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AN EXELON COMPANY

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VIA EMAIL

Mr. Brian Granahan
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RE: Commonwealth Edison Company's Comments on the Illinois Power Agency's Draft 2024 Long-Term Renewable Resources Procurement Plan Issued on August 15, 2023

Under Section 16-111.5(b)(5) of the Public Utilities Act ("PUA"), 220 ILCS 5/16-111.1(b)(5), Commonwealth Edison Company ("ComEd") submits these Comments ("Comments") on the Illinois Power Agency's ("IPA" or "Agency") Draft 2024 Long-Term Renewable Resources Procurement Plan ("2024 LTRRPP") that was issued for public comment on August 15, 2023.[1]

ComEd submits these Comments to address six subjects: (1) how enhancement of the Self-Direct Renewable Portfolio Compliance Program (the "Self-Direct Program") may reduce Renewable Portfolio Standard ("RPS") budget uncertainty and increase progress towards meeting renewable energy goals and targets, (2) post--bid changes to renewable energy credit ("REC") contract terms, (3) buyer-side collateral requirements and additional vetting, (4) Equity Eligible contractor advance of capital, (5) Group A oversubscription, and (6) the REC portfolio and the Renewable Energy Credit Pricing Model Spreadsheet.

[1] ComEd's silence at this time regarding any particular issue should not be interpreted as agreement with all statements, approaches, calculations, or recommendations made in the 2024 LTRRPP pertaining to that issue.

1. **Enhancement of the Self-Direct Program Can Reduce RPS Budget Uncertainty and Increase REC Retirements (2024 LTRRPP, Sections 3.4.6, 3.4.9, and 6)**

ComEd believes that more robust participation in the Self-Direct Program can be a means of removing or reducing the Indexed REC budget uncertainty effects discussed in the 2024 LTRRPP, as explained below. However, ComEd notes that increasing participation likely will occur only with changes to the Self-Direct Program crediting methodology, which may require legislation.

Section 3.4.6 of the 2024 LTRRPP (at p. 66) states in part: "As mentioned elsewhere in this Plan, the Agency believes that legislative action will be needed to make structural changes to the RPS (particularly the Indexed REC procurement model) to reduce the risks and uncertainty identified herein."

Section 3.4.9 of the 2024 LTRRPP (at pp. 72-73) indicates and illustrates that Indexed REC prices (based on the difference between strike price named by a bidder and monthly energy settlement prices for one of the two hubs in Illinois) create significant REC budget uncertainty due to fluctuations in energy market prices. Section 6 of the 2024 LTRRPP (at pp. 124-142) is an entire chapter on the subject of the Self-Direct Program.

As outlined in the 2024 LTRRPP, RPS compliance in Illinois is primarily managed by the IPA through delivery of RECs bought under contracts through IPA--administered programs and procurements, with Illinois electric utilities such as ComEd serving as buyers. *See, e.g.*, 2024 LTRRPP, p. 124; *see also, e.g., id*. at pp. 1-18, *et seq*. Through the Self-Direct Program, RECs can be procured and retired by private entities and reduce RPS compliance obligations of the utilities. Participating private entities are required to obtain RECs "equivalent in volume to at least 40% of the eligible self-direct customer's usage, determined annually by the eligible self-direct customer's usage during the previous delivery year, measured to the nearest megawatt-hour." 20

ILCS 3855/1-75(c)(1)(R)(2)(iv); *see also* 2024 LTRRPP, p. 130. They receive a credit towards the RPS charge -- a charge that is fixed at a capped amount (the "rate impact cap"). 20 ILCS 3855/1-75(c)(1)(E), (F), (R)(4); *see also* 2024 LTRRPP, pp. 60-62, 130.

The above requirement of 40% of the customer's prior Delivery Year's load, in comparison, far exceeds the current RPS requirement of 22% for 2023-2024 which provides the ability for self-direct to accelerate renewable development and help the state catch up to the statutory targets. 20 ILCS 3855/1-75(c)(1)(B) of the IPA Act; *see also* 2024 LTRRPP, p. 51. As a result, the Self-Direct Program is under-achieving its potential under the current structure, as shown by the IPA's 2023 annual Compliance Filing of the Self-Direct Program Credit Amount ("Compliance Filing") filed in *Illinois Power Agency*, ICC Docket No. 22-0231, on March 1, 2023.[2] In the first three rows of Table 1, below, the figures are for ComEd, and they are from page 3 of the Compliance Filing. Figures for Ameren Illinois Company also are available on page 3.

Table 1

RPS Rate	$5.0280/MWH
Self-Direct Credit Amount (2023/2024)	$0.364475/MWH
Percentage of Total RPS Rate Credited	7.25%
2023/2024 Self-Direct Program Year Size **2023/2024 Self-Direct Program Expected Quantity of RECs**	3,000,000 RECs [2024 LTRRPP, p. 136] 500,000 – 1,000,000 RECs [2024 LTRRPP, pp. 6, 54,136]

As detailed in Table 1, above, the Self-Direct Program credit reduces RPS charges by approximately 7.25% ($0.364475 divided by $5.0280) while requiring participants to achieve accelerated compliance requirement that exceeds the current annual RPS goal of 22% by 18% (the 40% requirement versus the 22% goal). ComEd's analysis of utility scale REC prices as well as

[2] The Compliance Filing may be found at: https://www.icc.illinois.gov/docket/P2022-0231/documents/334589

the IPA's analysis presented on the "Indexed REC Calculator" tab of Appendix B for the foreseeable future anticipates a utility scale average REC price in excess of \$5.03 per REC. A robust Self Direct Program that encourages large customers to self-procure RECs in order to meet their own green-house gas reduction objectives can accelerate the achievement of the state targets, reduce the costs of achieving the state targets, and mitigate the budget uncertainty highlighted by the IPA. Legislative or regulatory changes to the Self-Direct Program that enhance the Program (make it more attractive or effective) in an appropriate and reasonable manner, such as increasing credit values to the lesser of the fixed RPS credit amount or the cost of IPA procurement of similarly situated RECs, would create more certainty for potential Program participants, leave more funds available for the Illinois Shines program not less, and allow the State to retire significantly more RECs through that Program.

ComEd recommends that the 2024 LTRRP should include a discussion of the foregoing subject matter in Section 3.4.6, Section 3.4.9, and / or Section 6, with appropriate cross-references there (and elsewhere) as needed.

2. Post-Bid Changes to REC Contract Terms (2024 LTRRPP, Section 5.4.1)

Section 5.4.1 of the 2024 LTRRPP (at pp. 104-105) discusses concerns regarding the Indexed REC approach under Section 1-75(c)(1)(G)(v) of the IPA Act and how that approach creates uncertainty regarding RPS budgets. 20 ILCS 3855/1-75(c)(1)(G)(v). Section 5.4.1 (at p. 106) then discusses the possibility that the rigidity of bid prices potentially may exacerbate those concerns, and it notes that that one potential way to address that potential problem would be to allow post-bid changes to contracts. However, the same section also notes that "post-bid changes to contract terms also carries serious risks and concerns", including the risk of compromising the competitiveness of the initial bid process with the prospect of downstream negotiations.

ComEd agrees that post-bid changes to contract terms would carry serious risks and concerns, particularly those involving material terms such as prices and quantities, and that allowing post-bid changes could compromise the competitiveness of the initial bid process. The potential for post-bid price changes also increases budget uncertainty. Due to such concerns, post--bid contract changes should not be allowed.

However, if post-bid contract term changes nonetheless are permitted in the future, then the IPA should manage and be the decision-maker in the change process, similar to its role in all other substantive pre-contract REC procurement activities. *See, e.g.*, 2024 LTRRPP, Section 5.1, on the IPA's approach in past procurements. Even in that scenario, the IPA should consider not allowing post-bid- changes in to pricing terms, an element that is fundamental to the contract and the competitive bidding process.

If the final 2024 LTRRPP does not authorize or make favorable findings regarding potentially allowing post--bid contract term changes, then the LTRRPP need not address how such hypothetical changes should be managed.

3. Credit Requirements -- Buyer-side Collateral Requirement and Additional Vetting (2024 LTRRP, Section 5.7.1 and One or More Additional Sections)

ComEd supports the IPA's decision in 2024 LTRRPP, Section 5.7.1 (at p. 121), to decline implementation of an unnecessary "Buyer-side collateral requirement". ComEd also notes that the IPA Act clearly and unambiguously institutes a cost cap of 4.25% of the amount that was paid per kWh by customers during the year ending May 31, 2009. 20 ILCS 3855/1-75(c)(1)(E). Therefore, funding Buyer-side collateral apparently could occur only through RPS collections. Using other utility collections to fund RPS costs (*see* Section 5.7.1 at p. 121) would violate the 4.25% cost cap, and it may pose additional procedural, substantive, and timing complications.

ComEd recommends that the 2024 LTRRPP, in Section 5.7.1, note the potential legal and practical issues as additional reasons to decline implementing Buyer--side collateral requirements.

4. Equity Eligible Contractor Advance of Capital

ComEd agrees with the IPA that one significant challenge with advancing capital is the risk of projects not being completed and those funds potentially being lost (2024 LTRRPP, Section 7.4.6.1, at p. 175). Given the low probability of recovering advanced funds from projects that default on commitments, the 2024 LTRRPP should include a robust vetting process that includes a transparent scoring rubric to determine eligibility. The process must include a detailed evaluation of the contractor that includes all the items outlined by the IPA Act and a process to evaluate project status subsequent to the advancement. ComEd believes that incorporating such processes is consistent with the objectives and procurement requirements of the LTRRPP under 220 ILCS 5/16-111.5(b) and 20 ILCS 3855/1-75(c). *See also, e.g.*, 2024 LTRRPP Sections 2.4.1.1 ("Elements Required Under the Public Utilities Act") and 2.4.1.2 ("Elements Required Under Section 1-75 of the Illinois Power Agency Act").

There are many Sections of the 2024 LTRRPP that could discuss and provide for those process enhancements or additions. ComEd defers to the IPA's judgment on where such material would best fit in the 2024 LTRRPP.

5. Group A Oversubscription Challenges

ComEd agrees with the IPA's analysis in 2024 LTRRPP, Section 7.3.1.1 (at pp. 148-149), that Option 1 for dealing with Group A oversubscription: "A higher allocation to Group A would almost certainly result in ComEd ratepayers supporting projects in the Ameren service territory or associated areas, leading to potential cross--subsidization concerns."

However, ComEd believes that Option 6 (at pp. 151--152), reprioritizing uncontracted capacity after the close of the program year, would limit budget concerns and address cross subsidization concerns by providing Group B customers first right to contract and sell RECs through the IPA--managed processes.

6. REC Portfolio and Pricing Model

a. Removed Projects (2024 LTRRPP, Section 3.3.5)

With respect to REC quantities under contract in final clause of the second sentence of the final paragraph of Section 3.3.5 at p. 58, ComEd's records indicate that 6 solar projects rather than 4 should be removed due to project attrition. That figure might or might not be pertinent to other Sections of the 2024 LTRRPP that reference project attrition.

b. REC Price Calculation (2024 LTRRPP, Appendix E)

ComEd appreciates the Agency's work in consolidating the REC pricing model down to a single spreadsheet (2024 LTRRPP Appendix E "Renewable Energy Credit Pricing Model Spreadsheet"). The consolidation has simplified ComEd's review of the spreadsheet's inputs. ComEd has identified the following items for the IPA's review and consideration:

(1) REC prices do not achieve the target equity "IRRs" (internal rates of return) because of inconsistent discounting to arrive a present value. Under the current methodology, revenue is discounted and divided by a non-discounted generation factor. In order to achieve the target equity IRR, the revenue should be calculated annually by multiplying price by generation and then discounted.

(2) The formula on the 'ABPScenario InputAssumptions' tab for community solar in row 15 columns W:AD should be revised to reflect 12 months. The formula appears to be linked to an incorrect cell that contains 0.45 months.

(3) The REC pricing model only assesses state taxes for the "DG Rebate" (see 220 ILCS 5/16107.6) and uses the DG Rebate to reduce installation costs instead of including the amount as income.

(4) The percent equity and percent debt in the weighted average cost of capital ("WACC") calculation do not add up to 100%.

(5) To model the Net Present Value ("NPV") of subscription revenues, the REC pricing model uses a 1% escalation of 80% of ComEd's commercial and industrial customer ("C&I") rates for 25 years. For post-REC contract subscription revenues, the NPV calculation is based on a year 1 rate escalated at 2%, which results in a post-REC contract subscription revenue that is higher than the NPV for net metering itself. (*See* Appendix E, cell U9 of "Data Processing" tab.)

(6) The assignment of investment costs eligible for investment tax credits ("ITCs") should apply to all capital expenditures of the project rather than only 5 yr macrs depreciable costs which represents approximately 70% of total capital expenditures. *See* cell Q23 on the "CREST Inputs" tab of Appendix E.

(7) Subscription adders for community solar projects should be modeled to cover customer acquisition costs which occur so long as the project is operating rather than additional REC revenue through the 20-year contract period.

(8) The calculation of community solar subscription credit value uses rates applicable to C&I customers. The applicable community solar subscription credit amount is the price to compare. 220 ILCS 5/16-107.5(l)(3). To model the future value of the price to compare, ComEd suggests using market forwards x 1.06% for line losses, the current value of capacity costs and transmission charges rather than an average

historical energy and capacity price given the significant changes in energy and capacity costs that have occurred over the last 5 years. For residential net metering, the model applies a 1% escalator to the total however certain charges including the energy transition charge, energy efficiency adjustment, and zero emission adjustment are statutorily capped and cannot exceed the current rate. Charges should include Rider CFRA – Carbon Free Resource Adjustment (ComEd Schedule of Rates, Ill. C. C. No. 10, 5th Revised Sheet No. 388, *et seq.*) charges for the purchase of carbon mitigation credits (20 ILCS 5/1-75(d)(10)). Amounts associated with Riders CFRA and ZEA should be revised to 0 beginning in 2028 when the contractual terms end.

(9) It is ComEd's understanding that community solar project lives are currently estimated at 30-35 years rather than the prior standard of approximately 25 years. The REC pricing model uses 25 years as a base assumption.

Respectfully Submitted,

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