

**COMMENTS OF EXELON GENERATION COMPANY, LLC
ON THE ILLINOIS POWER AGENCY’S DRAFT 2017 LONG-TERM
RENEWABLE RESOURCE PROCUREMENT PLAN**

Now comes Exelon Generation Company, LLC (“Exelon” or “ExGen”), pursuant to Section 16-111.5(b)(5) of the Public Utilities Act (220 ILCS 5/16-111.5(b)(5)) (the “Act”), submits these comments to the Illinois Power Agency’s (“IPA”) Draft Long-Term Renewable Resources Procurement Plan (“Draft Plan”) for retail customers of Commonwealth Edison Company (“ComEd”), Ameren Illinois Company (“Ameren”), and MidAmerican Energy (“MidAmerican”) beginning with the 2017-2018 delivery year.

During the legislative process leading to the Future Energy Jobs Act (“FEJA”), Exelon worked with a number of stakeholders, including those from the environmental and renewables industry, to support the adoption of a completely new framework for Illinois’ renewable portfolio standard. We appreciate the hard work that went into the Draft Plan, and commend the IPA for its thoughtful analysis and detailed discussion of future procurement events to take place under these new programs. ExGen offers only two substantive modifications to the plan, both with the objective of ensuring that the priorities set forth in the law are carried out: first, eliminating the procurement for “other” new renewable resources, which is not a legislative mandate; and second, deferring any future wind procurement that would result in the level of wind procured to exceed the REC targets.

I. BACKGROUND

Exelon Generation Company, LLC (“Exelon Generation” or “ExGen”) is one of the largest competitive power generators in the U.S., with more than 30,000 megawatts

(“MW”) of owned capacity, comprising one of the nation’s cleanest and lowest-cost power generation fleets including nuclear, fossil, hydroelectric, solar, landfill gas, and wind generation assets, located in a number of organized markets. Exelon owns and/or operates 24 of the nation’s 100 nuclear reactors in five states and is the nation’s largest owner and operator of nuclear generation, with plants located in Illinois, Pennsylvania, Maryland, New Jersey, and New York. Exelon has made significant investments in renewable generation. It owns and operates 1,640 MW of hydroelectric generation, 410 MW of solar, and 1,420 MW of wind, making Exelon one of the nation’s leading renewable generators. As part of this clean energy portfolio, Exelon Generation operates the nation’s largest urban solar power plant, Exelon City Solar, a 10 MW solar installation located on a 41-acre brownfield in Chicago, and two of the largest hydroelectric facilities in the Eastern United States, Conowingo Hydroelectric Generating Station and Muddy Run Pumped Storage Facility totaling 1,640 MWs of capacity. Exelon Generation markets wholesale energy and capacity products to municipal, cooperative, and investor-owned utilities, retail suppliers, retail energy aggregators, merchant participants, power marketers, and major commodity trading houses.

ExGen, individually or through its subsidiaries, has participated in the competitive procurement processes under which contracts for the renewable resources needs of Ameren and ComEd have been awarded since the end of the transition period at the end of 2006. ExGen has been an active participant in all of the Commission and IPA proceedings and workshops related to the adoption and development of prior renewable procurement plans for ComEd and Ameren, and has been a successful participant in many of these procurement events.

II. THE FALL 2019 “OTHER” RENEWABLE RESOURCES PROCUREMENT SHOULD BE ELIMINATED

The Draft Plan indicates that the IPA plans to conduct a procurement in the Fall 2019 for an estimated 1,000,000 of RECs for new “other renewables”, excluding wind and solar. Draft Plan, p. 84. That proposed procurement should be eliminated, in order to remain consistent with the law, in two respects. First, the IPA must ensure that it is procuring and incenting the development of those specific types of renewable resources mandated in the FEJA, and is not sacrificing those express goals and desires for other forms of renewable resources for which the Legislature could have included mandates, but did not. Second, the IPA must be cognizant of its duty to procure “cost-effective” renewable resources, a requirement which the Fall 2019 “other” renewable resources procurement fails to satisfy.

The IPA should not spend the REC budget on a procurement dedicated exclusively to new "other" resources, when doing so necessarily comes at the expense of the explicit priorities in the IPA Act and FEJA. The IPA Act set forth very specific statewide goals for wind and solar. And the FEJA takes it a step further, mandating programs for new distributed generation and photovoltaic resources. Nowhere within either law is there an expressed incentive to develop forms of “other” new renewable resources, or specific targets that are to be met. The Draft Plan reads into the law a desire for new renewable energy facilities aside from wind or photovoltaic, where none exists. This is particularly troublesome in that the “other” renewable resources procurement would take priority over the 2019 spot procurement, designed to meet explicit goals. Draft Plan, p. 85.

In addition to the lack of a directive for a new “other” renewable resources procurement, the IPA Act requires the inclusion of “cost-effective renewable resources” into the portfolio, in order to protect against escalating electricity prices, among other goals. 20 ILCS 3855/1-5 (3), (6). The proposed Fall 2019 long-term procurement for “other” new renewable resources fails to meet that directive, in that it will likely be more expensive than other available options, for two reasons.

First, the potentially limited number of qualifying bidders could drive up prices. The proposed procurement is for almost the same number of RECs as for utility-scale wind, and far exceeds the number of RECs being procured under the community renewable generation program, which is specifically required by law. Conducting a procurement for a large number of RECs limited to these “other” technologies could very well lead to REC prices that are higher than would otherwise be the case. The Draft Plan contains no analysis regarding the success of similar procurements for these types of renewable resources, regarding either the competitiveness of a procurement based on qualifying bidders, or the resulting prices and their potential effect on the REC budget.

Second, the nature of the procurement as a long-term forward REC contract is likely to drive up prices, as well. The Draft Plan acknowledges this fact, noting that RECs from forward procurements could be more expensive than RECs from spot procurements. Draft Plan, p. 84. It is worth noting that, when the IPA previously entered into long-term contracts that were not required by law, the budget was not sufficient to satisfy those obligations, and the contracts had to be curtailed. [cite] Although the Draft Plan does not specify whether these proposed procurements would pay out over the full 15 year term or an accelerated payout in the earlier years, the contracts would potentially

have to be curtailed or the funds that were used would no longer be available to support procurements that were mandated by FEJA, to support explicit goals.

Section 5.8.3, found in the Draft Plan at pp. 84-85, should be deleted, consistent with this recommendation.

III. THE DRAFT PLAN SHOULD BE MODIFIED TO STAY WITHIN TARGETS

The Draft Plan proposes a procurement of 1 million wind RECs in Summer 2018, as well as Fall 2019. The proposed procurements are both premature, and unnecessary.

The proposed procurements would result in procurement of wind RECs far exceeding FEJA's targets, potentially putting other aspects of the law's goals in jeopardy. The IPA recently conducted an initial procurement of 1 million wind RECs. Going forward with the additional procurement in Fall 2019 for new wind RECs would mean that the IPA would have 3 million RECs of new wind by 2021 to satisfy a 2 million REC target. According to the law, and acknowledged in the Draft Plan, 3 million wind RECs should be attained by 2025. Draft Plan, p. 83. Holding an additional procurement closer in time to the 2025 target date is consistent with the law, and would preserve the funds available for near-term goals. For example, one of the proposed accelerated wind procurements occurs before the procurements for the Adjustable Block program, which will not start until April 2018. Earmarking money for accelerated new wind may limit the amount of distributed generation and photovoltaic that can be procured, based on budget limitations. The IPA should prioritize 2020 targets ahead of 2025 targets.

In addition to conducting procurements in an unnecessarily accelerated fashion, the Draft Plan proposes these additional wind procurements for the wrong reason. The Draft Plan claims the rationale for the accelerated procurements is to "maximize federal tax incentives (reducing potential REC prices)". This justification is misplaced, given the fact that wind developers with an interest in Illinois have long demonstrated the ability to take advantage of the federal production tax credit. In fact, Illinois ranks sixth in the nation for installed wind capacity with over 4,000 MW, with almost 500 additional MW under construction and another 500 MW more in advanced development, according to the American Wind Energy Association. Notably, had the Legislature intended to fill any void in incentives available from the expiration of the production tax credit (the date for which was known at the time the FEJA was being debated), they could have explicitly done so; they did not.

Additionally, it is questionable whether the proposed procurement would yield the desired results, given current uncertainties in the broader market. Developers' costs, and therefore the REC prices needed to ensure participation in procurements, are directly tied to the costs of the turbines required, which are obtained from overseas. Recommendations are expected soon from the U.S. International Trade Commission would could result in changes in federal trade tariffs that would restrict or impose higher prices on purchases of power equipment purchased from abroad. It is not clear whether or how the IPA factored that eventuality into the Draft Plan.

For those reasons, section 5.8.2 of the Draft Plan should be deleted.

IV. CONCLUSION

ExGen recommends that, for the reasons set forth above, the IPA's Draft Long-Term Renewables Resource Plan be modified by deleting sections 5.8.2 and 5.8.3.

Respectfully Submitted,
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