

# ILSFA Supplemental Funding



## **ILLINOIS SOLAR FOR ALL SUPPLEMENTAL FUNDING PLAN**

### **Final Plan**

Prepared to conform with the Illinois Commerce Commission's Final Order in Docket No. 18-1457,  
dated October 25, 2018

**November 26, 2018**

Prepared in accordance with the Section 1-56(b)(7) of the Illinois Power Agency Act (20 ILCS 3855)  
and Section 16-108(k) of the Illinois Public Utilities Act (220 ILCS 5)

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## 1 Introduction

Public Act 99-0906 (“P.A. 99-0906”), signed into law by Governor Bruce Rauner on December 7, 2016 with an effective date of June 1, 2017, created a host of new renewable energy programs and procurement requirements to be implemented by the Illinois Power Agency (“IPA” or “Agency”) generally subject to the review and approval of the Illinois Commerce Commission (“ICC” or “Commission”).

In so doing, the General Assembly made a series of targeted findings determining that low-income individuals and households should benefit from the growing clean energy economy. This included findings that “the adoption and deployment of cost-effective distributed energy resource technologies and devices, such as photovoltaics . . . should benefit all citizens of the State, including low-income households” and that “low-income customers should be included within the State’s efforts to expand the use of distributed generation technologies and devices.”<sup>1</sup> To address these concerns, P.A. 99-0906 directed the Illinois Power Agency to develop the Illinois Solar for All (“ILSFA”) program, a low-income solar incentive program designed to facilitate the adoption of photovoltaics by low-income households and communities.

While the Illinois Solar for All Program is funded primarily using the Renewable Energy Resources Fund (“RERF”) and a statutory allocation from the Renewable Resources Budget (“RRB”), the General Assembly also included a potential supplemental funding source. Section 16-108(k) of the Public Utilities Act (“PUA”) provides that, for each of the 2017-2018, 2018-2019, and 2019-2020 delivery years, if the Renewable Portfolio Standard (“RPS”) rider funds collected under that section (which are primarily designated to support non-Illinois Solar for All renewable energy programs and procurements) exceed expenditures made, some portion of that funding (and up to a certain amount) may be used to provide supplemental funding to Illinois Solar for All.

Section 1-56(b)(7) of the Illinois Power Agency Act (“IPA Act” or “the Act”) requires that if such additional funding for Illinois Solar for All is indeed available, “then the Agency shall submit a procurement plan to the Commission no later than September 1, 2018, that proposes how the Agency will procure programs on behalf of the applicable utility.”<sup>2</sup> This ILSFA Supplemental Funding Plan (“Plan”) has been developed to meet this requirement.

### 1.1 Plan Organization

The Plan contains the following Chapters:

Chapter 1 is this Introduction. It contains a brief summary of the Chapters of this Plan as well as an Action Plan for specific items that the Illinois Power Agency requested that the Illinois Commerce Commission approve in approving this Plan.

Chapter 2 provides an overview of the statutory underpinnings of the Illinois Solar for All supplemental funding mechanism, with specific focus on Section 16-108(k) of the PUA and Section 1-56(b) of the Act.

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<sup>1</sup> P.A. 99-0906 at § 1(a)(1).

<sup>2</sup> 20 ILCS 3855/1-56(b)(7).

Chapter 3 provides an overview of how specific items are calculated under Section 16-108(k) in determining what supplemental funding is available—including RRB funds collected, costs incurred from those funds, amount appropriated from the RERF, and the “funding shortfall” amount.

Chapter 4 discusses the sources of funding presently available to fund the Illinois Solar for All Program and the legal requirements governing the availability of those funds.

Chapter 5 summarizes the status of the Illinois Solar for All Program’s development and implementation, including the expected timetable for launch.

Chapter 6 contains the Agency’s proposal for how any excess funds collected and made available under Section 16-108(k) should be allocated under this Plan. As explained in Chapter 6, the Agency does not propose supplemental funding for Illinois Solar for All using the Section 16-108(k) supplemental funding mechanism.

## **1.2 Action Plan**

In approving this Plan, the Agency requested the following Action Items be explicitly approved by the Commission.

1. A finding that this Plan will meet the requirements of Section 1-56(b)(7) of the Act.
2. Approval of the determinations made in the Plan’s interpretation of Section 16-108(k) of the PUA and Section 1-56(b) of the Act, including the “funding shortfall” calculation.
3. Approval of the Agency’s proposed process for updating this Plan should circumstances necessitate the proposal of a different approach.

In its Order dated October 25, 2018 in Docket No. 18-1457, the Illinois Commerce Commission approved the Illinois Power Agency’s ILSFA Supplemental Funding Plan, including the Action Items listed above. This Final ILSFA Supplemental Funding Plan has been prepared consistent with the Commission’s Order.

## 2 Statutory Background

This Chapter of the ILSFA Supplemental Funding Plan describes the statutory and regulatory requirements applicable to this Plan.

### 2.1 Pre-Public Act 99-0906 RPS Compliance Mechanisms

Any discussion of how additional funds from the Renewable Resources Budget could be leveraged to support a program funded primarily through the Renewable Energy Resources Fund first requires understanding what those funding sources are, how and why they were established, and what limitations were (and are) placed on their use.

Prior to P.A. 99-0906, the Illinois RPS effectively had three compliance mechanisms depending on a customer's supply source: percentage-based procurement targets for utilities based on forecast eligible retail customer load, Alternative Retail Electric Supplier ("ARES") compliance based on actual delivery year load, and hourly pricing customer compliance payments.<sup>3</sup>

For eligible retail customers – those customers taking default supply service from their electric utility – the Illinois RPS established climbing percentage-based targets applicable to eligible retail customer load, specifically requiring that a certain percentage of load be met through the procurement of "renewable energy resources" each year.<sup>4</sup> The purchase of renewable energy credits for compliance with these requirements was funded through funds collected from default supply customers through a tariffed supply surcharge on those customers' bills. The amount of that surcharge was limited by a fixed bill impact cap percentage (2.015% of 2007 rates). Pooled together across all eligible retail customer load, the overall amount of these funds that could be committed to the procurement of renewable energy credits ("RECs") constituted an annual planning budget (i.e., the Renewable Resources Budget).

Compliance differed for load served by alternative retail electric suppliers, however. Under Section 16-115D of the Public Utilities Act, each ARES carried a percentage-based renewable portfolio standard requirement similar to the Section 1-75(c) requirement as a percentage of its sales, but could satisfy its obligation by making alternative compliance payments at a rate reflecting that rate paid by eligible retail customers, for no less than 50% of the ARES's obligation while self-procuring RECs for the remainder.<sup>5</sup> Those alternative compliance payments were made not to the electric utilities, but instead to the State of Illinois for deposit into a special state fund authorized under Section 1-56 of the IPA Act, the IPA-administered Renewable Energy Resources Fund. RERF funds were to be used to "procure renewable energy resources at least once each year in conjunction with a procurement event for electric utilities required to comply with Section 1-75 of the Act" with "[t]he price paid to procure renewable energy credits" using the RERF not to "exceed the winning bid prices paid for like resources procured for electric utilities."<sup>6</sup>

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<sup>3</sup> As hourly customer compliance payments are not at issue under the supplemental funding provisions of Section 16-108(k), they are not discussed here.

<sup>4</sup> Under Section 1-10 of the Act, "renewable energy resources" were, and continue to be, defined as either "energy and its associated renewable energy credit" or the standalone "renewable energy credits" produced by qualifying generating technologies.

<sup>5</sup> ARES could elect to make additional alternative compliance payments in lieu of self-procuring RECs, but seldom did so because the cost of eligible RECs tended to be lower than the comparable alternative compliance payment rate.

<sup>6</sup> Former 20 ILCS 3855/1-56(c), (d) (repealed from law by P.A. 99-0906).

As outlined in Chapter 2 of the IPA’s Long-Term Renewable Resources Procurement Plan (“Long-Term Plan”),<sup>7</sup> this regime created significant planning challenges: the available Renewable Resources Budget varied significantly from year to year depending on customer switching between electric utility default supply service and alternative retail electric supplier service, with switching often occurring en masse through municipal aggregation.<sup>8</sup> The lack of visibility into future years’ available budgets undercut any efforts to procure renewable energy credits through the types of long-term contracts that could facilitate the development and financing of new renewable energy generating facilities, and even certain existing long-term contracts had to be curtailed in two delivery years due to the lack of available RRB funds. Meanwhile, as explained further in Chapter 4 below, utilizing the RERF for such procurements carried its own challenges—including state borrowing and transfers from the fund, and statutory constraints on when and how procurements could be conducted.

On June 30, 2017—less than one month after the effective date of Public Act 99-0906—the balance of the Renewable Energy Resources Fund stood at \$174,472,381.65 with approximately \$25,464,000 of existing contractual commitments to be satisfied through RERF funds.<sup>9</sup>

## 2.2 Public Act 99-0906

Public Act 99-0906 constituted a comprehensive overhaul of the state’s renewable energy portfolio standard. Rather than three separate compliance mechanisms based upon a customer’s supply sources, changes to the Illinois RPS through P.A. 99-0906 will eventually transition the state’s RPS to a streamlined planning and procurement process featuring both RPS targets based on the utility’s total retail deliveries and available budgets determined by funds collected through a charge applicable to all retail customers.

Essentially, while the Renewable Resources Budget had previously been funded through eligible retail customer (i.e., default supply) surcharges, going forward, after a two-year transition period for load served by ARES, the Renewable Resources Budget will be entirely funded through a charge applicable to *all retail customers*, regardless of supply source. As discussed further below, specific decisions about how this larger pool of funds are to be spent for RPS compliance are directed by the law or determined by the IPA and the Commission through the Agency’s Long-Term Plan, which was approved by the Commission on April 3, 2018 in Docket No. 17-0838.

Transitioning to this centralized planning process necessitates winding down the prior RPS compliance pathways, such as alternative compliance payments made by ARES. This transition is set to occur across a two-year period, having commenced with the effective date of P.A. 99-0906 and

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<sup>7</sup> The IPA’s Long-Term Plan was developed under the authority of Section 1-75(c)(1)(A) of the Act and Section 16-111.5(b)(5) of the PUA, was filed with the Commission on December 4, 2017, and was approved by the Commission with modification on April 3, 2018 in Docket No. 17-0838. A Final version of the Long-Term Plan, revised for consistency with the Commission’s Orders in Docket No. 17-0838, can be found here:

[https://www2.illinois.gov/sites/ipa/Documents/2019ProcurementPlan/Long%20Term%20Renewable%20Resources%20Procurement%20Plan%20\(8-6-18\).pdf](https://www2.illinois.gov/sites/ipa/Documents/2019ProcurementPlan/Long%20Term%20Renewable%20Resources%20Procurement%20Plan%20(8-6-18).pdf)

<sup>8</sup> See generally 20 ILCS 3855/1-92.

<sup>9</sup> These contractual commitments were entered into under the Supplemental Photovoltaic Procurement authority found in Section 1-56(i) of the IPA Act, established in 2014 through Public Act 98-0672. This authority enabled the IPA to utilize \$30 million of RERF balance for “the procurement of renewable energy credits, if available, from new or existing photovoltaics, including, but not limited to, distributed photovoltaic generation” (which the IPA dedicated exclusively to new distributed generation projects through its Supplemental Photovoltaic Procurement Plan).

concluding in mid-2019. For this two-year transition period,<sup>10</sup> ARES no longer must make alternative compliance obligations for at least one-half of their compliance obligation; instead, for the delivery years commencing June 1, 2017 and June 1, 2018, “an alternative retail electric supplier need not make any alternative compliance payment to meet any portion of its compliance obligation,” and can instead just self-procure renewable energy resources for its full obligation.<sup>11</sup> If such payments are to be made, however, P.A. 99-0906 provides that “[b]eginning with the delivery year commencing June 1, 2017, all alternative compliance payments by alternative retail electric suppliers shall be remitted to the *applicable electric utility*,”<sup>12</sup> and not to the State of Illinois for deposit into the Renewable Energy Resources Fund. Thus, while alternative compliance payments may be made during this two-year period, none will contribute any additional balance to the RERF.

In addition to consolidating funding, Public Act 99-0906 also constituted a shift in direction for RPS planning and REC procurements. Prior to P.A. 99-0906, the IPA’s RPS compliance activities focused only on competitive procurements featuring sealed, pay-as-bid bidding with winning bids selected on the basis of price. These procurement events were proposed as part of the Agency’s annual procurement plan, a planning document which focused primarily on the procurement of energy and capacity to meet the supply requirements of eligible retail customers. However, under the regime established by P.A. 99-0906, the state’s approach to meeting its RPS targets is now addressed primarily through the development and continued refinement of a separate Plan: the IPA’s Long-Term Renewable Resources Procurement Plan. Through its Long-Term Plan, the IPA proposes both competitive procurements and IPA-administered incentive programs necessary to meet the new requirements of the Illinois RPS, thus satisfying the law’s new emphases on both using the RPS as a tool to facilitate the development of new generating facilities and expanding access to the benefits of renewable energy across a broader cross-section of the state’s economy.<sup>13</sup>

Stated differently, P.A. 99-0906’s RPS reforms required the development of new approaches to meet more holistic, policy-driven goals than simply procuring RECs at the lowest possible price to satisfy a statutory percentage of load. One of those goals was ensuring that the benefits of the clean energy economy were received by low-income citizens. At the core of that goal was P.A. 99-0906’s revisions to Section 1-56(b) of the IPA Act requiring the establishment of the Illinois Solar for All Program.

### 2.3 Illinois Solar for All

As set forth in Section 1-56(b) of the Act, the Illinois Solar for All Program shall “include incentives for low-income distributed generation and community solar projects, and other associated approved expenditures” designed in a manner to “grow the low-income solar market.”<sup>14</sup> As articulated in the IPA Act, the Illinois Solar for All Program’s objectives are to “bring photovoltaics to low-income communities in this State in a manner that maximizes the development of new photovoltaic generating facilities, to create a long-term, low-income solar marketplace throughout this State, to integrate, through interaction with stakeholders, with existing energy efficiency initiatives, and to

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<sup>10</sup> The share of ARES’ retail load with a self-compliance obligation for renewable energy resources drops from 100% in 2016-2017 to 50% in 2017-2018 to 25% in 2018-2019 and then to 0% in 2019-2020. See 220 ILCS 5/16-115D(a)(2), (a)(3.5), (i).

<sup>11</sup> 220 ILCS 5/16-115D(b)(2).

<sup>12</sup> 220 ILCS 5/16-115D(d)(4.5) (emphasis added).

<sup>13</sup> This direction is reinforced by the General Assembly’s findings articulated in enacting P.A. 99-0906, which include “ensur[ing] that the State and its citizens, including low-income citizens, are equipped to enjoy the opportunities and benefits of the smart grid and evolving clean energy marketplace.”

<sup>14</sup> 20 ILCS 3855/1-56(b)(2).



minimize administrative costs.”<sup>15</sup> The IPA’s “proposed approach to the design, administration, implementation and evaluation of the Illinois Solar for All Program,” as well as the Program’s “terms, conditions, and requirements” and proposed REC prices applicable to projects participating in the program, were required to be set forth in the IPA’s Long-Term Plan.<sup>16</sup> As noted above, that Plan was approved by the Commission on April 3, 2018 in Docket No. 17-0838.

Essentially, the Illinois Solar for All Program is a low-income solar incentive program designed to encourage the development of new distributed photovoltaic generation and community solar projects uniquely benefitting low-income residents and communities. These projects’ development is incented through the availability of a 15-year REC delivery contract, with the prices applicable to those RECs administratively set and publicly announced. These contracts feature more lucrative REC prices than available through Section 1-75(c) of the Act’s Adjustable Block Program (in which such projects could otherwise participate), with those higher REC prices reflecting additional costs and financing challenges that ILSFA-eligible projects may face. To further incent the development of low-income solar projects, the full value of 15 years of that photovoltaic system’s REC output is to be prepaid upon the project’s energization.<sup>17</sup>

The Illinois Solar for All Program is designed to incent specific photovoltaic project types, thus featuring the following four sub-programs with the following proportionate budget allocations:

- The **Low-Income Distributed Generation Incentive** sub-program “provide[s] incentives to low-income customers, either directly or through solar providers, to increase the participation of low-income households in photovoltaic on-site distributed generation.”<sup>18</sup> (22.5% allocation)
- Under the **Low-Income Community Solar Project Initiative**, “[i]ncentives shall be offered to low-income customers, either directly or through developers, to increase the participation of low-income subscribers of community solar projects.”<sup>19</sup> (37.5% allocation)
- The **Incentives for Non-profits and Public Facilities** sub-program provides that funding “shall be used to support on-site photovoltaic distributed renewable energy generation devices to serve the load associated with not-for-profit customers and to support photovoltaic distributed renewable energy generation that uses photovoltaic technology to serve the load associated with public sector customers taking service at public buildings.”<sup>20</sup> (15% allocation)
- The competitively-bid **Low-Income Community Solar Pilot Projects** sub-program allows “persons, including, but not limited to, electric utilities” to “propose pilot community solar projects.” These pilot projects are allowed to be larger than 2 megawatts (“MW”), must “result in economic benefits for the members of the community in which the project will be

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<sup>15</sup> Id.

<sup>16</sup> Id.

<sup>17</sup> See 20 ILCS 3855/1-56(b)(3) (“The payment shall be in exchange for an assignment of all renewable energy credits generated by the system during the first 15 years of operation and shall be structured to overcome barriers to participation in the solar market by the low-income community.”).

<sup>18</sup> 20 ILCS 3855/1-56(b)(2)(A).

<sup>19</sup> 20 ILCS 3855/1-56(b)(2)(B).

<sup>20</sup> 20 ILCS 3855/1-56(b)(2)(C).

located,” and are required to “include a partnership with at least one community-based organization.”<sup>21</sup> (25% allocation, but in no event more than \$50,000,000)

More on Illinois Solar for All can be found in Chapter 5 below.

### 2.3.1 Illinois Solar for All Funding

The Illinois Solar for All Program features no targets or goals for the quantity of RECs required to be procured, but does feature defined funding sources: 1) using the balance of the Renewable Energy Resources Fund; 2) leveraging at least \$10 million annually from the Renewable Resources Budget; and 3) potential additional allocation from the Renewable Resources Budget as a supplemental funding source.

First, Illinois Solar for All is funded through the Renewable Energy Resources Fund. Specifically, P.A. 99-0906 revised Section 1-56(b) of the Act to require that the remaining RERF balance be used only to 1) purchase renewable energy credits according to any approved procurement plan developed by the Agency prior to June 1, 2017 (i.e., legacy contracts pre-dating P.A. 99-0906, such as those from the Supplemental Photovoltaic Procurement conducted pursuant to Section 1-56(i) of the Act), and 2) to create the Illinois Solar for All Program, including payments for RECs procured under the program and the program’s administrative expenses.<sup>22</sup>

As discussed further in Chapter 4 below, as of the date of the filing of this Final Plan, the balance of the RERF is just over \$56.5 million, with state law requiring the repayment of an additional \$112.5 million back into the RERF (with that money previously having been borrowed to help meet General Revenue Fund obligations pursuant to 30 ILCS 105/5h.5). Further, as explained in more detail in Chapter 4, any borrowed funds would need to be made available to meet RERF contract obligations should the RERF balance be insufficient to meet new or existing obligations.<sup>23</sup> State law also requires that the full amount borrowed be transferred back into the RERF within 24 months of its transfer in August 2017, although as described above, no additional alternative compliance payments are due to be made into the RERF.<sup>24</sup> Although the IPA considers any existing contractual obligations from the RERF (specifically, Supplemental Photovoltaic Procurement contracts) to be senior to any new obligations entered into through the Illinois Solar for All Program,<sup>25</sup> existing RERF obligations account for only \$20,679,126.74. As described further in Chapter 4, the IPA thus believes that the RERF contains sufficient funding (or funding availability) to meet Illinois Solar for All Program needs based upon the ILSFA budgets set forth in the Long-Term Plan.<sup>26</sup>

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<sup>21</sup> 20 ILCS 3855/1-56(b)(2)(D).

<sup>22</sup> See 20 ILCS 3855/1-56(b)(3).

<sup>23</sup> See 30 ILCS 105/5h.5(b).

<sup>24</sup> Section 16-115D of the PUA provides that while “[t]hrough May 31, 2017, all alternative compliance payments by alternative retail electric suppliers shall be deposited in the Illinois Power Agency Renewable Energy Resources Fund,” “beginning with the delivery year commencing June 1, 2017, all alternative compliance payments by alternative retail electric suppliers shall be remitted to the applicable electric utility” and not deposited into the RERF. (220 ILCS 5/16-115D(d)(4), (4.5).) See also 83 Ill. Adm. Code Part 455.

<sup>25</sup> This appears to be the intent evident in Section 1-56(b) as well, as that section prefaces the percentage-based allocation of RERF funds with the qualifier “monies available in the Illinois Power Agency Renewable Energy Resources Fund and not otherwise committed to contracts executed under subsection (i) of this Section.” (emphasis added)

<sup>26</sup> While the respective proportions of sub-program funding are set by statute, the annual amount of RERF funds to be used for Illinois Solar for All is left to the Agency’s discretion to propose as part of its Long-Term Plan.

Second, Illinois Solar for All is funded through a portion of funds collected by the utilities under their Section 16-108(k) RPS tariffs (i.e., a portion of the Renewable Resources Budget). Under Section 1-75(c)(1)(O) of the Act, “5% of the funds available under the plan for the applicable delivery year, or \$10,000,000 per delivery year, whichever is greater” is available for Illinois Solar for All annually in most years; while “for the delivery years beginning June 1, 2017, June 1, 2021, and June 1, 2025, the long-term renewable resources procurement plan shall allocate 10% of the funds available under the plan for the applicable delivery year, or \$20,000,000 per delivery year, whichever is greater” with \$10 million in each of those three delivery years also going toward funding ComEd’s workforce development plan.<sup>27</sup> This mechanism ensures a base level of annual Illinois Solar for All funding, helping hedge against any uncertainty surrounding the RERF’s availability.

The third source of potential Illinois Solar for All Funding is a supplemental funding source that serves as the subject of this Plan. Specifically, Section 16-108(k) of the PUA contains the following provision for the 2017-2018 delivery year:

If the amount of funds collected during the delivery year commencing June 1, 2017, exceeds the costs incurred during that delivery year, then up to half of this excess amount, as calculated on June 1, 2018, may be used to fund the programs under subsection (b) of Section 1-56 of the Illinois Power Agency Act in the same proportion the programs are funded under that subsection (b). However, any amount identified under this subsection (k) to fund programs under subsection (b) of Section 1-56 of the Illinois Power Agency Act shall be reduced if it exceeds the funding shortfall. For purposes of this Section, “funding shortfall” means the difference between \$200,000,000 and the amount appropriated by the General Assembly to the Illinois Power Agency Renewable Energy Resources Fund during the period that commences on the effective date of this amendatory act of the 99th General Assembly and ends on August 1, 2018.

Similar provisions exist for the subsequent two delivery years:

If the amount of funds collected during the delivery year commencing June 1, 2018, exceeds the costs incurred during that delivery year, then up to half of this excess amount, as calculated on June 1, 2019, may be used to fund the programs under subsection (b) of Section 1-56 of the Illinois Power Agency Act in the same proportion the programs are funded under that subsection (b). However, any amount identified under this subsection (k) to fund programs under subsection (b) of Section 1-56 of the Illinois Power Agency Act shall be reduced if it exceeds the funding shortfall.

If the amount of funds collected during the delivery year commencing June 1, 2019, exceeds the costs incurred during that delivery year, then up to half of this excess amount, as calculated on June 1, 2020, may be used to fund the programs under subsection (b) of Section 1-56 of the Illinois Power Agency Act in the same proportion the programs are funded under that subsection (b). However, any amount identified

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<sup>27</sup> The annual baseline \$10 million allocation of Renewable Resources Budget to the Illinois Solar for All Program shall be taken *pro rata* from each utility’s individual Renewable Resources Budget based on that utility’s share of statewide load. See Long-Term Plan at § 8.4.2. However, the additional \$10 million of RRB funds allocated to ComEd’s workforce development program in each of 2017-2018, 2021-2022, and 2025-2026 under Section 16-108.12 of the Public Utilities Act will be taken only from ComEd’s RRB, as ComEd is the counterparty to contracts under that program.

under this subsection (k) to fund programs under subsection (b) of Section 1-56 of the Illinois Power Agency Act shall be reduced if it exceeds the funding shortfall.

Attempting to interpret these provisions raises a series of questions, many of which the IPA attempts to address through this Plan.

First, there is no single “amount appropriated by the General Assembly to the Illinois Power Agency Renewable Energy Resources Fund” for the 14 months referenced above; instead, there are three separate fiscal year appropriations covered by this period,<sup>28</sup> and it is not clear whether the “amount appropriated” is intended to include all three fiscal years’ full appropriations, a pro-rated amount accounting for single months of two of the three fiscal years, or some other calculation. As explained further in Chapter 3 below, because there are no limitations on how much of the Agency’s appropriation for a given fiscal year may be made in any one month during that year, the IPA has chosen to interpret this provision as requiring that the sum total of the Renewable Energy Resources Fund appropriations for the three fiscal years implicated by this provision constitutes the amount to be subtracted from \$200,000,000 for determining the “funding shortfall.”

Second, the “amount appropriated” by the General Assembly provides an awkward tool for calculating a “shortfall” in available funding, as legislative appropriations have little to do with the actual presence or availability of funds. The Agency’s appropriation is merely its legislatively-granted authority to spend up to a requested amount. With respect to the RERF, that appropriation amount has never mirrored actual expenditures; nor has it provided protection against legislatively-authorized transfers, diversions, or borrowing. Nevertheless, as best the Agency can infer, the intent of these paragraphs in Section 16-108(k) is to provide a mechanism for supplemental Illinois Solar for All funding in the case that planned-for RERF funding was rendered unavailable, and this Plan’s proposed application of these provisions is viewed through the lens of that presumed intent.

Third, should half of the difference between collections and expenditures (i.e., the amount potentially available for supplemental Illinois Solar for All funding) exceed the “funding shortfall,” Section 16-108(k) of the PUA states that the amount used to fund Illinois Solar for All “shall be reduced”—with no guidance on *by how much* that supplemental funding shall be reduced. The IPA believes this phrasing is understood most sensibly if it reduces supplemental funding back to the level of the “funding shortfall,” but no less. With the “funding shortfall” interpreted to constitute \$50 million (as discussed in Section 3.2 below), the following example is instructive: if half of the difference between collections and expenditures was \$49.9 million, then the “funding shortfall” would not be exceeded, and the amount available for supplemental funding would be \$49.9 million (i.e., that amount would not be reduced). However, if half the difference constituted \$51 million – meaning even more money was potentially available – then this amount “shall be reduced” because it exceeds the “funding shortfall.” But any reduction in supplemental funding *below* the funding shortfall level (\$50 million) would result in the non-intuitive result of more money being available generally than in the first example (through a greater differential between collections and expenditures), but less supplemental funding available to be spent. Thus, the IPA understands the “funding shortfall” amount to serve as a floor (and ceiling) amount that may be available for supplemental Illinois Solar for All funding should the “funding shortfall” be exceeded by half of the collection-expenditure differential.

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<sup>28</sup> These are the appropriations for Fiscal Year 2017 (July 1, 2016 through June 30, 2017), Fiscal Year 2018 (July 1, 2017 through June 30, 2017), and Fiscal Year 2019 (July 1, 2018 through June 30, 2019).

Lastly, Section 1-56(b)(7) of the Act provides that, if supplemental funding is indeed available, then “the Agency shall submit a procurement plan to the Commission no later than September 1, 2018, that proposes how the Agency will procure programs on behalf of the applicable utility,” with the Commission to “approve, or approve with modification, the plan no later than November 1, 2018.” This provides a timing challenge: as discussed further in Chapters 4 and 6 below, this is the only such supplemental funding plan envisioned by the statute to be filed, and it is to be filed no later than September 1, 2018. But the calculations applicable to the delivery years commencing June 1, 2018 and June 1, 2019 will not be known until well after the Commission approves this plan (which can be no later than November 1, 2018), and thus whether (and to what extent) there is a differential between collections and expenditures for those two delivery years—i.e., whether supplemental funding is available for those years—is unknown. To address this timing challenge, the IPA will assume for purposes of the present plan that a) supplemental funding will likely be available due to a mismatch between collections and expenditures in future delivery years and b) consistent with Illinois law, RERF funding will also be available to fund Illinois Solar for All in 2018-2019 and 2019-2020 at the levels described in the IPA’s Long-Term Plan. While the IPA cannot control any future acts by the General Assembly, the Agency believes that its planning activities should be designed against the backdrop of the law as it currently stands—which requires full availability of unspent RERF funds for ILSFA program contracts and expenditures.

Section 16-108(k) of the PUA also contains the following conclusory passage:

The funding available under this subsection (k), if any, for the programs described under subsection (b) of Section 1-56 of the Illinois Power Agency Act shall not reduce the amount of funding for the programs described in subparagraph (O) of paragraph (1) of subsection (c) of Section 1-75 of the Illinois Power Agency Act. If funding is available under this subsection (k) for programs described under subsection (b) of Section 1-56 of the Illinois Power Agency Act, then the long-term renewable resources plan shall provide for the Agency to procure contracts in an amount that does not exceed the funding, and the contracts approved by the Commission shall be executed by the applicable utility or utilities.<sup>29</sup>

As the only program described in Section 1-75(c)(1)(O) of the Act is the Illinois Solar for All Program—and perhaps the plural “programs” refers to the four ILSFA sub-programs outlined above, which are also called “programs” elsewhere in the law—this provision is best understood as prohibiting supplemental Illinois Solar for All funding from reducing the \$10,000,000 of Renewable Resources budget funding already committed pursuant to Section 1-75(c)(1)(O). Stated differently, any supplemental funding leveraged via Section 16-108(k) may only be *additive* to the statutory funding allocation already committed via Section 1-75(c)(1)(O) (and any additional contracts executed due to supplemental funding cannot exceed the supplemental funding amount).

### 2.3.2 Plan Approval Process

As referenced above, Section 1-56(b)(7) required this Plan to be filed by September 1, 2018, with Commission approval no later than November 1, 2018. Unlike with the IPA’s other procurement plans, the law contains no requirements directing the Agency to release a draft plan for public comment or to conduct public hearings in advance of the plan’s filing. Without a formal process in

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<sup>29</sup> 220 ILCS 5/16-108(k).

place, the IPA endeavored to informally seek the feedback of key stakeholders in preparation for this filing, and any entities taking an interest in this Plan (and with an interest sufficient to justify intervention under the Commission's Rules of Practice<sup>30</sup>) were invited to participate in the Plan approval proceeding before the Commission.

The IPA understands that changes in circumstances (including, but not limited to, changes in the underlying law) could necessitate a change in this Plan's proposed approach. This raises the question of how to later propose such a change. As the law requires the IPA to address supplemental ILSFA funding through this Plan and provides authority only for this lone Plan to be filed, the IPA believes revisiting the Commission's proceeding approving this Plan is the appropriate procedural mechanism for future adjustments to its proposed approach. Thus, as discussed further in Chapter 6, should a change in circumstances necessitate revisiting the proposals made within this Plan, the IPA would likely petition the Commission to re-open the proceeding approving this Plan to propose Plan revisions.<sup>31</sup>

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<sup>30</sup> 83 Ill. Adm. Code Part 200.

<sup>31</sup> The Agency believes that this approach features a stronger legal basis than proposing a new supplemental funding plan or addressing supplemental funding through revisions to its Long-Term Plan, the statutory authority for either of which is less clear. This approach was affirmed by the Commission in its Order approving of the Plan. (See Docket No. 18-1457, Final Order dated October 25, 2018 at 4).

### 3 Calculating Available Funds for Supplemental Funding

As discussed in Chapter 2, the heart of this Plan consists in exercising discretion over potentially deploying up to half the annual unspent Renewable Resources Budget funds for the Illinois Solar for All Program, as authorized by the Public Utilities Act.<sup>32</sup> The amount of unspent Renewable Resources Budget funds that can be so deployed, however, is limited by the “funding shortfall” as defined in the same statutory section. This chapter will carefully consider each of these amounts in turn.

#### 3.1 Renewable Resources Budget Unspent Funds

The PUA authorizes each of ComEd, Ameren Illinois, and MidAmerican to collect charges from all retail customers via an RPS rider to offset the costs of procuring renewable energy resources via Commission-approved IPA procurement plans.<sup>33</sup> Each utility is to hold these funds in a distinct interest-bearing account at a financial institution.<sup>34</sup> The Agency refers to these funds as the Renewable Resources Budget, although that term is not found in the law. While Alternative Retail Electric Suppliers may make Alternative Compliance Payments to utilities for the delivery years 2017-2018 and 2018-2019 related to their renewable energy resources obligations,<sup>35</sup> the utilities do not collect these funds via riders under Section 16-108(k) of the Public Utilities Act and, accordingly, these funds are not part of the RRB and do not fall under auspices of this Plan.

The Agency understands “the costs associated with the purchase of renewable energy resources,” as found in the initial paragraph of Section 16-108(k) of the PUA, to encompass both the costs of (i) the *new* programs and procurements authorized by Public Act 99-0906 and the Commission’s Order in Docket No. 17-0838 to be paid for with RRB monies (e.g., the Adjustable Block Program and competitive procurements) and (ii) contracts under older procurements pre-dating Public Act 99-0906 whereby the utility serves as purchaser of renewable energy credits: specifically, the Long-Term Power Purchase Agreements of 2010 and the Rate Stability Block Procurements of 2012.<sup>36</sup> The

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<sup>32</sup> See 220 ILCS 5/16-108(k).

<sup>33</sup> “Beginning June 1, 2017, the electric utility shall be entitled to recover through tariffed charges all of the costs associated with the purchase of renewable energy resources to meet the renewable energy resource standards of subsection (c) of Section 1-75 of the Illinois Power Agency Act, under procurement plans as approved in accordance with that Section and Section 16-111.5 of this Act. Such costs shall include the costs of procuring the renewable energy resources, as well as the reasonable costs that the utility incurs as part of the procurement processes and to implement and comply with plans and processes approved by the Commission under such Sections. The costs associated with the purchase of renewable energy resources shall be allocated across all retail customers in proportion to the amount of renewable energy resources the utility procures for such customers through a single, uniform cents per kilowatt-hour charge applicable to such retail customers, which shall appear as a separate line item on each such customer’s bill.” 220 ILCS 5/16-108(k).

See also 20 ILCS 3855/1-75(c)(6) (“The electric utility shall be entitled to recover all of its costs associated with the procurement of renewable energy credits under plans approved under this Section and Section 16-111.5 of the Public Utilities Act. These costs shall include associated reasonable expenses for implementing the procurement programs, including, but not limited to, the costs of administering and evaluating the Adjustable Block program, through an automatic adjustment clause tariff in accordance with subsection (k) of Section 16-108 of the Public Utilities Act.”).

<sup>34</sup> 220 ILCS 5/16-108(k).

<sup>35</sup> 220 ILCS 5/16-115D(a)(3.5), (d)(4.5).

<sup>36</sup> Prior to Public Act 99-0906, utilities procured renewable resources only for eligible retail customers rather than for all retail customers. See *prior* 20 ILCS 3855/1-75(c)(2) (now repealed from law). Utilities’ procurement costs for renewable resources were funded not by a discrete RPS rider charged to all retail customers, as under current law, but rather as part of the purchased electricity charge passed through to eligible retail customers resulting from the IPA’s default supply procurements. While the mode of collection was different from today’s, the IPA referred to those monies as the “Renewable Resources Budget” also. The RRB had a defined amount based on a per-kWh cost cap and the annually shifting amount of eligible retail customer load. See *prior* 20 ILCS 3855/1-75(c)(2). The new Sections 1-75(c)(6) of the IPA Act and 16-108(k) of the PUA authorize utilities to recover the costs of the older procurement programs through the RPS rider, as the LTPPAs and RSBPs were both approved by the Commission as part of IPA annual procurement plans under Section 1-75 of the IPA Act and Section 16-111.5 of the PUA.

latter category excludes those contracts under which the utility purchases RECs using Hourly Customer Alternative Compliance Payment funds:<sup>37</sup> namely, the Distributed Generation purchase contracts entered into by ComEd and Ameren Illinois (but not those by MidAmerican, which use RRB funds) pursuant to the IPA's 2015, 2016, and 2017 Electricity Procurement Plans.<sup>38</sup>

Each delivery year's collections and expenditures shall be subject to an annual review, reconciliation, and true-up proceeding at the Commission,<sup>39</sup> with the exception that there shall be no annual reconciliation following the 2017-2018, 2018-2019, or 2019-2020 delivery years; instead, following the 2020-2021 delivery year, there shall be a single reconciliation covering RRB collections and expenditures for the four-year period from June 1, 2017 through May 31, 2021.<sup>40</sup> In the meantime, RRB collections shall not automatically be returned to ratepayers if collected and unspent; unspent funds may be maintained as such or "rolled over," to use a colloquial term, from year to year through May 31, 2021.<sup>41</sup>

However, that is not the end of the story. The same section of the Public Utilities Act also provides that for *each* of 2017-2018, 2018-2019, and 2019-2020,

If the amount of [RRB] funds collected during the delivery year [] exceeds the costs incurred during that delivery year, then up to half of this excess amount, as calculated on June 1 [of the next delivery year], may be used to fund the programs under subsection (b) of Section 1-56 of the Illinois Power Agency Act in the same proportion the programs are funded under that subsection (b).<sup>42</sup>

This language naturally raises the question of how exactly "funds collected during the delivery year" and "costs incurred during [the] delivery year" should be interpreted.

### 3.1.1 Funds Collected During the Delivery Year

The concept of "funds collected during the delivery year" could be understood to be based on bills issued during a given 12-month delivery year; or when customer payments are actually received; or

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<sup>37</sup> See 20 ILCS 3855/1-75(c)(5) (both pre-dating and post-dating Public Act 99-0906).

<sup>38</sup> See the Commission's Orders in Docket Nos. 14-0588, 15-0541, and 16-0453.

<sup>39</sup> "Monies deposited in the account shall be subject to the review, reconciliation, and true-up process described in this subsection (k) that is applicable to the funds collected and costs incurred for the procurement of renewable energy resources. [...] The determination as to whether any excess funds were collected during a given delivery year for the purchase of renewable energy resources, and the crediting of any excess funds back to retail customers, shall not be made until after the close of the delivery year[...] [...] The electric utility's collections under such automatic adjustment clause tariffs to recover the costs of renewable energy resources [] shall be subject to separate annual review, reconciliation, and true-up against actual costs by the Commission under a procedure that shall be specified in the electric utility's automatic adjustment clause tariffs and that shall be approved by the Commission in connection with its approval of such tariffs. The procedure shall provide that any difference between the electric utility's collections under the automatic adjustment charges for an annual period and the electric utility's actual costs of renewable energy resources [] for that same annual period shall be refunded to or collected from, as applicable, the electric utility's retail customers in subsequent periods." 220 ILCS 5/16-108(k).

<sup>40</sup> "Notwithstanding anything to the contrary, the Commission shall not conduct an annual review, reconciliation, and true-up associated with renewable energy resources' collections and costs for the delivery years commencing June 1, 2017, June 1, 2018, June 1, 2019, and June 1, 2020, and shall instead conduct a single review, reconciliation, and true-up associated with renewable energy resources' collections and costs for the 4-year period beginning June 1, 2017 and ending May 31, 2021, provided that the review, reconciliation, and true-up shall not be initiated until after August 31, 2021." 220 ILCS 5/16-108(k).

<sup>41</sup> "During the 4-year period, the utility shall be permitted to collect and retain funds under this subsection (k) and to purchase renewable energy resources under an approved long-term renewable resources procurement plan using those funds regardless of the delivery year in which the funds were collected during the 4-year period." 220 ILCS 5/16-108(k).

<sup>42</sup> 220 ILCS 5/16-108(k).



when the revenue is recognized for accounting purposes. A directly comparable example under existing law is the energy efficiency provisions under Section 8-103 of the Public Utilities Act, which provide that “[e]ach year the Commission shall initiate a review to reconcile any amounts collected [under the energy efficiency rider] with the actual costs and to determine the required adjustment to the annual tariff factor to match annual expenditures.”<sup>43</sup> In the related annual reconciliation proceedings, the methodology approved historically by the Commission has been to calculate revenue during a particular year based on when rider charges were *billed* to customers.<sup>44</sup> The Agency believes this to be a reasonable interpretation of the statutory term and adopts that interpretation for this Plan.

Based on this definition of “funds collected during the delivery year,” the Agency asked each of the state’s three investor-owned electric utilities to report on their RRB funds collected through RPS riders during the 2017-2018 delivery year. The utilities reported the following:

**Table 3-1. Utility RPS Rider Collections, 2017-2018**

Utility	Name of RPS Rider	Funds Collected During 2017-2018 Delivery Year <sup>45</sup>
Ameren Illinois	Rider REA	\$37,657,582
ComEd	Rider REA	\$107,726,897
MidAmerican	Rider PRE	\$745,380

For 2018-2019 and 2019-2020, RRB funds collected through the utilities’ RPS riders will increase due to the phase-out of the ARES compliance mechanism (as increasing proportions of retail customer load will contribute funds to the Renewable Resources Budget).<sup>46</sup> Of course, the actual RRB “funds collected” amounts for those two delivery years cannot be known until sometime after the conclusion of those delivery years.

### 3.1.2 Costs Incurred During the Delivery Year

The concept of “costs incurred during [the] delivery year” used in Section 16-108(k)’s supplemental funding provisions connects back to “the costs of procuring the renewable energy resources, as well as the reasonable costs that the utility incurs as part of the procurement processes and to implement and comply with plans and processes approved by the Commission under [IPA Act Section 1-75(c) and PUA Section 16-111.5]” as described in the first paragraph of Section 16-108(k). As an issue of measurement, “costs incurred” could be understood to be based on actual cash outlays or on when expenditures are accrued for accounting purposes. Looking again at past practice in energy efficiency annual reconciliation cases, the latter (accrual accounting) has generally governed. On that basis, the

<sup>43</sup> 220 ILCS 5/8-103(e).

<sup>44</sup> See, e.g., Docket No. 14-0567, ComEd Ex. 2.0 at 40 (“The second page shows a summary of revenue of [] the amounts recovered through rates by class of retail customers, to whose bills the Rider EDA charges were applied in [Plan Year] 6”).

<sup>45</sup> While interest does accrue on these amounts and that interest will be used to support the administration and management costs of the RRB account (220 ILCS 5/16-108(k)), the Agency has not included interest in the “Funds Collected” calculation as that interest was not *collected* pursuant to Section 16-108(k).

<sup>46</sup> See 20 ILCS 3855/1-75(c)(1)(B); 220 ILCS 5/16-108(k) (“[t]he costs associated with the purchase of renewable energy resources shall be allocated across all retail customers in proportion to the amount of renewable energy resources the utility procures for such customers through a single, uniform cents per kilowatt-hour charge applicable to such retail customers”).

Agency has asked the three electric utilities to report their costs incurred during the 2017-2018 delivery year that are payable from RRB funds.

RRB funds were used during 2017-2018 to pay for deliveries pursuant to two prior REC procurements: the Long-Term Power Purchase Agreements (“LTPPAs”) executed in 2010; and the Rate Stability Block Procurements executed in 2012.<sup>47</sup> Those amounts, based on reporting by the utilities to the Agency, are shown in Table 3-2 below.

Other than administrative expenses, no expenditures were incurred during the 2017-2018 delivery year related to the new renewable energy resource programs and procurements authorized under P.A. 99-0906. The Initial Forward Procurement events held during August 2017, March 2018, and April 2018 all occurred squarely during the 2017-2018 delivery year, but payments under the resulting contracts are due only upon delivery of RECs,<sup>48</sup> which by law cannot begin until June 1, 2019 at the earliest.<sup>49</sup> Pursuant to Section 1-75(c)(1)(O) of the Act and Section 16-108.12 of the PUA, ComEd spent \$10,000,000 of RRB funds during 2017-2018 on its Workforce Development Implementation Plan approved in Docket No. 17-0332.

**Table 3-2. Costs Incurred from Renewable Resources Budget, 2017-2018 Delivery Year**

Utility	LTPPA Costs	Rate Stability REC Procurement Costs	Administrative Expenses	Job Training Expenses	Total Costs
Ameren Illinois	\$8,153,219	\$1,455,155	\$183,333		\$9,791,707
ComEd	\$22,117,948	\$581,034	\$1,400,000	\$10,000,000	\$34,098,982
MidAmerican			\$9,736		\$9,736

The costs incurred from the RRB for the procurement of renewable energy resources during the 2018-2019 delivery year are expected to increase significantly relative to the 2017-2018 delivery year, as the first project applications for the Adjustable Block Program are expected to be accepted in early 2019,<sup>50</sup> with contractual payments made potentially soon thereafter for projects that have already been developed.<sup>51</sup> RRB expenditures during the 2019-2020 delivery year are expected to be greater still, as contractual REC deliveries (with associated payments) under the Initial Forward Procurements could begin in that year, and a greater number of Adjustable Block Program payments are expected to be made as yet-to-be-developed projects accepted for participation upon the Adjustable Block Program’s opening progress in development and ultimately become interconnected and energized.

Of course, as with funds collected, the actual costs incurred during the 2018-2019 and 2019-2020 delivery years cannot be known until sometime after the conclusion of those delivery years—and

<sup>47</sup> The LTPPAs are to continue through 2030, while 2017-2018 was the last delivery year for REC deliveries under the Rate Stability Block Procurement.

<sup>48</sup> See [https://www.ipa-energygrfp.com/?wpfb\\_dl=1613](https://www.ipa-energygrfp.com/?wpfb_dl=1613) at Section 10(c) (amending Section 2.2 of the Master REC Agreement).

<sup>49</sup> See 20 ILCS 3855/1-75(c)(1)(G)(i), (ii).

<sup>50</sup> See <http://illinoisabp.com/2018/08/06/tentative-schedule-of-events>.

<sup>51</sup> Such projects would need to have been energized after June 1, 2017 to qualify as “new” and thus eligible for the Adjustable Block Program.

thus the differential between funds collected and costs incurred in those delivery years is unknowable as well.

### 3.1.3 Unspent Renewable Resources Budget

Based on the amounts reported in Sections 3.1.1 and 3.1.2, each of the three utilities has unspent RRB collections from delivery year 2017-2018. Under Section 16-108(k), “up to half of this excess amount” may potentially be made available for ILSFA supplemental funding. Those amounts are as follows:

**Table 3-3. Excess of RRB Collections over Expenditures, 2017-2018**

Utility	Unspent RRB Monies	Half of Unspent RRB Monies
Ameren Illinois	\$27,865,875	\$13,932,938
ComEd	\$73,627,915	\$36,813,958
MidAmerican	\$735,644	\$367,822
Total	\$102,229,434	\$51,114,717

## 3.2 Funding Shortfall

Section 16-108(k) of the PUA states that the amount of annual unspent RRB funds for each of the delivery years 2017-2018 through 2019-2020 that may be deployed by the Agency for the Illinois Solar for All Program (namely, half the annual unspent funds) shall be reduced if it exceeds the amount of the “funding shortfall,” which in turn is defined as “the difference between \$200,000,000 and the amount appropriated by the General Assembly to the Illinois Power Agency Renewable Energy Resources Fund during the period that commences on the effective date of this amendatory act of the 99th General Assembly and ends on August 1, 2018.”<sup>52</sup> Although the law does not say precisely by how much the available funds should be “reduced,” as discussed in Chapter 2, the Agency adopts the simplest interpretation: that the amount of available funds shall be reduced to exactly the funding shortfall.

The effective date of Public Act 99-0906 was June 1, 2017, so the “funding shortfall” statutory language thus defines a 14-month period that spans parts of three fiscal years: the last month of Fiscal Year 2017 (July 1, 2017 through June 30, 2017), the full 12 months of Fiscal Year 2018 (July 1, 2017 through June 30, 2018), and the first month of Fiscal Year 2019 (July 1, 2018 through August 1, 2018).

As the Agency stated in the final Long-Term Renewable Resources Procurement Plan:

[T]here is no single “amount appropriated by the General Assembly to<sup>53</sup> the Illinois Power Agency Renewable Energy Resources Fund” for the 14 months referenced in the paragraph above; instead, there are three separate fiscal year appropriations [Fiscal years 2018, covered by this period, one of which is currently unknown and

<sup>52</sup> 220 ILCS 5/16-108(k).

<sup>53</sup> As the Agency also noted in the final Long-Term Plan (p. 161, § 8.4.3), the General Assembly makes appropriations *from* the RERF, not *to* the RERF. The Agency regards this as a scrivener’s error and will interpret the statutory language to mean “the amount appropriated by the General Assembly *from* the [RERF].”

will not be known for some time. The logic behind the provision is likewise unclear, as the Agency’s appropriation is merely its legislatively-granted authority to spend and does not reflect actual expenditures made—and thus, the “amount appropriated” is a slightly awkward measuring tool for a “funding shortfall.”<sup>54</sup>

In any case, to interpret “the amount appropriated [...] during the period that commences [June 1, 2017] and ends on August 1, 2018,” the Agency sees two plausible approaches: either (i) it could take a pro-rated amount (one-twelfth) of each of the Fiscal Year 2017 and Fiscal Year 2019 appropriations plus the full amount of Fiscal Year 2018 appropriation, or (ii) it could add up the full appropriations for the three fiscal years. The amount appropriated from the RERF was \$50 million in *each* of Fiscal Year 2017,<sup>55</sup> Fiscal Year 2018,<sup>56</sup> and Fiscal Year 2019,<sup>57</sup> so the calculation is straightforward either way.

The pro-rated approach suffers from the problem that appropriations by the General Assembly have no requirement or expectation that they be used according to any particular schedule during the 12-month fiscal year, just that they are for a particular fiscal year.<sup>58</sup> The Agency could conceivably spend the full fiscal year’s appropriation in the final month of Fiscal Year 2017, or spend the full fiscal year’s appropriation in the first month of Fiscal Year 2019. Therefore, the best interpretation of the amount appropriated from the RERF “during the period that commences [June 1, 2017] and ends on August 1, 2018” is the total of the full appropriations for the three implicated fiscal years.

Therefore, the Agency calculates the “funding shortfall” defined in the law to be

$$\$200 \text{ million} - (\text{FY 2017 appropriation} + \text{FY 2018 appropriation} + \text{FY 2019 appropriation})$$

or

$$(\$200 \text{ million}) - (\$50 \text{ million} + \$50 \text{ million} + \$50 \text{ million})$$

or

$$(\$200 \text{ million} - \$150 \text{ million}) = \$50 \text{ million}$$

As \$50 million is less than half of the total unspent RRB for 2017-2018, as shown in Table 3-3 above, the “funding shortfall” cap is binding and \$50 million is the greatest amount of 2017-2018 RRB funds that the Agency may propose to deploy to Illinois Solar for All via the Section 16-108(k) supplemental funding mechanism. This same \$50 million “funding shortfall” amount would also apply when calculating available RRB funds following each of the 2018-2019 and 2019-2020 delivery years.

<sup>54</sup> Final Long-Term Plan (August 6, 2018) at 37 (§ 2.6.1).

<sup>55</sup> See Public Act 99-0524 at Art. 24, § 10.

<sup>56</sup> See Public Act 100-0021 at Art. 45, § 10.

<sup>57</sup> See Public Act 100-0586 at Art. 119, § 15.

<sup>58</sup> Ill. Const., Art. VIII, § 2(b).

### 3.3 Deploying RRB Funds to Illinois Solar for All

Should the Agency choose to deploy any amount up to \$50 million of 2017-2018 RRB funds to the Illinois Solar for All Program, it would take this amount *pro rata* from the unspent 2017-2018 RRB collections for each of ComEd, Ameren Illinois, and MidAmerican: 27.3% of the supplemental funding amount from Ameren Illinois, 72% from ComEd, and 0.7% from MidAmerican.<sup>59</sup> As provided under law, any Illinois Solar for All Program REC contract supported with this supplemental funding would have the applicable utility, depending on the source of funding, as counterparty.<sup>60</sup>

The IPA Act and Public Utilities Act do not mandate that the Illinois Solar for All Program follow particular program years for budgetary purposes, although the Agency did set year-by-year budgets (for the three program years 2018-2019 through 2020-2021) in its Long-Term Plan. Should the Agency propose to allocate some amount of unspent RRB funds to Illinois Solar for All, there appears to be no legal restriction on *when* those funds could be spent.

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<sup>59</sup> These percentages are based on figures in Table 3-3 above. The same methodology would apply if RRB funds were deployed to Illinois Solar for All following either of the 2018-2019 or 2019-2020 delivery years.

<sup>60</sup> 220 ILCS 5/16-108(k).

## 4 Illinois Solar for All Program Funding

This chapter will review the statutorily defined sources of funding for Illinois Solar for All, including current amounts and likely future changes in those amounts. The chapter will further assess whether adequate funds for the ILSFA Program budgets approved in the Long-Term Plan are likely to be available through the next three delivery years. The ultimate intent of this chapter is to explore whether supplemental funding for Illinois Solar for All through the “funding shortfall” provisions of Section 16-108(k) is likely to be necessary.

### 4.1 Renewable Resources Budget Funding

#### 4.1.1 Defining Available RRB Monies

As discussed in Chapters 2 and 3, Section 1-75(c)(1)(0) of the Act contains the following provision:

The long-term renewable resources procurement plan shall allocate 5% of the funds available under the plan for the applicable delivery year, or \$10,000,000 per delivery year, whichever is greater, to fund the programs, and the plan shall determine the amount of funding to be apportioned to the programs identified in subsection (b) of Section 1-56 of this Act; provided that for the delivery years beginning June 1, 2017, June 1, 2021, and June 1, 2025, the long-term renewable resources procurement plan shall allocate 10% of the funds available under the plan for the applicable delivery year, or \$20,000,000 per delivery year, whichever is greater, and \$10,000,000 of such funds in such year shall be used by an electric utility that serves more than 3,000,000 retail customers in the State to implement a Commission-approved plan under Section 16-108.12 of the Public Utilities Act.

As discussed in the Long-Term Plan,<sup>61</sup> the Agency interprets “funds available under the plan” in the above statutory provision to mean funds collected by utilities through RPS riders under Section 1-75(c)(6) of the Act and Section 16-108(k) of the PUA. It is first important to consider the total funds available through these riders. The following table, found in Section 3.5 of the Long-Term Plan, lists the cost cap rate for RRB collections defined in the IPA Act.<sup>62</sup>

**Table 4-1. RPS Cost Cap**

Utility	RPS Cost Cap Rate (¢/kWh)
Ameren Illinois	0.18054
ComEd	0.18917
MidAmerican	0.12415

<sup>61</sup> Long-Term Plan at § 2.2.5.3.

<sup>62</sup> The IPA’s procurement of RECs is subject to monetary limitations in the form of a cost cap based on limiting the annual average net increase to all eligible retail customers to “no more than the greater of 2.015% of the amount paid per kilowatt-hour by those customers during the year ending May 31, 2007 or the incremental amount per kilowatt-hour paid for these resources in 2011.” 20 ILCS 3855/1-75(c)(1)(E).

In turn, the following table, found in Section 3.17 of the Long-Term Plan, lists the estimated Renewable Resources Budget for this and the next two delivery years, based on the RPS cost cap rates and estimated applicable retail load<sup>63</sup> of the three investor-owned utilities:

**Table 4-2. RPS Budgets**

<b>Delivery Year</b>	<b>RPS Budget</b>	<b>Contracted REC Spend</b>	<b>Estimated REC Spend Initial Forward Procurement REC Spend</b>	<b>Available Gross RPS Budget (est.)</b>
2018-2019	\$189,960,753	\$31,469,244		\$158,491,509
2019-2020	\$234,276,005	\$31,594,913	\$9,349,512	\$193,331,580
2020-2021	\$234,003,329	\$30,960,189	\$9,349,512	\$193,693,627

Based on the annual budgets shown above, the Agency interprets Section 1-75(c)(1)(O) of the IPA Act to define the following annual allocation of RRB funds to Illinois Solar for All during this and the next two delivery years:

**Table 4-3. Utility Funding**

<b>Delivery Year</b>	<b>Utility Renewable Energy Maximum Budgets</b>	<b>5% of Funds</b>	<b>Allocation to Illinois Solar for All</b>
2018-2019	\$189,960,757	\$9,498,038	\$10,000,000
2019-2020	\$234,276,011	\$11,713,801	\$11,713,801
2020-2021	\$234,003,334	\$11,700,167	\$11,700,167

These funds will be supplied by each utility based on the allocation percentages contained in Section 3.1 of the Long-Term Plan. As set forth in the Long-Term Plan, the Agency will use the utility-supplied funding to supplement the ILSFA sub-programs that have utilized their available funding from the RERF (with the exception of the Low-Income Community Solar Pilot Projects for the reasons discussed in Chapter 5 below).

#### **4.2 Constraints on RRB Funding**

While the present and projected balances of the Renewable Resources Budget are significant, the Agency also expects a sharp increase in obligations from the RRB through the rollout of the Adjustable Block Program and the commencement of REC deliveries from projects receiving contracts through the IPA's competitive forward procurements. On this point, to the extent that annual RPS spending budgets for each utility could become a binding constraint, Section 1-75(c)(1)(F) of the Act requires that the Long-Term Plan "prioritize compliance with the requirements of this subsection (c) regarding renewable energy credits" in the following manner:

- (i) renewable energy credits under existing contractual obligations;
- (i-5) funding for the Illinois Solar for All Program as described in Section 1-75(c)(1)(O);

<sup>63</sup> For 2018-2019, to calculate each utility's Renewable Resources Budget, the cost cap rate shall be applied to all eligible retail customer load plus 75% of ARES retail load; in future delivery years, the cost cap rate shall be applied to all retail load. 220 ILCS 5/16-108(k); 20 ILCS 3855/1-75(c)(1)(B).

- (ii) renewable energy credits necessary to comply with the new wind and new photovoltaic procurement requirements in Section 1-75(c)(1)(C); and
- (iii) renewable energy credits necessary to meet the remaining requirements of Section 1-75(c) (including the percentage-based delivery year goals in Section 1-75(c)(1)(B)).<sup>64</sup>

While it is unclear whether (i-5) is to be viewed as exactly on par with (i) or slightly beneath it, under either reading, ILSFA funding takes priority over programs and procurements conducted to comply with Sections 1-75(c)(1)(B) or (C) of the Act—including the Adjustable Block Program, the Initial Forward Procurements, and any subsequent forward procurements. Thus, even if unexpectedly high levels of participation in new REC procurements and programs begin to stress the Renewable Resources Budget, the approximately \$10 million (or slightly more) of RRB funds allocated to Illinois Solar for All each year would still take precedence over the programs and procurements capable of creating that budget stress. Consequently, the Section 1-75(c)(1)(O) statutory allocation from the RRB for Illinois Solar for All can be expected to be available for the present and future program years.

### 4.3 Renewable Energy Resources Fund Funding

#### 4.3.1 Historical Trends in the RERF

Historically, the RERF was funded via alternative compliance payments from ARES under Section 16-115D of the Public Utilities Act to meet their RPS obligations related to the retail load that they supplied.<sup>65</sup> Prior to P.A. 99-0906, leveraging this fund for REC procurements carried significant challenges due to unique requirements found in its authorizing statute. As the IPA explained in its Supplemental Photovoltaic Procurement Plan (released in 2014 and approved in 2015):<sup>66</sup>

The procurement of renewable energy resources using the RERF is subject to a set of unique constraints. First, unlike with the utility renewable resources budgets, the RERF may only be used to procure renewable energy credits. While the term “renewable energy resources” is defined in the Illinois Power Agency Act as RECs or both renewable energy and associated RECs,<sup>67</sup> the Public Utilities Act makes clear that “alternative compliance payments . . . shall be deposited in the Illinois Power Agency Renewable Energy Resources Fund and used to procure renewable energy credits.”<sup>68</sup>

Second, Section 1-56(c) of the IPA Act calls on the IPA to use the RERF to “procure renewable energy resources at least once each year in conjunction with a procurement event for electric utilities required to comply with Section 1-75 of the Act.”<sup>69</sup> Given the IPA’s strategy of advance purchases to hedge load requirements and the unexpectedly high levels of migration to alternative retail electric suppliers, corresponding energy procurement events for electric utilities had not occurred since

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<sup>64</sup> 20 ILCS 3855/1-75(c)(1)(F).

<sup>65</sup> Under the revisions to Section 16-115D of the PUA contained in Public Act 99-0906, those payments are no longer made to the Fund as of June 1, 2017; rather, they are now made to the utilities, and will be paid to the utilities through Fall 2019. See 220 ILCS 5/16-115D(i) With those payments no longer being made into the RERF, there is no new revenue that will be deposited into the Fund.

<sup>66</sup> The characterizations of state law in this excerpt refer to the requirements of the Illinois Power Agency Act prior to Public Act 99-0906.

<sup>67</sup> 20 ILCS 3855/1-10.

<sup>68</sup> 220 ILCS 5/16-115D(d)(4).

<sup>69</sup> 20 ILCS 3855/1-56(c).



2012.<sup>70</sup> This has left the Agency without a procurement event “in conjunction with” which it could procure RECs using the RERF.

Third, Section 1-56(d) of the IPA Act requires that “the price paid to procure renewable energy credits” using the RERF “shall not exceed the winning bid prices paid for like resources procured for electric utilities required to comply with Section 1-75 of this Act.”<sup>71</sup> The lack of a conjoining procurement event has also left the Agency without a statutorily envisioned price ceiling for “like resources,” further constraining procurement using the RERF.

Fourth, the IPA Act clearly articulates a preference for longer-term contracts using the RERF, presumably to provide a stable stream of revenue necessary to incent the development of new resources. Section 1-56(c) of the IPA Act calls for the Agency to, “whenever possible, enter into long-term contracts on an annual basis for a portion of the incremental requirement for the given procurement year.”<sup>72</sup> Similarly, Section 1-56(b) of the Act requires that any contracts for resources from distributed generation (“DG”) must run a minimum of 5 years.<sup>73</sup> But due to unsettled and dynamic load migration between utility and alternative supplier service, the Agency must approach long-term contracting with prudence and care, as the RERF’s future balance is subject to the whims of future customer switching.<sup>74</sup>

In addition to the above risks, as a special state fund, the RERF could always be—and indeed was—subject to the risks of borrowing and transfers. While Section 1-56(h) of the Act provided (and still provides) that the RERF “shall not be subject to sweeps, administrative charges, or chargebacks,” this provided no barrier against subsequent acts of the General Assembly abrogating that restriction in order to leverage RERF funds for addressing broader state funding or liquidity challenges. Thus, in 2010, \$6.7 million was transferred out of the RERF, although ultimately repaid back into it. In 2015, \$98 million was permanently transferred from the RERF to the state’s General Revenue Fund (“GRF”) to make up for insufficient Fiscal Year 2015 general revenues.<sup>75</sup> Public Act 99-0524 included an appropriation of \$12 million from the Renewable Energy Resources Fund for deposit into the Illinois Commerce Commission Public Utility Fund; that \$12 million transfer occurred on June 23, 2017. And in August 2017, \$150 million was temporarily transferred from the RERF to the GRF, leaving the RERF’s balance at \$23.6 million, then below the level needed to cover existing contractual obligations.<sup>76</sup>

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<sup>70</sup> After not having procured energy in 2013, the Agency did conduct energy procurements in April 2014 and September 2014.

<sup>71</sup> 20 ILCS 3855/1-56(d).

<sup>72</sup> 20 ILCS 3855/1-56(c).

<sup>73</sup> 20 ILCS 3855/1-56(b).

<sup>74</sup> For further discussion of the challenges associated with entering into long-term contracts using funding streams subject to load migration changes, see filings made in Commission dockets approving the IPA’s 2013 and 2014 annual procurement plans (Docket Nos. 12-0544 and 13-0546).

<sup>75</sup> See P.A. 99-0002.

<sup>76</sup> The transfer of \$150 million was pursuant to Section 5h.5 of the State Finance Act (30 ILCS 105/5h.5 contained in Public Act 100-0023) that authorizes transfers from special funds to the General Revenue Fund.

### 4.3.2 Legal Obligations to Ensure RERF Funding Availability

Nevertheless, the Agency has confidence that, barring a change in state law, adequate funding exists in (or through) the RERF to cover ILSFA program needs. This is in part because the \$150 million borrowed in 2017 is required by law to be paid back to the Renewable Energy Resources Fund within two years (i.e., by August 10, 2019). Indeed, in April 2018, \$37.5 million (25% of that originally borrowed) was paid back into the RERF.<sup>77</sup>

Perhaps more importantly, Section 5h.5(b) of the State Finance Act—which provided the authorization for this borrowing—contains a provision requiring that when the RERF (or other state funds that had similar transfers) “ha[s] insufficient cash from which the State Comptroller may make expenditures properly supported by appropriations from the fund, then the State Treasurer and State Comptroller shall transfer from general funds to the fund” the amount necessary to satisfy those obligations.<sup>78</sup> As Illinois Solar for All expenditures would fall within the Agency’s appropriations authority, the RERF would be reimbursed by the GRF to meet these obligations. Likewise, Section 5h.5(b) also provides “continuing authority for and direction to the State Treasurer and State Comptroller to reimburse the funds of origin from general funds by transferring to the funds of origin . . . an amount equal to that transferred from them plus any interest that would have accrued.”<sup>79</sup>

Thus, were the RERF balance insufficient for payments under any new ILSFA contractual obligations, the State Finance Act allows the Agency to make expenditures from the RERF prior to the repayment of the transferred amount—i.e., to operate as though the RERF’s balance were at its original amount, even if transferred funds have not yet been moved back into the RERF. In addition, the Agency understands that the State Comptroller will coordinate with the Agency to make sure that any appropriated RERF expenditures through new contractual commitments are honored by ensuring that the balance of the RERF is at all times sufficient to make timely payments on contracts.

Based on the above discussion, the Agency does not believe the budgeted \$20 million of annual RERF funding for Illinois Solar for All could be made effectively unavailable without a change in state law. While the Agency cannot predict the actions of the General Assembly with full confidence, it does note that recent changes in state law—namely, an increase in the state’s individual and corporate income tax rates<sup>80</sup>—have placed the state on more firm and stable fiscal footing than in prior years, thus reducing the likelihood of reliance on special state funds to address shortfalls in general funds. The Agency is also mindful of Senate Resolution 353 (adopted May 31, 2017) and House Resolution 234 (adopted June 22, 2017) of the 100th General Assembly, each of which resolves that “funds in the Renewable Energy Resource Fund, which were paid for by Illinois electric customers, must be preserved and maintained for the Illinois Solar-for-All program as established by the Future Energy Jobs Act, and protected from sweeps, interagency transfers, chargebacks, or other reallocation of those funds away from their statutory purposes.”<sup>81</sup>

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<sup>77</sup> <https://illinoiscomptroller.gov/financial-data/state-revenues/by-fund/?FundSel=0836&FundGrpSel=&FundCatSel=&FundTypeSel=&GroupBy=Agcy&FY=18&ShowMo=Yes&submitted>.

<sup>78</sup> 30 ILCS 105/5h.5(b).

<sup>79</sup> Id.

<sup>80</sup> See P.A. 100-0022 at §§ 15-5.

<sup>81</sup> The full text of the two resolutions can be found here: <http://www.ilga.gov/legislation/100/SR/PDF/10000SR0353lv.pdf>; <http://www.ilga.gov/legislation/100/HR/PDF/10000HR0234lv.pdf>.

The Agency is committed to monitoring the status of RERF funds—and specifically monitoring any legislative proposals modifying requirements that borrowed RERF funds be made available for ILSFA contracts and ultimately be repaid back to the RERF. Should those requirements change, the Agency would consider petitioning the Commission to reopen this proceeding for reconsidering the Agency’s supplemental funding approach proposed in Chapter 6.

As of August 30, 2018, the balance of the Renewable Energy Resources Fund is \$56,562,924.26, while existing commitments from the Fund for contracts from the Supplemental Photovoltaic Procurements total \$20,679,126.74.<sup>82</sup> As of the filing date of this Final Plan, the additional borrowed balance of the RERF currently used as part of general funds under Section 5h.5 of the State Finance Act (and thus required to be repaid to the RERF) is \$112.5 million.

### **4.3.3 Third-Party Consultant Costs**

The Act also provides that the RERF shall be used to pay for the costs of both the Program Administrator (Elevate Energy) and Program Evaluator of the Illinois Solar for All Program.<sup>83</sup> The Agency estimates that annual ILSFA Program Administrator costs will likely not exceed \$2.5 million. The Long-Term Plan made clear that the allocated \$20 million of annual program funding from the RERF is to include program administration costs,<sup>84</sup> and the Agency does not foresee program administration costs potentially threatening the availability of RERF program funds.

The Agency intends to select the Program Evaluator prior to the launch of the Illinois Solar for All Program, with the first evaluation occurring in 2019 before the Agency files its proposed update to the Long-Term Plan in September of 2019.<sup>85</sup> While at this time the Agency cannot forecast the annual cost of the Program Evaluator, it does not foresee that Program Evaluator expenditures will threaten the availability of adequate funds to carry out the goals of Illinois Solar for All.

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<sup>82</sup> The commitments consist of REC delivery contracts previously entered into and are being paid, or will be paid, over a five-year REC delivery schedule (invoiced quarterly) depending on when individual systems under contract are completed and begin REC deliveries.

<sup>83</sup> See 20 ILCS 3855/1-56(b)(3), (5), (6).

<sup>84</sup> Long-Term Plan at § 8.5.

<sup>85</sup> Long-Term Plan at § 8.17.

## 5 Illinois Solar for All Program Status

As discussion around whether to provide *supplemental* funding for the Illinois Solar for All Program necessitates a review of the program's present status and the expected timeline for expenditures from *existing* funding sources, this Chapter reviews the status of the Illinois Solar for All Program and discusses when funding designated for the program may be drawn upon.

### 5.1 Long-Term Plan Development and Approval

Section 1-56(b) of the Act requires that the IPA "include a description of its proposed approach to the design, administration, implementation and evaluation of the Illinois Solar for All Program, as part of the long-term renewable resources procurement plan authorized by subsection (c) of Section 1-75 of this Act."<sup>86</sup> Through its Long-Term Plan, the law likewise requires that the Agency "propose the Illinois Solar for All Program terms, conditions, and requirements, including the prices to be paid for renewable energy credits" for the Illinois Solar for All Program.<sup>87</sup>

The process of developing that Plan began with the Agency's initial draft of its Long-Term Plan, which the Agency published for public comment on September 29, 2017. The law then provided parties with 45 days to provide comment on the draft plan. Comments were made publicly available through being posted on the IPA's and ICC's websites, and such comments were required to be "specific, supported by data or other detailed analyses, and, if objecting to all or a portion of the procurement plan, accompanied by specific alternative wording or proposals."<sup>88</sup>

During the comment period, the Agency held public hearings for receiving public comment on the Plan in the service territory of each affected utility. The Agency's hearings occurred on October 26th of 2017 in Springfield (Ameren Illinois), October 31st in Chicago (ComEd), and November 3rd in Moline (MidAmerican). 49 sets of written comments were received, with a handful of comments also received at the public hearings. After the conclusion of the comment period, the Agency was to "revise the long-term renewable resources procurement plan based on the comments received" and, within 21 days after the conclusion of that period, "file the plan with the Commission for review and approval."<sup>89</sup>

The Agency filed its Long-Term Plan with the Commission for approval on December 4, 2017. The Commission's consideration of the Long-Term Plan took place through a 120-day contested, docketed proceeding governed by the Commission's Rules of Practice. Various parties—including individual companies, trade associations, and stakeholders representing consumer, environmental or environmental justice, industry, or other interests—intervened in the proceeding, allowing them to offer arguments for alternative approaches to those proposed by the Agency. On April 3, 2018, the Commission issued its Order approving the Long-Term Plan with certain specified modifications.

### 5.2 Illinois Solar for All Budgets and Funding

In addition to substantive requirements applicable to each of the four ILSFA sub-programs, the Long-Term Plan also proposed an annual budget for both Illinois Solar for All generally and for each of the

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<sup>86</sup> 20 ILCS 3855/1-56(b)(2).

<sup>87</sup> 20 ILCS 3855/1-56(b)(4).

<sup>88</sup> 220 ILCS 5/16-111.5(b)(5)(ii)(B).

<sup>89</sup> Id.

sub-programs individually. As discussed in prior Chapters, with respect to the Renewable Resources Budget, Section 1-75(c)(1)(O) of the Act provides that the Plan “shall allocate 5% of the funds available under the plan for the applicable delivery year, or \$10,000,000 per delivery year, whichever is greater, to fund the programs.”<sup>90</sup> This provides Illinois Solar for All with a baseline amount of annual Renewable Resources Budget funding.

For RERF funding, Section 1-56(b) of the Act provides that “[t]he monies available in the Illinois Power Agency Renewable Energy Resources Fund” and not otherwise committed to Supplemental Photovoltaic Procurement contracts “shall be allocated among the programs” described in Section 1-56(b) (i.e., allocated among the four Illinois Solar for All subprograms), and requires that allocation of funds to operate as follows:

- 22.5% for the Low-Income Distributed Generation Incentive;
- 37.5% to the Low-Income Community Solar Project Initiative;
- 15% for Incentives for Non-profits and Public Facilities; and
- 25% for Low-Income Community Solar Pilot Projects (with an all-time cap of \$50 million)

Because utilities may be counterparties to Low-Income Community Solar Pilot Projects contracts, the Agency’s Long-Term Plan required that contracts resulting from this sub-program only be entered into using the Renewable Energy Resources Fund (as otherwise, the utilities could serve as contractual counterparties to themselves).<sup>91</sup> The Long-Term Plan also allocates the annual Section 1-75(c)(1)(O) RRB funding of approximately \$10 million based on the relative percentage allocations of the first three sub-programs above (30% to the Low-Income Distributed Generation Incentive, 50% to the Low-Income Community Solar Project Initiative, and 15% to the Incentives for Non-profits and Public Facilities).

With these considerations in mind, the Agency’s Long-Term Plan proposed the following annual Illinois Solar for All budgets for the first three program years,<sup>92</sup> as well as the following sub-program budgets based upon a \$30 million baseline:

**Table 5-1. Illinois Solar for All Funding**

<b>Program Year</b>	<b>Renewable Energy Resources Fund</b>	<b>Utility Funding</b>	<b>Funding Shortfall</b>	<b>Total Funding</b>
2018-2019	\$20,000,000	\$10,000,000	To be Determined	\$30,000,000
2019-2020	\$20,000,000	\$11,708,367	To be Determined	\$31,708,367
2020-2021	\$20,000,000	\$11,694,637	To be Determined	\$31,694,637

<sup>90</sup> The Agency’s Long-Term Plan proposed that “funds available under the plan” for purposes of this 5% determination refer only those utility-collected funds available through Section 1-75(c) of the Act and Section 16-108(k) of the PUA (and thus not include any funds available from the Renewable Energy Resources Fund balance). No party contested this determination.

<sup>91</sup> See Long-Term Plan at §§ 8.5, 8.6.4.

<sup>92</sup> The term “program year” in this Plan is used interchangeably with “delivery year,” meaning a period from June 1st of one year to May 31st of the following year.

**Table 5-2. Illinois Solar for All Sub-Program Funding Allocations, 2017-2018**

<b>Funding Source</b>	<b>Low-Income Distributed Generation Incentive</b>	<b>Low-Income Community Solar Project Initiative</b>	<b>Incentives for Non-Profits and Public Facilities</b>	<b>Low-Income Community Solar Pilot Projects</b>
	22.5%	37.5%	15%	25%
RERF	\$4,500,000	\$7,500,000	\$3,000,000	\$5,000,000
RRB	\$3,000,000	\$5,000,000	\$2,000,000	
Total	\$7,500,000	\$12,500,000	\$5,000,000	\$5,000,000

No party—whether in comments on the Agency’s draft Long-Term Plan, or during the docketed Commission proceeding for approval of the filed Long-Term Plan—questioned whether the ~\$30 million annual Illinois Solar for All budget was sufficient to meet program demand. Nor did any party offer an alternative budget proposal. Thus, this proposed ILSFA program budget was adopted by the Commission through the Commission’s approval of the Long-Term Plan on April 3, 2018.

### 5.3 Program Administrator Retention

Section 1-56(b)(5) of the Act provides as follows:

The Agency shall issue a request for qualifications for a third-party program administrator or administrators to administer all or a portion of the Illinois Solar for All Program. The third-party program administrator shall be chosen through a competitive bid process based on selection criteria and requirements developed by the Agency, including, but not limited to, experience in administering low-income energy programs and overseeing statewide clean energy or energy efficiency services.

While the Long-Term Plan carried an early April deadline for Commission approval, the Agency began its work seeking to retain the Illinois Solar for All third-party program administrator well in advance of the Long-Term Plan’s finalization. On January 18, 2018, the Agency released its RFQ for the Program Administrator for the Illinois Solar for All Program. The Agency received responses to the RFQ from ten firms; Agency personnel reviewed the RFQ responses and found all but one firm qualified. On March 30, 2018, the Agency invited the remaining nine firms to bid on the Request for Proposals (“RFP”) 18-RFP-02, with six firms then submitting responses to the RFP. All six firms were next invited to interviews/presentations with the Agency in late June, and on July 9, the Agency invited all respondents to resubmit their fixed price proposals to clarify inconsistencies across proposals.

Section 16-111.5(b)(5)(iii) of the Public Utilities Act provides that “[t]hird parties” (such as those expert consulting firms hired by the Agency, including the Illinois Solar for All Program Administrator) “shall not begin implementing any programs or receive any payment under this Section until the Commission has approved the contract” and that contract has been executed. In September 2018, the Commission approved the execution of a contract between the Agency and Elevate Energy for Elevate to serve as the Agency’s Illinois Solar for All Program Administrator.

### 5.4 Program Opening, Contract Execution, and Payments

As the Agency has only recently retained a Program Administrator, the Illinois Solar for All Program is not yet open for applications as of the time of filing this Final Plan. The Agency estimates that the initial phase of program implementation—from the Program Administrator’s start date through to

the program opening for project applications (noting that openings may be staggered between the individual sub-programs)—should take approximately six months.

Section 1-56(b)(3) of the Act provides that “[c]osts associated with the Illinois Solar for All Program . . . including, but not limited to, costs associated with procuring experts, consultants, and the program administrator referenced in this subsection (b) and related incremental costs . . . may be paid for using monies in the Illinois Power Agency Renewable Energy Resources Fund.” Until the program opens for the submission of projects for the review and approval of REC delivery contracts—i.e., until approximately March 2019—Illinois Solar for All expenditures are expected to be purely administrative in nature, used to fund the work done by the third-party Program Administrator and its subcontractors in preparing the program for launch.

Even upon program opening, however, REC contract payments will not yet be made. Individual photovoltaic projects must first be reviewed by the Program Administrator for compliance with program requirements. Assuming project approval, the applicant vendor would next need to enter into a REC delivery contract with the State of Illinois (for RERF funds) or applicable electric utility (for RRB funds), with such contracts being subject to Illinois Commerce Commission approval. And lastly, while ILSFA REC contracts provide a single upfront payment “in exchange for an assignment of all renewable energy credits generated by the system during the first 15 years of operation” and thus will involve a sizeable lump sum, those payments may only be made “once the device is interconnected at the distribution system level of the utility and is energized.”<sup>93</sup> While this lag between project submittal and contract payments will vary by system, it may be lengthy for larger systems not yet energized and still requiring significant project development work.

Consequently, it is possible that the Agency’s first-year budget for Illinois Solar for All may be significantly greater than what can reasonably be expected to be spent in the 2018-2019 Program Year. Of course, the Agency has little visibility into how many ILSFA-eligible systems may already have been developed and are awaiting program opening, how large such systems are, or the exact REC prices those specific systems would receive. But even assuming some backlog of developed systems the Agency has received no indication—whether via market interest or stakeholder comments—that its proposed Illinois Solar for All Program Year budgets are insufficient such that supplemental funding is required.

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<sup>93</sup> 20 ILCS 3855/1-56(b)(3).

## 6 Proposed Supplemental ILSFA Funding

As outlined in the preceding chapters, if the amount of Renewable Resources Budget funds collected exceeds that delivery year's expenditures, then "up to half of this excess amount . . . may be used to fund the programs under subsection (b) of Section 1-56" of the Act (with any such amount reduced by the extent to which it exceeds the funding shortfall).<sup>94</sup> Section 1-56(b)(7) of the Act requires that, if such excess amounts are available for such an allocation, "the Agency shall submit a procurement plan to the Commission no later than September 1, 2018" proposing how such funds shall be allocated.

As established in Chapter 3, the 2017-2018 delivery year features a significant differential between collections and expenditures. For the 2018-2019 and 2019-2020 delivery years, the differential between collections and expenditures is not yet known. With respect to collections, the electric utilities' RPS rider collection levels will grow relative to the 2017-2018 delivery year as the separate Section 16-115D's ARES compliance obligation continues to wind down, applying to 50% of ARES supplied retail load in 2017-2018 but then to only 25% in 2018-2019. On expenditures, for the same reasons cited in Chapter 4 in discussing Solar for All program budgets, 2018-2019 delivery year expenditures for the Adjustable Block Program will likely be driven primarily by backlogged mature projects awaiting program participation. Given the Agency's understanding of the timetable for community solar project interconnection, subscriber acquisition, and energization, it is unlikely that community solar projects (which constitute no less than 25% of the Adjustable Block Program) will receive REC payments during the 2018-2019 delivery year.

For the 2019-2020 delivery year, Renewable Resources Budget collections will reflect the full phase-out of the separate ARES RPS compliance mechanism, thus increasing collections relative to the two prior years. The Agency also expects a significant increase in expenditures as utility-scale, distributed generation, and community solar projects with longer development timelines become interconnected and energized. Even then, however, as only distributed generation projects below 10 kW in size receive full prepayment of their Adjustable Block Program REC contract value, only 20% of other Adjustable Block Program projects' REC value could be paid in that delivery year.<sup>95</sup> Additionally, many utility-scale projects under contract through the IPA's competitive forward procurements may not begin deliveries until the next delivery year.

Based on the analysis above, the Agency anticipates that Section 16-108(k) collections will again outpace expenditures in both the 2018-2019 and 2019-2020 delivery years and assumes such for purposes of this Plan, although the size of that differential for the 2018-2019 and 2019-2020 delivery years is impossible to predict.

### 6.1 Supplemental Funding Level

Having determined that excess amounts of RRB funds are likely to be available under all of the three delivery years addressed under this Plan, the Agency next turns to whether and to what extent those

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<sup>94</sup> 220 ILCS 5/16-108(k).

<sup>95</sup> For utility-scale projects, RECs are paid upon delivery under 15-year contracts (i.e., no prepayment), although the Agency expects most utility-scale systems funded through its forward procurements to become energized during the 2020-2021 delivery year (or potentially later for those systems not participating in the Initial Forward Procurements).



funds should be used to provide supplemental funding for Illinois Solar for All.<sup>96</sup> Taking into account the status of the Illinois Solar for All Program, the statutory priority attached to ILSFA's annual RRB allocation, the legally-required availability of RERF funds previously transferred to general funds under Section 5h.5 of the State Finance Act, Section 1-56(h)'s requirement that the RERF "shall not be subject to sweeps, administrative charges, or chargebacks," and thus the expected availability of funding sufficient to satisfy the Solar for All annual budgets included in the Long-Term Plan, the IPA does not propose supplemental funding for Illinois Solar for All using the Section 16-108(k) supplemental funding mechanism.<sup>97</sup>

In addition to determining that the use of the ILSFA supplemental funding mechanism is presently unnecessary, the Agency notes that by not redirecting excess amounts collected under Section 16-108(k) to supplement Illinois Solar for All, these funds remain available to be spent on Section 1-75(c) programs and procurements. Notably, as also discussed in Chapter 3, Section 16-108(k) also provides the following RRB "rollover" provision allowing unspent RRB funds to be "rolled over" into subsequent delivery years:

Notwithstanding anything to the contrary, the Commission shall not conduct an annual review, reconciliation, and true-up associated with renewable energy resources' collections and costs for the delivery years commencing June 1, 2017, June 1, 2018, June 1, 2019, and June 1, 2020, and shall instead conduct a single review, reconciliation, and true-up associated with renewable energy resources' collections and costs for the 4-year period beginning June 1, 2017 and ending May 31, 2021, provided that the review, reconciliation, and true-up shall not be initiated until after August 31, 2021. During the 4-year period, the utility shall be permitted to collect and retain funds under this subsection (k) and to purchase renewable energy resources under an approved long-term renewable resources procurement plan using those funds regardless of the delivery year in which the funds were collected during the 4-year period.

There are significant uncertainties around what stresses the Renewable Resources Budget may face across this period. Because competitive procurement RECs are priced on a pay-as-bid basis and because many of those procurements have not yet been conducted, and because the participation levels and mix of project types submitted through the Adjustable Block Program are not yet known, the costs associated with new Section 1-75(c) programs and procurements are likewise unknown. Additionally, the timing for payment obligations under Section 1-75(c) REC delivery contracts will vary considerably based on project maturity at the time of application, project development cycles, interconnection delays, subscriber acquisition timelines (for community solar projects), and numerous other factors. All of this makes it impossible for the Agency to predict what REC payments at what prices will need to be made utilizing the RRB, let alone when such payments will be made and how that payment schedule interacts with the 4-year budget rollover period.

That said, since the start of calendar year 2018, the Agency has observed two phenomena that may place greater stress on the Renewable Resources Budget than originally expected: first, utility interconnection queues currently feature significantly more community solar projects than can be funded through the Adjustable Block Program, thus demonstrating a higher-than-expected level of community solar project development interest. Second, through the Commission's April 3, 2018

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<sup>96</sup> As previously discussed, only up to half of those excess funds could potentially be used to provide supplemental Solar for All funding, and only up to the "funding shortfall" amount for each delivery year.

<sup>97</sup> This conclusion was affirmed by the Commission through its Final Order in Docket No. 18-1457.

Order in Docket No. 17-0838, REC procurement targets for the Agency's upcoming utility-scale wind and utility-scale photovoltaic forward procurement events were doubled from the Agency's original proposal in its filed Long-Term Plan (from 1,000,000 RECs annually to 2,000,000 for each of the two procurements). Greater-than-expected Adjustable Block Program interest and facilitating the development of more utility-scale generation than originally expected will require more Renewable Resources Budget funds. While many of the resultant payment obligations may not become due by the end of the 2020-2021 delivery year (the end of a four-year period that allows for payment using RRB funds rolled over from prior years), diverting Section 16-108(k) RRB funds away from Section 1-75(c) availability may be imprudent given the potential need for those funds to meet some portion of these new obligations.

## **6.2 Process for Revisiting this Proposal**

The determination to not propose supplemental funding for the Illinois Solar for All Program is based on present circumstances, and the Agency appreciates that circumstances, such as the governing statutory scheme or the pace of solar project applications and development, may change. Should a change in circumstance necessitate a change in this Plan's approach, the Agency will, first, endeavor to work with stakeholders on a new proposal that properly balances the need to fund both the Illinois Solar for All Program and the programs and procurements required under Section 1-75(c) of the Act. The Agency would next petition the Commission to reopen the proceeding in which the Commission approved this Plan; the Agency's petition would seek a modification in the Plan's approach and set forth the basis for that modification, and the Agency would request the opportunity for other parties to file responsive comments prior to the Commission adopting an Amendatory Order or granting other relief. As this Plan is filed under Section 1-56(b)(7) of the Act, and as only Section 1-56(b)(7) references the development of a Plan to address this supplemental funding issue, the IPA believes that reopening the Commission's Plan approval proceeding is the most procedurally sound solution for modifying the analysis and proposals contained within this Plan.<sup>98</sup>

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<sup>98</sup> The Commission agreed with this conclusion in its Order approving the Plan. (See Docket No. 18-1457, Final Order dated October 25, 2018 at 4).