ACHIEVING LCUP CONSENSUS IN A POLITICALLY VOLATILE ENVIRONMENT: AN EXPERIMENT IN PROGRESS

Nancy E. Collins
The Northern Illinois Alliance to Support Least-Cost Utility Planning

BACKGROUND

The Environment. Northern Illinois. Lake Michigan on the east, the Mississippi River on the west, and Wisconsin on the north. Eight million people, 11,500 square miles, the City of Chicago and 400 municipalities. The world’s tallest building, consuming more electricity than many utilities’ service areas. Commonwealth Edison Company, Peoples Gas Light & Coke Company, and Northern Illinois Gas Company. An investor-owned electric utility in overcapacity, summer-peaking, and requesting rate increases despite already high rates and demand charges on the basis of maintaining assumed future electricity needs (an assumption borne out during the 1988 summer heat wave, some eight years ahead of predictions).

The Politics. The State of Illinois passed a law in 1985 requiring that all electric and gas utilities prepare biannual least-cost utility plans, using results of pilot programs to test efforts to reduce consumption, flatten loads, and improve end-use energy efficiency. The State Department of Energy and Natural Resources (DENR) must prepare a statewide electric least-cost utility plan by mid-1988 and a natural gas plan by late 1988. The DENR plans are to reflect and guide utility plans, yet it is unlikely that the utility plans will be completed in time to be used in the DENR plan-writing process because the Illinois Commerce Commission (ICC) is conducting rulemaking hearings to determine exactly what the utilities must include in their plans.

Dominating the local political horizon is negotiating the City of Chicago’s franchise with Edison, due for renewal in 1990. The City is considering its options, including takeover of the transmission, distribution, and production of electricity; the news media respond with the “Would you want the Chicago City Council operating nuclear power plants?” refrain. A nearby municipality did not renew its franchise with Edison and, instead, is purchasing electricity from Wisconsin. In addition, large natural gas consumers, such as suburban public schools systems and the Archdiocese of Chicago, are electing direct purchase. Consumers are an important part of the political milieu in northern Illinois. Consumer organizations are active interveners in rate cases, in participatory planning, and rulemaking. They represent both residential utility customers and businesses. All of these activities, conflicting interests, and economic realities combine to create a politically volatile environment.

The Experiment. The Northern Illinois Alliance to Support Least-Cost Utility Planning (The Alliance) was created to provide a nonthreatening Forum in which representatives from the “battling entities” -- and other groups interested in the region’s energy situation -- could share information, expertise, and points of view without intervention from media, lobbyists, or politicians. The Forum provides an alternative to the all-too-familiar adversarial and litigious processes which have characterized recent decision making on utility issues in Illinois. It is the shared belief of Alliance participants that existence of such a forum is a prerequisite to effective planning and subsequent policy and decision making.

The goal of the Alliance is to assist member organizations in their least-cost utility planning activities by focusing on three objectives:
1. Developing a cooperative environment where parties involved in and affected by the State least-cost utility planning program can freely exchange ideas and perspectives. This includes educating members on the issues of least-cost utility planning.

2. Identifying and analyzing demand- and supply-side techniques for providing least-cost energy and disseminating the results of this research.

3. Taking advantage of the knowledge, data, and analytical techniques available from sources nationwide and encouraging their application, where appropriate, in northern Illinois.

The remainder of this paper describes the project midway through its implementation. One of 14 projects funded by the U.S. Department of Energy (DOE), it is scheduled to conclude in March 1989. Although the project includes an important research component (as Figure 1 depicts), the focus in this paper is on the process by which the Alliance was formed, the steps which have been taken to date, and an estimate of the successes (and failures) which have been experienced. The lessons which we have learned should be beneficial to other locales and, should the process prove successful, consideration will be given to extending it to the entire state and, perhaps, a multi-state region.

THE PROCESS: SUCCESSES

Several observations can be made at this time as to actions that have contributed to a viable organization at the midpoint of the project.

Up-front monetary commitments. DOE was a true catalyst in this case. At least a year before DOE issued an RFP, a group of concerned scientists and planners were meeting in Chicago to find a way to encourage collaboration among key players in the LCUP process. It was not until the opportunity to prepare a proposal for DOE came up that commitments could be obtained. As part of the proposal, four organizations agreed to provide additional funding (both dollars and in-kind contributions) if the DOE grant were received. In comparing notes with other DOE LCUP projects, we have determined that this up-front commitment must be made in order to move forward successfully. Without it, we might have spent a year trying to convince organizations to come to just a single meeting. With it, we had participation from the first.

Immediate start-up. Up-front funding made it possible for us to begin non-research activities right away; subcontracted research projects could not begin until after a work plan had been developed and contracts were in place. DOE provided $66,500 and $144,500 was provided by the City of Chicago, Commonwealth Edison Company, DENR, and The Peoples Gas Light & Coke Company. Although project staff were not on board until three to six months after the grant startup date, the Alliance Forum and Committees, working voluntarily, completed many important tasks. The Work Plan Committee developed a research agenda and scopes of work which were approved by the Forum. The Administrative Committee developed drafts of "LCUP Guiding Principles" and "Alliance Statement of Purpose and Organization."
LCUP-related materials were collected and distributed to Alliance members. During Forum meetings which focused on state and utility activities conservation technologies, members got to know each other outside the hearing room.

*In-kind contributions are taken seriously.* Nearly $900,000 of in-kind contributions were promised (all funding sources are summarized in Figure 2). About half of this amount is the estimated value of data being collected by utilities as part of their pilot programs and will be placed in a repository at Argonne National Laboratory, probably in mid-1989. The remainder represents the most important part of the Alliance process -- time, resources, and support from individuals and the organizations they represent. The Alliance staff has been neither shy nor limited in its requests for in-kind contributions and maintains detailed records of these contributions, estimating the value of staff time, meeting rooms, donated documents, supplies, postage, and so on. Visible in-kind efforts exert a subtle peer pressure, keep members involved, and require that they take a stake in the success of the Alliance. For example, several members may work together to provide meeting space, lunches, audiovisual equipment, and duplication costs for a Forum meeting, rather than one member doing it all.

![Figure 2. Sources of Alliance Funding: Cash (left) and In-Kind (right)](image)

**Recognition and use of members' expertise.** A basic premise of the Alliance is that we learn from each other. This means that we call on members to organize Forum meetings on topics about which they have special knowledge and that member organizations provide speakers whenever possible. For example, at a meeting on modeling and forecasting, the chief forecasters for Commonwealth Edison, Peoples Gas, and DENR described their models and assumptions. As a result of this Forum meeting, we learned that the techniques and, therefore, the resulting plans would not be comparable. In another example, at a Forum meeting on alternative transportation fuels and vehicles, we learned that Peoples Gas supports one of the largest compressed natural gas fleets in the country and EPRI staff convinced Commonwealth Edison to consider playing an important role in encouraging the use of electric vans in northern Illinois.

**Recognition of existing conflicts.** The project staff must maintain an attitude of neutrality and objectivity. This required identifying and acknowledging positions previously taken by member organizations, stakes held by members (individuals and organizations), and the history of public and private debates. This has been accomplished by holding one-on-one meetings with members and with small groups that hold similar attitudes, such as consumer groups. We have learned that members change in their levels of interest as conflicts and LCUP activities change. For example, DENR staff are currently "inactive" while they complete their electric least-cost plan for the state. They will become "active" again in the fall after the plan has been submitted to the Illinois Commerce Commission (ICC). The Alliance will serve as an impartial review group for the plan, offering comments outside the rulemaking arena.
Involvement of key players. Participation and interest in the Alliance has been displayed by 54 organizations, including utilities, research organizations, universities, business, industry, citizens groups, and state and local government. Active members (those who regularly attend meetings) represent about half of these organizations. Membership has expanded to include representatives from suburban Chicago and a third utility (Northern Illinois Gas Company). We have the attention of individuals who have the power to effect changes in local and state political picture, as reflected by the members of its very active executive board -- the City of Chicago Commissioner of Planning, two utility vice presidents, and the director of DENR. Whether the Alliance fails or succeeds, it will do so in full view of all LCUP players.

THE PROCESS: BARRIERS, FAILURES

Despite the above list of successes, the Alliance has not yet overcome some barriers to LCUP. A few of these are described in this section.

Involvement of consumer groups. Legal counsel for consumers and consumer groups are well represented; consumer organizations themselves are not. The only active consumer group is a subcontractor on a specific research task. Others do not attend (though they receive materials mailed out to members) because they do not have enough time, staff, or money. They have not seen evidence that the Alliance is worth their time and monetary contributions, yet dialogue with them has not led to a better understanding of what evidence might be convincing. Changing the perspectives of these consumer groups could take several years, perhaps going beyond the life of the Alliance.

Location of Alliance office. Because the Alliance office is physically located in the Chicago City Hall, some members (and non-members) consider the organization to be a “City project” which reflects and imposes City views. Although the Alliance staff works to dispel this belief (e.g., publicity, letterhead, and how the telephone is answered), it may be possible only if the office is moved.

Organizational structure. The legal status of the Alliance is nebulous. The staff have responsibility without authority. The Executive Board cannot make contracts or issue checks. The result has been delays in beginning the research tasks (which are subcontracted), confusion in the decision-making chain of command, and occasional difficulties in accomplishing simple clerical and support activities. The Executive Board requested an investigation into the possibility of incorporating the Alliance so it may continue into the second year with these problems eliminated.

Political barriers. The ICC participates, but does so quietly because any official comments or correspondence can be raised in rulemaking hearings. DENR has become so immersed in preparing the electric LCUP plan that it has not sent representatives to Forum meetings, has slightly reduced its dollar contributions, and has greatly reduced its in-kind contributions. The ICC hearings process is still in progress, so a considerable amount of planning and analysis is being conducted without benefit of final rules.

BOTTOM LINE

Successful least-cost utility planning requires on the commitment of talented individuals backed by their organizations. They must have access to accurate unbiased information from within and outside their organizations. And they must have a place where they can openly discuss the value of this information, ultimately reaching agreement as to what information should guide their plans. Although this is a difficult situation to create in a volatile political climate, the Alliance seems headed for success.