a Federal Implementation Plan being imposed on Illinois to achieve those reductions, was a strong impetus for state agencies in Illinois to begin working in concert with one another and the private sector. In 2016, the ICC held a number of joint policy sessions with the Illinois Environmental Protection Agency (IL EPA) to learn together, and from one another, about the opportunities to reduce carbon emissions from the power sector. The two agencies sought to understand how to best craft a path forward in a matter that achieves the required reductions with

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<sup>5</sup> *Non-Energy Benefits of Energy Efficiency*. Midwest Energy Efficiency Alliance. Accessed April 29, 2017. <http://www.mwalliance.org/sites/default/files/uploads/NEBs-Factsheet.pdf>

<sup>6</sup> Lazar, Jim and Colburn, Ken. *Recognizing the Full Value of Energy Efficiency*. Regulatory Assistance Project. September 2013. <http://www.raponline.org/wp-content/uploads/2016/05/rap-lazarcolburn-layercakepaper-2013-sept-9.pdf>

<sup>7</sup> National Efficiency Screening Project. Accessed April 28, 2017. <https://nationalefficiencyscreening.org/>





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certainty, maintains grid reliability, supports energy affordability, and delivers the benefits of investment in clean energy and emissions reductions in an equitable manner.

Energy efficiency is a resource that provides multipollutant reduction benefits.<sup>8</sup> Even though the Federal Implementation Plan has been revoked from the Federal Register, and the Clean Power Plan appears to be dying a slow death, there remain opportunities to improve air quality through energy efficiency. The ICC and the IL EPA, in partnership with local governments, may explore ways to use energy efficiency as a low-cost resource to achieve compliance with the National Ambient Air Quality Standards. The agencies can learn from efforts such as the U. S. Environmental Protection Agency's Roadmap for Incorporating Energy Efficiency and Renewable Energy into State and Tribal Implementation Plans<sup>9</sup> and other states' experiences using energy efficiency to reduce air pollution for regulatory compliance purposes.<sup>10</sup>

MEEA would like to see the NextGrid process used as an opportunity to identify and formalize a means of on-going collaboration among the ICC and the IL EPA. Questions to be answered through this process include:

1. What is needed to formalize on-going collaboration between the ICC and the IL EPA?
2. How can energy efficiency be used by public and private partners to achieve NAAQS compliance?

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<sup>8</sup> James, Christopher and Colburn, Ken. *Integrated, Multi-pollutant Planning for Energy and Air Quality (IMPEAQ)*. March 4, 2013. Regulatory Assistance Project.

<http://www.raponline.org/knowledge-center/integrated-multi-pollutant-planning-for-energy-and-air-quality-impeaq/>

<sup>9</sup> Energy Efficiency/Renewable Energy Roadmap Manual. U.S. Environmental Protection Agency. Accessed April 28, 2017. <https://www.epa.gov/energy-efficiency-and-renewable-energy-sips-and-tips/energy-efficiencyrenewable-energy-roadmap>

<sup>10</sup> *States' Perspectives on EPA's Roadmap to Incorporate Energy Efficiency/Renewable Energy in NAAQS State Implementation Plans: Three Case Studies*. NESCAUM. May 2014.

<http://www.nescaum.org/documents/nescaum-final-rept-to-epa-ee-in-naaqs-sip-roadmap-case-studies-20140522.pdf/>



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The ICC has taken on an ambitious effort with NextGrid. MEEA appreciates the opportunity to comment on the scope of the initiative and we look forward to being a participant throughout the process. Please contact Julia Friedman, Senior Policy Manager, at 312-784-7265 or [jfriedman@mwalliance.org](mailto:jfriedman@mwalliance.org) with any questions.

Sincerely,

Stacey Paradis  
Executive Director  
Midwest Energy Efficiency Alliance