Overview of Illinois Public Act 99-0906

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Illinois' Recent History of Energy Legislation

- 1997 -- Electric Service Customer Choice and Rate Relief Law of 1997
  - Restructured electric markets creating conditions to facilitate both wholesale and retail competition for electric supply service in Illinois
- 2007 – Illinois Power Agency Act & Amendments to the Electric Service Customer Choice and Rate Relief Law of 1997
  - Created the Renewable Portfolio Standard and the Energy Efficiency Portfolio Standard
  - Created the Illinois Power Authority to develop and conduct certain energy, renewable resource, energy efficiency, and other procurements
- 2011 – Energy Infrastructure Modernization Act (EIMA)
  - Allowed the way for Smart Grid investment including the deployment of advanced metering infrastructure
- 2016 -- Future Energy Jobs Act (FEJA)

Future Energy Jobs Act (FEJA)

- Renewable Portfolio Standard (RPS)
  - Encourage the adoption of renewable energy resources including cost-effective distributed energy resources and technologies
- Energy Efficiency Portfolio Standard (EEPS)
  - Update Illinois' energy efficiency standard to incorporate and optimize measures enabled by the smart grid and to provide incentives to achieve energy savings goals
- Zero Emission Standard (ZES)
  - Preserve existing and promote new zero-emission electricity generation

Renewable Energy Standard Requirements

- FEJA requires the Illinois Power Agency to procure renewable energy credits (RECs) on behalf of Ameren Illinois, ComEd, and MidAmerican Energy
  - A renewable energy credit is a tradable credit that represents the environmental attributes of one megawatt hour of energy produced by a renewable energy resource
- A Renewable Energy Resource includes a resource producing energy from:
  - Wind, solar thermal energy, photovoltaic cells and panels, biodiesel, anaerobic digestion, crops and untreated and unadulterated organic waste biomass, tree waste, hydropower that does not involve new construction or significant expansion of hydropower dams and landfill gas (if produced in Illinois).

Renewable Portfolio Standard Goals

- Renewable Portfolio Standard Goals
  - The Act establishes a goal of 25% renewables by June 1, 2025, and extends this goal indefinitely.

- Renewable Portfolio Standard Technology Preferences
  - 1,000,000 new wind and 1,000,000 new solar Renewable Energy Credits (“RECs”) by June 1, 2018
  - 2,000,000 new wind and 2,000,000 new solar RECs by June 1, 2021
  - 3,000,000 new wind and 3,000,000 new solar RECs by June 1, 2026
  - 4,000,000 new wind and 4,000,000 new solar RECs by June 1, 2031

- Solar for All Program – This new RPS program targets low-income distributed generation and community solar programs.

Renewable Portfolio Standard Funding

- Retail Customer Assessments
  - Utilities (Ameren Illinois, ComEd and MidAmerican Energy) will recover costs for the general RPS through assessments on all delivery customers.
- Existing RPS Funds
  - The previous unspent RPS contributions of approximately $200 million will be used to fund the Illinois Solar for All program. Additional funding of $10 million per year for this program will come from prospective renewable assessments on utility delivery customers.
- Budget Caps
  - FEJA established zero emission standards budget limits by capping RPS related rate increases.
    - Rate increase cannot exceed 2.015% (measured against 2007 residential rates) each year

Energy Efficiency Portfolio Standard Requirements

- FEJA requires Ameren Illinois and ComEd to use energy efficiency measures to reduce delivery load.

- Energy Efficiency Means
  - Measures that reduce the amount of electricity or natural gas consumed in order to achieve a given end use. "Energy efficiency" includes voltage optimization measures that optimize the voltage at points on the electric distribution voltage system and thereby reduce electricity consumption by electric customers' end use devices. "Energy efficiency" also includes measures that reduce the total Btus of electricity, natural gas, and other fuels needed to meet the end use or uses.

Energy Efficiency Portfolio Standard Goals

- FEJA requires Ameren Illinois and ComEd to achieve energy efficiency savings each year
    - ComEd -- From the starting point of 6.6%, savings goals increase for ComEd by 1.3% each year through 2025 and by 0.9% between 2026 and 2030.
    - Ameren Illinois -- From the starting point of 6.6%, savings goals increase for Ameren by 0.8% each year through 2025 and by 0.6% between 2026 and 2030.

Energy Efficiency Portfolio Standard Funding

- Retail Customer Assessments
  - Utilities recover costs for the general EEPS through assessments on all delivery customers.
- Budget Caps
  - FEJA established energy efficiency portfolio emission standards budget limits by capping energy efficiency related rate increases.
    - Rate increase cannot exceed (measured against 2015 residential rates) each year
      - 3.5% between 2018 and 2021
      - 3.75% between 2022 and 2025
      - 4.05% between 2026 and 2030
- Amortization of Costs
  - Utilities have the option to amortize costs over the average life of benefits
  - Utilities earn a return on amortized costs
  - Utilities can earn an extra 2% on their return by exceeding goals or may lose 2% for falling short

ZES Standard Background

- Potential for Nuclear Plant Closures
  - In 2014, Illinois was faced with the possibility that one or more of its nuclear generation facilities would close
- Illinois House Resolution 1146
  - The General Assembly requested multiple state agencies, including the Illinois Commerce Commission and the Illinois Power Agency, to evaluate the impacts resulting from the premature closing of Illinois' nuclear generation facilities. The study included an analysis of the impacts on retail rates, grid reliability and capacity, Green House Gas emissions, and the local economy.
- Environmental Impacts of Nuclear Plant Closures
  - As part of the study, Illinois asked PJM to study the impacts of premature retirements of Illinois nuclear power plants. After completing its analysis in 2015, PJM concluded that if only the Quad Cities nuclear plant closed, CO2 emissions in Illinois would increase by 2.6 – 3.1 million tons and by 6.1 – 7.2 million tons across the entire PJM footprint on an annual basis.

Zero Emission Standard Requirements

- FEJA requires the Illinois Power Agency (IPA) to procure zero emission credits (ZECs) on behalf of Ameren Illinois, ComEd, and MidAmerican Energy
  - A zero emission credit is a tradable credit that represents the environmental attributes of one megawatt hour of energy produced by a zero emission facility
- A Zero Emission Facility is an electric generation facility that:
  - Is fueled by nuclear power
  - Is interconnected with one of the two regional electric transmissions systems that Illinois is a part of

Zero Emission Standard Funding

- Retail Customer Assessments
  - Utilities (Ameren Illinois, ComEd and MidAmerican) will recover costs for the ZES through assessments on all delivery customers.
- Budget Caps
  - FEJA establishes zero emission standards budget limits by capping ZES related rate increases (measured against 2009 residential rates).
    - Rate increase cannot exceed 1.65% (measured against 2009 residential rates) each year
    - The budget cap is determined for the 2017/2018 delivery year by multiplying these rates by usage in the 2016/2017 delivery year

Zero Emission Standard Targets

- ZES Targets -- FEJA targets the annual acquisition of ZECs equal to approximately 16% of the actual amount of electricity delivered to retail customers in 2014.
  - This is approximately 20 million ZECs per year
- Contract Length -- ZES standard contracts are for 10 years
  - The first year is the June 1, 2017 – May 31, 2018 delivery year

Zero Emission Facility Selection

- FEJA requires:

  "…winning bids shall be selected based upon public interest criteria that include, but are not limited to, minimizing carbon dioxide emissions that result from electricity consumed in Illinois and minimizing sulfur dioxide, nitrogen oxide, and particulate matter emissions that adversely affect the citizens of the state."

- FEJA further specifies that the selection of winning bids:

  "…shall take into account the incremental environmental benefits resulting from the procurement, such as any existing environmental benefits that are preserved by the procurements held under this amendatory Act of the 99th General Assembly and would cease to exist if the procurements were not held, including the preservation of zero emission facilities.

Zero Emission Credit Prices

- ZEC Prices -- ZECs will be priced at the social costs of carbon as established by the U.S. Interagency Working Group on Social Cost of Carbon's price in 2016
  - This price is $16.50
  - Beginning June 1, 2023 the social cost of carbon is increased $1 per year

- Affordability – the price paid for ZECs will be reduced below the social cost of carbon if energy and capacity prices are projected to rise above 2016 levels
  - The 2016 Base Market Price index is $31.40

FEJA Customer Bill Impacts

- New Customer Charges – two new charges result from FEJA
  - Charges to support the Zero Emission Standard
  - Charges to pay for new rebates that will be provided to customers installing roof top solar or other distributed generation technologies
- Reconfigured and Reduced Energy Efficiency Charges
  - FEJA revises the annual energy efficiency budget limits and allows utilities to recover energy efficiency costs over time in line with how customers receive benefits
  - FEJA also incents additional energy efficiency activity that will reduce the amount of electricity customers will consume and pay for
- FEJA limits the net impact on customer bills as a result of these changes

FEJA Customer Bill Impact Limits

- FEJA establishes separate caps for the various customer classes that limit the increases, attributable to FEJA, on the customers' total electricity bills:
  - Residential -- average bill increases resulting from FEJA between 2017 and 2030 are limited to $0.25 per month for ComEd customers and to $0.35 per month for Ameren customers.
  - Small to medium commercial and industrial customers -- average bill increases resulting from FEJA between 2017 and 2030 are limited to 0.12 cents per kilowatt hour [or 1.3% based upon 2015 rates for commercial customers].
  - Large industrial customers (> 10 MW) -- average bill increases resulting from FEJA between 2017 and 2030 are limited to 0.078 cents per kilowatt hour [or 1.3% based upon 2015 rates for industrial customers].

Zero Emission Standard -- Timeline of Events

- July 31, 2017: The IPA filed its Zero Emission Standard Plan, laying out its proposal to implement the Zero Emission Standard provisions of FEJA
- September 11th: Commission approved the plan at its September 11th Regular Open Meeting.
- December 2017: The IPA currently anticipates the ZEC procurement will take place in the month of December.