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Illinois Energy Policy

2nd Facilitated Dialogue: Market Restructuring & Renewable Energy

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October 15, 2013



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National Energy Context

- Increasing energy demand with continued dependence on imported energy sources
- Rising fossil fuel prices that will significantly impact electricity and natural gas rates
- Electricity deregulation
- Transmission constraints, increasing cost of new transmission and aging distribution systems
- Increased environmental regulations reducing legacy generation capacity



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Illinois Energy Context

Illinois has an abundant supply of electric capacity (45,000 megawatts) and produces 190 billion kilowatts per year at over 60 facilities

Nuclear

- Illinois is the nation's leader in the production of nuclear power, generating approximately 90.9 billion kilowatt hours with 11 nuclear units
- In recent years, approximately half (49 percent) of the electricity sold by utilities and alternative retail electric power suppliers in Illinois have been generated by nuclear facilities

Coal

- Coal underlies 37,000 square miles of Illinois – about 65% of the state's surface
- Recoverable coal reserves account for almost 1/8 of total US reserves and account for more BTUs than the oil reserves of Saudi Arabia and Kuwait
- 47 percent of Illinois' electricity is generated by coal-fired facilities located throughout the state

Alternative Energy

- 4th Largest wind capacity in the US: 3,500 MW installed
- Substantial distributed generation: solar, combined heat and power, biomass, etc.

Source: http://business.illinois.gov/io_energy.cfm



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Illinois Energy History

1921 Illinois Public Utilities Act Enacted

- Fully regulated vertically integrated utilities

1997 Electric Restructuring

- Generation – Sold Off and Made Competitive
- Distribution – Fully Regulated
- Transmission – Independent operation

2007 – 2013 Modernization

- Refunds
- Illinois Power Agency
- Renewable Portfolio Standard
- Efficiency Portfolio Standard
- Efficiency as a Resource
- Wind Incentives
 - Property Tax Standardization
 - “High Impact Business”
- Expedited Transmission Review
- Distribution and Smart Grid Deployment



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Illinois Energy Challenges

- Aging Coal Fleet – (2016)
- Renewables
 - Natural Gas Prices Today
 - Divided RPS
 - Distributed Generation and Net Metering Rules
- Transmission Constraints
- Comparatively Low Energy Prices
 - Incent Exports
 - Dis-Incent New Build



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Jurisdiction and Responsibilities

State of Illinois

- Generation
 - Retail Oversight
 - Retail Procurement
 - Renewable Portfolio
 - Efficiency Portfolio/Resource
- Transmission
 - Citing
 - Certification
- Distribution
 - Full Retail Regulation
 - Price
 - Reliability
 - Safety

Federal – FERC and ISO

- Generation
 - Reserve Planning
- Transmission
 - Capacity Planning
 - Congestion
 - Reliability
 - Project Proposals
 - Cost Allocation



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Illinois Energy Regulator - Framework

Retail Supply

- Managing Volatility

 - Power Agency

- Retail Suppliers

 - Development

 - Rules of the Game

- New Investment

 - Renewable Portfolio

 - Clean Coal Portfolio

 - Energy Efficiency Portfolio

 - Energy Efficiency - Resource

 - Tax Incentives

 - Grant Funding (non-ICC)

 - Net Metering

Retail Distribution

- Network

 - Reliability and Safety

 - Modernization

 - Smart Grid and Meters

 - Outages

- Rate Making

 - Rate of Return

 - Tariffs



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Rate Making Regulatory Case Study

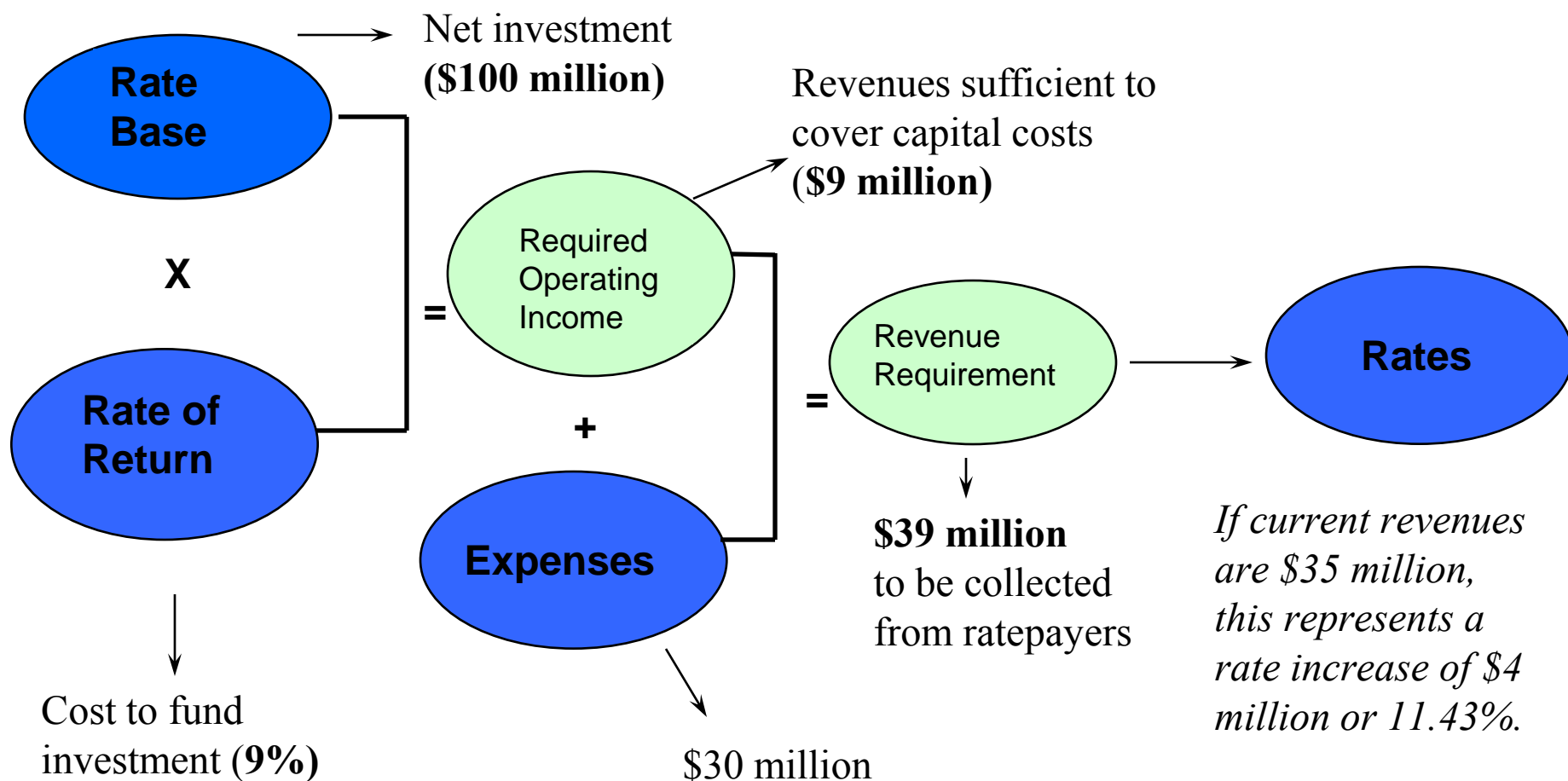


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Revenue Requirement





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Legal Framework: Setting Public Utility Rates – IL Public Utilities Act

Sec. 1-102. The General Assembly finds that the health, welfare and prosperity of all Illinois citizens require the provision of adequate, efficient, reliable, environmentally safe and least-cost public utility services at prices which accurately reflect the long-term cost of such services and which are equitable to all citizens. ...It is further declared that the goals and objectives of such regulation shall be to ensure

- (a)(iii) utilities are allowed a sufficient return on investment so as to enable them to attract capital in financial markets at competitive rates;
- (a)(iv) tariff rates for the sale of various public utility services are authorized such that they accurately reflect the cost of delivering those services and allow utilities to recover the total costs prudently and reasonably incurred;
- (a)(v) variation in costs by customer class and time of use is taken into consideration in authorizing rates for each class.
- (d)(iii) the cost of supplying public utility services is allocated to those who cause the costs to be incurred;
- (d)(iv) if factors other than cost of service are considered in regulatory decisions, the rationale for these actions is set forth;
- (d)(viii) the rates for utility services are affordable and therefore preserve the availability of such services to all citizens.



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Key Roles

- Strong Regulator
 - Access to Good Information
 - Appropriate Action
 - Allow Markets where they Exist
 - Replace Markets where Needed
- Flexibility
- Transition
- Planning and Development
 - Reliability
 - Resource Adequacy
 - Policy and Societal Objectives
 - Affordability
 - Renewables/Clean Energy
 - Efficiency



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**“Living men are bound by time...
Thus, their lives have an urgency.”**

- Abraham Lincoln: Vampire Hunter