

## **NRDC Comments on ComEd and Ameren Policy Proposals**

**Presented to the SAG on 6/12/24**

### **ComEd Proposals**

ComEd presented two proposals:

1. Allow ComEd to count a portion of electrification savings from midstream rebates for heat pumps installed in a given zip code as “low income electrification savings”. The portion that could be counted as low income electrification savings would be equal to the proportion of households in each zip code that have incomes below 80% of Area Median Income (AMI).
2. If and when ComEd achieves electrification savings from non-low income customers that are more than 3 times low income electrification savings – such that the Company could not count all the non-low income savings towards its goals because the statute requires that 25% of all electrification savings be low income savings – that the Company be able to recategorize all such excess non-low income measure installations as traditional efficiency measures (rather than electrification measures) and count just the traditional efficiency savings towards their goals. Efficiency savings would be estimated based on the difference between the high efficiency heat pump (or other measure) installed and the standard TRM baseline efficiency for that product.

NRDC has significant concerns about the first of these two proposals, but supports the second.

Our principal concern about the first proposal is that it is likely to significantly overstate low-income participation in midstream rebate programs. Low-income households typically do not have the resources necessary to pay for high capital cost measures such as heat pumps. Thus, unless the financial incentives paid by ComEd would end up eliminating the difference in cost between a standard efficiency furnace and/or central air conditioner that a low-income household may be in the market to replace and the heat pump being promoted – and it seems clear that is not the case given ComEd’s current midstream incentive levels – we would expect very few low-income households to take advantage of such incentives. We would not necessarily expect zero low-income participation. However, we would expect it to be very low. The notion that a zip with 50% low-income households would have 50% of rebated heat pumps going into low-income homes is just not reasonable.

It would be interesting to see data from ComEd and its evaluators on the distribution of midstream heat pump rebates by zip code and income – i.e., what fraction are going into zip codes with 0-10% low-income households, 11-20%, 21-30%, etc. We strongly suspect that such a distribution will be very different than the distribution of population by zip code and income. For example, if only 5% of the population lived in zip codes with 0-10% low-income households, but 20% of heat pump rebates were going to such zip codes, that would make clear that assuming proportionality does not make sense.

That said, ComEd's second proposal seems reasonable. One can conceptually think of an electrification measure as having two components – the first being electrification to a standard measure and the second being the upgrade of that standard electric product to a higher efficiency one. If ComEd is supporting high efficiency heat pumps, heat pump water heaters and other electric products, it seems reasonable that it should at least be allowed to claim the efficiency portion of the savings when it reaches any statutory caps on the amount of electrification savings it can count. As ComEd noted in its presentation, this will also enable the Company to have a more stable incentive offering into the market.

### **Ameren Proposal**

Ameren has proposed that a new TRM measure for high efficiency electric vehicles (EVs) be created. The idea is that an electric utility could potentially claim savings for convincing a customer to buy a more efficient EV rather than a standard EV. NRDC believes that this proposal is consistent with statute and conceptually reasonable. To be sure, important details will need to be addressed in the development of the measure characterization. Examples might include differentiating baselines by type and/or size of vehicle (compact, medium sedan, SUV, pick-up, etc.). However, that can be sorted out in the TRM process. There may also be reasonable questions about potential free ridership. However, they should be addressed through the SAG's NTG framework rather than in the TRM.

That said, it is important to note that there are limits to how many new or revised efficiency measure characterizations can be addressed in the TRM each year. Because we believe it will be difficult to design an EV program that delivers real net efficiency savings at reasonable utility cost, we would suggest that this be assigned a low priority when considering whether this TRM measure (versus others) should be developed.