Illinois Stakeholder Advisory Group
Large Group Meeting on June 12, 2024

TO: **Celia Johnson, SAG Facilitator**
FROM: **Office of the Illinois Attorney General**
National Consumer Law Center
DATE: **June 26, 2024**
RE: **Utility Proposals:**

1. Ameren: Rebates for high efficiency electric vehicles ("EV") to encourage purchase of higher efficiency EVs to achieve incremental savings

2. ComEd: Change in allocation of income qualified ("IQ") spend per ZIP code

3. ComEd: Assumption that 53% of heat pump rebates are electrification

4. ComEd: Counting electrification savings beyond statutory maximum as efficiency savings

Comments from the Office of the Illinois Attorney General ("AG") and National Consumer Law Center ("NCLC") Responding to Ameren and ComEd Proposals

1. Ameren: Rebates for high efficiency EVs to encourage purchase of higher efficiency EVs to achieve incremental savings

Ameren proposes to count incremental savings through the promotion of high efficiency EVs to customers who seek to purchase an EV. High efficiency EVs will be incentivized through rebates. The AG and NCLC oppose Ameren's proposal to add efficient EVs to its existing or new programs for several reasons.

Given the costs of EVs, and customers' typical priorities for choosing new cars (e.g. size, style, make or brand, warranty, safety), it is unlikely that a customer would choose a different EV than their preferred make and model to secure a rebate that is likely to be insignificant relative to the total cost of the EV. We believe most of the customers will be free riders. While large rebates could influence this decision and minimize free ridership, this is problematic given total EE budget limitations.

The Beneficial Electrification ("BE") provision of CEJA already provides a mechanism for the promotion of efficient EVs and cost recovery.[1] The BE provision of CEJA is the appropriate place

[1] See 20 ILCS 627/45. While much of the mandate is for promotion of charger installations and adoption of time of use approaches, Section 45 also enables rebates directly to customers for EVs.

to encourage the adoption of efficient EVs. This is especially important given the aformentioned budget limitations.

In sum, given total EE budget limitations, the need for high rebates to limit free ridership, and that EVs are unlikely to be purchased in large numbers by low-income customers, we oppose adoption of EV measures in Ameren's EE programs at this time.

2. ComEd: Change in allocation of income qualified ("IQ") spend per ZIP code

ComEd offers residential heat pump ("HP") rebates through a Midstream Program that is promoted and implemented directly by vendors and contractors of HVAC equipment. ComEd proposes to attribute the HP rebates to participants in "non-low income zip codes" in proportion to the IQ population of that ZIP code. This proposal would allow ComEd to do more market-rate electrification because CEJA requires that a minimum of 25% of all electrification savings must come from low-income customers. It would also allow ComEd to slightly increase both electrification and HP replacement savings with a higher NTG ratio for the low-income portion. The AG and NCLC do not support this proposal.

According to ComEd's own estimates, it currently spends an average of $53,000 per home to electrify low-income homes in their whole building program. This includes approximately $33,000 per HP, and another $13,000 to upgrade the home electric service to support the electrification. The whole building program pays 100% of these costs for low-income customers. In short, electrification is very expensive, and is offered in the whole-building program for free (with limits on participation). As a result, the assumption that a significant number of low-income customers will choose to pay for expensive electrification measures just to achieve a rebate of $1,000-$1,400 is not reasonable.

Some participants may only purchase one or more ductless mini-split HPs to cover a portion of their home, in which case the rebates may become a larger share of the total cost. However, it is still unlikely that significant numbers of low-income customers will electrify as a result of the ComEd Midstream Program incentives. Absent some evaluation evidence on the actual participation of low-income customers, we do not believe ComEd should assume *any* Midstream Program participants are low-income customers, regardless of their zip code.

3. ComEd: Assumption that 53% of heat pump rebates should be counted as electrification

As we understand it, ComEd assumes that 53% of all HPs rebated in the Midstream program are electrification (fuel switching) projects. The AG and NCLC do not support this assumption.

The very high cost of electrifying space heating with HPs, along with the small size of HP rebates relative to that cost (which we understand to vary between $1,000-$1,400 per HP), means that it is unlikely that significant amounts of electrification are attributable to the Midstream Program. This is especially true for Midstream Programs that are most likely to capture participation when a customer is already pursuing the purchase of new HVAC equipment. The 53% assumption was based on a survey of participants in a different, downstream program, where we believe utility engagement with customers was more likely to encourage electrification. Further, it is not clear whether attribution was probed in the survey, or simply documentation of the existence of the prior heating system. Given that gas furnace and boiler rebates are also available, we believe it is unlikely that any significant electrification in this program is attributable to the rebates.

ComEd currently applies a 0.93 NTG ratio to this program based on a July 2023 survey, which is likely far higher than the NTG would be for customers doing electrification. Absent actual evaluation data in this program as to why participants are purchasing HPs, what they would do otherwise, and the influence the program had on their decisions, the assumption should be that Midstream HP participants were already planning to buy a standard HP. ComEd should only claim the incremental savings of the customer's purchase of a more efficient HP. If evidence indicates significant electrification attributable to the program, we believe it is appropriate to count proportional projects as electrification, along with ComEd adopting a distinct NTG ratio for the electrification projects separate from the NTG for replacement projects.

It is possible that many of the participants who have a fossil fuel heating system purchase HPs as a replacement for failed central AC units, or to add cooling in some or all of the home. This is common in New England EE programs, and the data indicate that these customers only use the HPs for cooling, thus producing no near-term heating electrification savings. While this may be beneficial to enable customers to transition their heating from fossil fuels in the future, it likely does not result in significant "electrification" savings now. We suspect that the prior survey of the downstream program may have counted these customers as investing in electrification projects simply because of the existence of a fossil fuel heating system.

Therefore, ComEd should not count these rebates toward electrification goals, or under electrification rules.

4. ComEd: Whether to count electrification savings beyond statutory maximum as efficiency savings

ComEd proposes that it count electrification savings that exceed its statutory savings "ceiling" as traditional energy efficiency savings. This savings ceiling is determined by the requirement that 25% of electrification savings come from low-income customers. The AG and NCLC would like more information about this proposal. Specifically, the AG and NCLC request that ComEd provide its statutory support for this proposal, given that it appears to mischaracterize electrification savings as standard efficiency savings.