

# Recent ICC Regulatory Developments and Regional Issues

Chairman Charles E. Box  
Illinois Commerce Commission  
Monday, June 9, 2009



# Illinois



# Illinois Facts



- 12.9 mill. people, 5<sup>th</sup> largest state.
- 56,400 square miles, 24<sup>th</sup> largest state.
- “Land of Lincoln”
- Borders the Mississippi River and Lake Michigan.
- Springfield is the state capital.
- Chicago is the largest city, 2.9 mill. within city limits, 9 mil. metro area.

# Economic Downturn - Ratepayers

- With higher unemployment, reduced asset values, and high levels of debt, ratepayers are having difficulty paying their utility bills.
- Consumers get so far behind, they can never recover.
- Utilities are experiencing large increases in uncollectables and disconnections.



# Economic Downturn – Utilities

- Utilities with weak credit are having tremendous difficulty obtaining credit; when available, credit has been very expensive in some cases.
- Service territory growth has declined.
- Belt tightening is inevitable.



# Power Procurement

- New Illinois Power Agency
  - Recently completed the first RFP process for utility supplies beginning 6/1/09.
  - Overseen by an independent market monitor and RFP administrator.
  - Overseen by the ICC.
  - Final prices were within benchmarks.



# Electricity Prices Lower in 2009

- Prices for all of the procurements just completed were dramatically lower than last year's levels.
- Dramatic fall in natural gas prices contributed to lower electricity prices.
- Economic recession significantly reduced expected electricity demand and increased reserve margins.
- Demand response was included in PJM's RPM capacity auction, and capacity prices dropped by 85% in the Commonwealth Edison zone.

# Smart Grid Collaborative

- A statewide collaborative with all interested parties is examining the smart grid concept.
  - What does “smart grid” mean?
  - How will it function?
  - How much will it cost?
  - When will it be built?
  - Who can participate in building it?





# Advanced Metering

- As a result of Commonwealth Edison's recent rate case, a statewide collaborative on advanced metering was convened.
- After the collaborative was completed, Commonwealth Edison filed a pilot program install 140,000 meter using AMI technologies.



# Global Climate Change

- Several options being discussed:
  - CO2 legislation.
  - Cap and trade.
  - Carbon taxes.
  - Coal gasification.
  - Carbon sequestration.
  - Worldwide demand for carbon-based fuels.



# Renewable Portfolio Standard

- Utilities are required to use an increasing percentage of cost-effective renewable energy:
  - 2% by June 1, 2008.
  - 4% by June 1, 2009.
  - Additional 1% increases by June 1, 2010-2015
  - Additional 1.5% increases by June 1, 2016-2025.
  - 25% by 2025.



# Renewable Requirements

- Met with Renewal Energy Credits (RECs).
- 75% to be from wind, with a preference for wind in Illinois and neighboring states.
- RPS requirements are forgiven if they would raise energy prices by more than .5% in the first year, escalating to 2.015% in 2011.



# Energy Efficiency Mandates

- Electric utilities were required to reduce demand by .2% in 2008, .4% in 2009 every following year, until 2% reduction in 2015.
- Must be “cost effective”: if the cost of the programs are excessive, utilities are relieved of the obligation.



# Energy Efficiency Programs

- Electric utilities have adopted many programs:
  - Real-time pricing
  - Energy-efficient lightbulbs (CFL)
  - Refrigeration replacement
  - Air conditioning replacement
  - Other customer incentives
- More will be needed if utilities are to meet the increasing energy efficiency goals.



# FutureGen, Tenaska Pilot Plants

- Proposed carbon sequestration generation plants.
- Will use coal-gasification technology.
- Will inject carbon into aquifers and other carbon capture technologies.



# Small Generator Access

- Illinois has adopted net metering, where a customer can install a small, renewable generator and have its electricity bill credited for the power it generates.
- Illinois has adopted small generator interconnection standards enabling a customer to attach a generator to the utility's distribution network.





# Utility Fixed Cost Recovery

- Most costs traditionally recovered through “volumetric” usage charges.
- If customers use more electricity or gas than expected, utilities earn too much.
- If customers conserve and use less electricity or gas than expected, utilities earn too little.



# Fixed Cost Recovery: ICC Cases

- “Decoupling” pilot program where the utility decreases bills if revenues are higher than expected or can increase bills if revenues fall short.
- Allowed a utility to recover 80% of fixed costs through a monthly customer charge that does not change with usage.



# Regional Transmission Organizations (RTOs)

- The grid in Illinois is operated by two RTOs: PJM interconnection and the Midwest Independent System Operator.
- The RTOs operate spot markets, coordinate grid expansions, and monitor local grid conditions.



# Regional Issues: Transmission

- Illinois has sufficient transmission, but...
  - The wind blows the hardest and the longest 800 kilometers to the west.
  - 50,000 MW of new wind production seek to interconnect, with no way to move that power.
  - Power is more expensive on the east coast, and there is pressure to move Midwest power east.
- The demand for new transmission is growing.



# Transmission Expansion

- Several proposals to build new 765 kV lines, which are the largest voltage lines used in the United States.
- The questions are:
  - Who will pay for them?
  - Who will site them?
  - Will the states or the federal government have the final say?

# Transmission Planning

- New federal initiative to improve transmission planning across 40 states east of the Rocky Mountains.
- The intent is to take a broader approach to planning than that covered by the existing RTOs.

