**Proposed Policy for Version 3.0: Prohibited Expenses Expansion**

**Submitted By: ICC Staff**

**Question 1: Proposed Policy and Rationale**

*Briefly describe the policy proposed to be included in Policy Manual Version 3.0, including rationale for why this policy is necessary in Illinois.*

*Questions to consider:*

1. *Why does this policy require inclusion in Policy Manual Version 3.0?*
2. *What unresolved policy issue(s) will be resolved by inclusion in the Policy Manual Version 3.0?*

*Please be as specific as you can. If you have specific policy language to propose at this time, please include in this template. It is not a requirement to draft policy language in the proposal template. If draft policy language is not included here, you may be assigned to draft proposed policy language for review by the Subcommittee at a future meeting.*

**Staff recommends that the prohibited expenses list be expanded to include sports tickets previously approved in version 1.0 of the policy manual and should be reinstated to the list of prohibited expenses. Furthermore, a docket on incentive compensation tied to financial metrics and compensation unrelated to energy efficiency is still open.**

**During the v2.0 update process, Staff proposed broadening the prohibition on entertainment expenses to include tickets to sports events, but an agreement could not be reached on the broader entertainment prohibition, so the tickets to sports events were discarded.**

**Staff noticed that some contracts no longer contain the previous language prohibiting sports tickets as a result of removing tickets to sports events; therefore, Staff is proposing that sports tickets be reinstated so utilities can include the sports ticket prohibition again in all contracts. During the process of updating policy manual v2.0, the Staff proposed the incentive compensation items, but they had to be withdrawn due to an open docket and litigation. Additionally, NCLC and Staff propose adding entertainment tickets to the list of prohibited expenses.**

**Below is Staff’s recommended additions to Section 5.4 of the Policy Manual in redline:**

## 5.4 Prohibited Expenses

Energy Efficiency cost recovery is controlled by the Public Utilities Act, Commission rules and the Program Administrators’ tariffs on file with the ICC. Subject to the Act, the applicable rules and tariffs, Program Administrators shall explicitly incorporate expenses prohibitions in all vendor contracts (including contracts for vendor subcontractors) that involve costs to be recovered through the Energy Efficiency cost recovery tariff mechanisms. Such expense prohibitions are applicable to utilities and their subcontractors. Prohibited expenses shall not be recoverable from Illinois ratepayers through the Energy Efficiency cost recovery tariff mechanisms. The following list of prohibited expenses is intended to be a point of reference, not an all-inclusive record of prohibited expenses. Prohibited expenses shall include, but shall not be limited to:

* Direct payment for alcoholic beverages;
* Marketing of the utility name which fails to relate to or reference either in writing, orally or visually, Energy Efficiency Programs, products or services;
* Tickets to sports events;
* Incentive compensation tied to financial metrics; (open docket)
* Event Tickets for Entertainment; and
* Incentive compensation unrelated to Energy Efficiency.(open docket)

**Question 2: Utility Impact**

*Describe whether the proposed policy impacts Illinois gas utilities, electric utilities, or both.*

**Both.**

**Question 3: Background Research**

*Provide any background research completed in preparing this template, including source references and links, as applicable.*

*Questions to consider:*

1. *Are you aware of other jurisdictions or utilities that address this policy issue?*
2. *Have any national or regional energy efficiency organizations addressed this policy topic? If so, please provide reports and any other relevant sources.*

**The Energy Policy Manual 2013, POLICY: Costs and Invoices, Section VIII, outlines the specific non-allowable costs of certain activities and services. One such item is entertainment, which includes costs of amusement, diversion, social activities, ceremonials, and related costs such as meals, lodging, rentals, transportation, and gratuities. All such expenses are deemed non-allowable and are not permitted to be included in an invoice. Furthermore, these costs should not be incurred for the purpose of entertaining ratepayers, or other associated utility personnel.**

**Optional Question 4: Commission Decision**

*Has the Illinois Commerce Commission previously addressed this policy or issue? If so, please provide language and specific citations, including the ICC docket number.*

**Yes.**

**Tickets to sports events was prohibited in Policy Manual v1.0 that was approved by the Commission. Tickets to sports events are discretionary and extravagances that are not necessary for delivering effective energy efficiency programs and they do not benefit ratepayers. Commission Directives: Final Order states “The Commission agrees with the proposal by Staff and the AG/CUB to remove all of the costs associated with professional sporting activities from ComEd’s proposed revenue requirement.” ComEd ICC Final Order Docket No. 10-0467 at 111 (May 24, 2011)**

**Tickets to Entertainment events In addition to being non-essential, tickets to entertainment events are a luxury that is not necessary to deliver effective energy efficiency programs and do not provide any benefit to ratepayers. Moreover, utilizing ratepayer funds for entertainment may erode public trust and damage the reputation of the energy efficiency program. Commission Directives: Final Order states“[T]he Commission finds these general team-building type rationalizations insufficient to justify luxury entertainment expenses." Nicor, ICC Final Order Docket No. 12-0601 at 13-14 (July 28, 2015)**

**Optional Question 5: Statutory Consistency**

*Have you reviewed your proposed policy against applicable Illinois law? Are there any possible conflicts? If so, please explain and provide statutory citation(s).*

**No conflicts.**

**Optional Question 6: Additional Information**

*Provide additional information, as needed, to assist with understanding the proposed policy issue and your request to include it in the Policy Manual Version 3.0. For example, have any memos been drafted to the SAG related to this policy proposal?*

**NA.**