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# Comments to SAG on ComEd Proposed Policy Changes – June 2024

## Introduction

Elevate is a 501(c)(3) nonprofit organization that works nationally and is headquartered in Chicago. Elevate seeks to create a just and equitable world in which everyone has clean and affordable heat, cooling, power, and water in their homes and communities — prioritizing frontline communities. Elevate is also an active implementation partner for the ComEd Energy Efficiency Program serving customers in affordable housing, public housing, and low-income communities.

ComEd is proposing the policy changes under discussion in order to remedy a real problem: that energy savings the company is achieving through important and innovative programs do not count. While these comments include a mix of both questions and support for ComEd's specific proposals, we applaud ComEd for bringing the larger issue forward and making suggestions to remedy that problem. Elevate offers the following questions and comments in an effort to work with ComEd and other stakeholders to help solve that problem while ensuring that energy savings – and particularly income-eligible savings – are allocated appropriately.

## Background

ComEd faces real challenges and limitations from the requirement to ensure 25% of all energy efficiency electrification (EEE) savings are sited in income-eligible (IE) customer housing. Given the barriers to adoption and the costs of full electrification experienced among ComEd and its implementation partners over the past several years, especially considering an older and high-need housing stock, it is reasonable that ComEd seek to creatively pursue meaningful IE EEE savings outside of only the Whole Home Electric (WHE) and all-electric Affordable Housing New Construction (AHNC) program frameworks, in order to ensure they have the opportunity to maximize overall allowable EEE savings (capped at 5% of total portfolio savings for Plan 6, but increasing to 10% in Plan 7).

The midstream program model is an essential approach energy efficiency program administrators use to maximize overall impact in a market. Compared to downstream program models that provide incentives directly to end users, midstream models leverage smaller per-unit incentives targeted at influencing distributor stocking practices, which in turn can impact a larger share of the total sales volume in a market at a lower cost of savings acquisition for the program administrator. ComEd's Home Heating & Cooling Program is one such offering that uses a distributor-focused midstream approach for air source

heat pumps (ASHP), and it is exciting to see such rapid growth in incentives and corresponding energy savings in recent years.

By design, this program model does not intentionally target individual customer homes or even specific geographic areas, nor does it require collection of data on every individual customer receiving an incentive. This lack of data prevents ComEd from gaining a complete understanding of not only which customers are ultimately installing ASHPs, but also the configurations and applications in which ASHPs are being installed (e.g., partial vs whole-home, dual fuel, etc.).

## Policy Proposal 1

ComEd's first policy proposal involves a methodology for allocating savings from midstream electrification programs to the IE EEE category. There is no question that midstream programs such as the distributor-focused approach in ComEd's Home Heating & Cooling Program drive technology installations across a diverse range of households, including, in all probability, some that are IE. However, to Elevate's knowledge, attributing midstream energy savings to carveouts historically reserved for IE programs would be a departure from past practice and its implications should be carefully considered.

Elevate takes no position on whether this departure from past practice is appropriate or desired. However, in weighing this issue, stakeholders should consider the following questions (among others):

- Would allocating savings from this midstream electrification program to the IE EEE category be a decision with precedent for other midstream energy efficiency programs or would it be cabined in some way?
- What would the implications be for existing IE programs?
- Has the proposal to allocate midstream savings to IE programs and its implications been adequately vetted with stakeholders from the communities those programs target?

In the event stakeholders judge that allocating midstream savings to IE EEE *is* appropriate and desired, the question becomes *how* those savings should be allocated. The remainder of this section discusses the methodology ComEd proposed for that allocation and makes suggestions to improve it. Any allocation methodology should not only ensure that attributed IE savings is as close to actual IE savings as possible, but, ideally, also encourage intentional targeting of IE communities to ensure programs break through the access barriers such communities so often face.

As stated earlier, Elevate acknowledges the limitations ComEd faces by the 25% IE EEE requirement. At the same time, it is paramount to ensure that energy efficiency funding allocated to income eligible customers is indeed having the effect of serving income eligible programs. While Elevate agrees with ComEd's statement that "it is reasonable to expect that some of the electrification savings are coming from IE households in every zip code"<sup>[4]</sup>, it is unreasonable to assume that there is equal distribution across a diverse population with widely varying financial, demographic, and housing characteristics. This concept is supported by ample industry research, for example:

- A study exploring rooftop solar photovoltaics adoption across the U.S. found significant disparities across communities differing by not only household income and home ownership, but also racial and ethnic majority.

- A study exploring lighting measures in an urban Michigan area found that efficient measures were less available and more expensive in high-poverty areas.<sup>[3]</sup>
- A comprehensive literature review of equity and justice considerations across the energy industry “identified many cases in which access to low-carbon and efficient technologies that accompany the energy transition is not universal and, in most cases, is exclusively seized by higher income households.... This lack of technological availability or access across all demographics is typically attributed to the high upfront costs of these technologies, incentives for purchase of the technologies that reduce eligibility of those that do not have strong credit or do not pay taxes, for example, and a misalignment between required installation and use of the technology with living conditions (for example, rental properties).<sup>[4]</sup>

A further issue, noted in the last research example, is related to housing type and renters. Elevate’s updated Income Eligible Analysis that forms the basis of this proposal does not distinguish the proportion of IE or non-IE populations that are renters, or even single-family versus multifamily housing types. The increased barriers of energy efficiency measure adoption within multifamily and rental housing are well known, for example those related to the landlord-tenant split incentive issue.<sup>[5]</sup> Such issues are surely exacerbated by the high cost and complexity of ASHP installations, further complicating an assumption of equal distribution.

In summary, there is unlikely to be equal distribution of adoption for most energy efficiency measures within diverse geographies, but even more so for an emerging, complex, and high-cost measure such as ASHPs. At a minimum, Elevate recommends ComEd and Guidehouse validate this assumption through follow-on program evaluation research. It is our understanding that while the program by design does not require data to be collected identifying every individual customer participant, a sufficient portion of participants are knowable (e.g., for the purpose of site inspections to verify equipment installation) such that some reasonable sample of the program population can be used to validate accuracy of the proposed assumption. For example, if individual income verification is too burdensome, customer self-indication of income eligibility could be combined with other planned evaluation research on ASHP configurations, existing equipment baselines, or installation quality. Alternatively, follow-up research to validate down to census tracts might represent a slightly more accurate approach than zip codes.

An additional approach that may be better aligned with existing programs is to focus on installations occurring only in high-density IE customer zip codes, such as those zip codes with >60% IE density. There is precedent for this kind of approach, such as with ComEd’s IE Retail Program which provides higher instant discounts on qualifying energy efficient products at the time of purchase only at participating retail stores in zip codes with >60% IE customer density.<sup>[6]</sup> By applying the proposed policy only to high density IE zips, this could encourage an intentional focus on marketing and outreach in these community areas.

Ideally, however, in addition to validation and a focus on high-density IE customer zip codes, ComEd could evolve its program design to include intentional promotional tactics targeting IE customers. As an example, California’s statewide midstream heat pump and heat pump water heater program, known as the Technology and Equipment for Clean Heating (TECH) Initiative, has an explicit equity requirement built into its framework: “40 percent of the program costs [must] fund activities that serve equity customers.”

intervention strategies, such as low-interest financing, pilots targeting low-income communities, workforce training for contractors from low-income communities, and incentive marketing and outreach specifically targeting low-income customers. ComEd is encouraged to support its proposal by implementing tactics designed to bolster adoption among IE customers.

## Policy Proposal 2

Elevate supports the proposal to fully utilize savings from electrification measures by allowing an electric baseline to be used in the case of measure savings after the 25% IE EEE ratio or the total 5% or 10% EEE cap is reached. This will not only provide some amount of planning certainty for programs with electrification measures, but also a pathway to ensure funding expended toward acquiring those “leftover” savings do not go fully uncounted. HVAC measures, especially high efficiency ASHPs, represent some of the largest energy savings opportunities remaining for residential programs among ComEd’s building stock. The negative impacts of portfolio administrators having to suddenly pull back or pause program incentives mid-year are well known. Robust ASHP program growth should not be artificially limited to ensure energy efficiency programs focus on major customer energy savings opportunities, send consistent and clear messages to customers, and protect the growth of the nascent and burgeoning network of Energy Efficiency Service Providers serving customers with ASHP measures.

## Summary

In conclusion, Elevate supports ComEd’s efforts to recognize savings and maintain momentum for important and meaningful EEE programs. Elevate supports ComEd’s proposal to fully utilize savings from electrification measures that would not otherwise be recognized by allowing the use of an electric baseline and raises questions and comments to improve ComEd’s proposal around allocating midstream energy savings to the IE EEE program.

<sup>[1]</sup> Slide 5; [https://www.ilsag.info/wp-content/uploads/ComEd-IE-EEE-Allocation-Presentation\\_6-12-2024\\_Final-v2.pdf](https://www.ilsag.info/wp-content/uploads/ComEd-IE-EEE-Allocation-Presentation_6-12-2024_Final-v2.pdf)

<sup>[2]</sup> Sunter, D. A., Castellanos, S., & Kammen, D. M. (2019). Disparities in rooftop photovoltaics deployment in the United States by race and ethnicity. *Nature Sustainability*, 2(1), 71–76. <https://doi.org/10.1038/s41893-018-0204-z>

<sup>[3]</sup> Reames, T. G., Reiner, M. A., & Stacey, M. B. (2018). An incandescent truth: Disparities in energy-efficient lighting availability and prices in an urban U.S. county. *Applied Energy*, 218, 95–103. <https://doi.org/10.1016/j.apenergy.2018.02.143>

<sup>[4]</sup> Carley, S., & Konisky, D. M. (2020). The justice and equity implications of the clean energy transition. *Nature Energy*, 5(8), 569–577. <https://doi.org/10.1038/s41560-020-0641-6>

<sup>[5]</sup> Myers, E. (2020). Asymmetric information in residential rental markets: Implications for the energy efficiency gap. *Journal of Public Economics*, 190, 104251. <https://doi.org/10.1016/j.jpubeco.2020.104251>

<sup>[6]</sup> [https://www.ilsag.info/wp-content/uploads/SAG-Mtg-022124\\_ComEd-Nicor-PG-NSG-IE-EE-Programs.pdf](https://www.ilsag.info/wp-content/uploads/SAG-Mtg-022124_ComEd-Nicor-PG-NSG-IE-EE-Programs.pdf)

<sup>[7]</sup> <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M501/K931/501931113.PDF>