

**FY
2015**

**ILLINOIS
POWER AGENCY**



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Director**

Annual Report

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(July 2014 - June 2015)

Prepared in Accordance with 20 ILCS 3855/1-125

December 1, 2015

INTRODUCTION

The Illinois Power Agency (“IPA”) was established to serve the people of Illinois by overseeing the electricity planning and procurement processes for residential and small commercial customers of Ameren Illinois and ComEd.¹ It assists with achieving a diverse supply portfolio for the State that includes renewable resources, energy efficiency, demand response measures and advanced clean coal technologies.

The IPA’s processes and mandates are described in the Illinois Power Agency Act and the Illinois Public Utilities Act. The Agency strives to employ best practices to meet the goals set out for it in those statutes. Chief among these is to develop electricity procurement plans and processes to ensure adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest total cost over time, taking into account any benefits of price stability, for residential and small commercial customers of Ameren Illinois and ComEd. The procurement plan is updated on an annual basis and includes renewable energy resources sufficient to achieve the renewable portfolio standards specified in the Act.

As an independent agency subject to the oversight of the Executive Ethics Commission, the Illinois Power Agency is committed to:

- Conducting competitive procurement processes to procure the supply resources identified in the procurement plan.
- Ensuring that the process of power procurement is conducted in an ethical and transparent fashion, immune from improper influence.
- Operating in a structurally insulated, independent and transparent fashion so that nothing impedes its mission to secure power at the best prices the market will bear, provided that it meets all applicable legal requirements.
- Continuing to review its policies and practices to determine how best to meet its mission of providing the lowest cost power to the greatest number of people, at any given point in time, in accordance with applicable law.

¹ Section 16-111.5(a) of the Public Utilities Act also allows small multi-jurisdictional electric utilities to elect to participate in the IPA procurement process. In April 2015, MidAmerican elected to participate in the development of the IPA’s 2016 Procurement Plan, and the Agency’s Fiscal Year 2016 Annual Report will include discussion of procurements for MidAmerican.

Fiscal Year 2015 contained several significant milestones for the Agency:

- The Agency conducted electricity procurements in September 2014 and March 2015 for Ameren Illinois and ComEd. This reflected the full implementation of the Agency's updated procurement strategy of conducting two electricity procurements per year.
- The Agency conducted a procurement of Renewable Energy Credits ("RECs") for Ameren Illinois and ComEd in April 2015. This was the first procurement of renewable resources by the Agency since 2012.
- The Agency prepared a Supplemental Photovoltaic Procurement Plan developed pursuant to Public Act 98-0672 and had that Plan approved by the Illinois Commerce Commission in January 2015. The first procurement event conducted pursuant to this Plan was successfully conducted in June 2015.
- The Agency reduced Audit Findings from 23 for Fiscal Year 2013 to 9 for Fiscal Year 2014. The Agency continues to enhance business and financial processes to ensure optimal transparency and accuracy, while further strengthening governance over all Agency operations.
- The Agency coordinated with the Illinois Commerce Commission, the Illinois Environmental Protection Agency, and the Illinois Department of Commerce and Economic Opportunity to produce *Potential Nuclear Power Plant Closings In Illinois*, a report produced as these Agencies' response to 2014 House Resolution 1146.

The IPA welcomes your questions and hopes you will take advantage of the information offered herein and on the Agency's website: www.illinois.gov/IPA.

REPORT ORGANIZATION

The requirements for this report are detailed in (20 ILCS 3855/1-125)², which requires that each December 1 the Agency shall report to the Governor and the General Assembly on the operations and transactions of the Agency. The annual report shall include, but not be limited to, each of the following:

(1) The quantity, price, and term of all contracts for electricity procured under the procurement plans for electric utilities.

(2) The quantity, price, and rate impact of all renewable resources purchased under the electricity procurement plans for electric utilities.

(3) The quantity, price, and rate impact of all energy efficiency and demand response measures purchased for electric utilities.

(4) The amount of power and energy produced by each Agency facility.

(5) The quantity of electricity supplied by each Agency facility to municipal electric systems, governmental aggregators, or rural electric cooperatives in Illinois.

(6) The revenues as allocated by the Agency to each facility.

(7) The costs as allocated by the Agency to each facility.

(8) The accumulated depreciation for each facility.

(9) The status of any projects under development.

(10) Basic financial and operating information specifically detailed for the reporting year and including, but not limited to, income and expense statements, balance sheets, and changes in financial position, all in accordance with generally accepted accounting principles, debt structure, and a summary of funds on a cash basis.

(11) The quantity, price, and rate impact of all renewable resources purchased pursuant to long-term contracts under the electricity procurement plans for electric utilities.

This Annual Report addresses each of the above requirements, in the order outlined in the Act.

² P.A. 97-0658, eff. 1-13-12

(1)

The quantity, price, and term of all contracts for electricity procured under the procurement plans for electric utilities.

The IPA's 2015 Procurement Plan, approved by the Illinois Commerce Commission in Docket No. 14-0588, contained a hedging strategy of securing 100%³ of projected load under contract in the first delivery year (starting June 1, 2015), 50% for the following year (starting June 1, 2016), and 25% of the next year (starting June 1, 2017). This was a continuation of the approach adopted in the 2014 Procurement Plan. Both Plans contain the approach of holding two procurements per year, with each procurement using an updated load forecast provided by the utilities to more accurately match procured volumes with actual demand. Each Procurement Plan covers a calendar year of Agency activities, while energy deliveries are based on an industry-standard energy delivery year that starts June 1 (and thus is one month different from the State Fiscal Year). Therefore, in Fiscal Year 2015 the IPA held two energy procurements: the first occurred in September, 2014 pursuant to the 2014 Plan; the second took place in March, 2015 pursuant to the 2015 Plan.

The following tables report on the quantity, price and term for contracts procured during the two procurement events.⁴ The specific months and quantities procured reflect the load forecasts provided by Ameren Illinois and ComEd. Where specific months and products are designated below as "not procured," this was due to existing contracts meeting the projected load and the IPA's hedging level for that month and product.

³ 106% for July and August 2015, on-peak.

⁴ Under Section 16-111.5(h) of the Public Utilities Act, "the names of the successful bidders and the load weighted average of the winning bid prices for each contract type and for each contract term shall be made available to the public." This information is included in the tables that follow. However, as the IPA "shall maintain the confidentiality of all other supplier and bidding information," individual supplier contract quantities, prices, and terms may not be disclosed and have not been included in this report or in prior annual reports.

September 2014 Procurement

Ameren Illinois

Winning Suppliers

AEP Energy Partners, Inc.
Dynegy Marketing and Trade, LLC
Exelon Generation Company, LLC
Union Electric Company d/b/a Ameren Missouri

Average Prices (\$/MWh) and MWs of Products and Combinations

Month(s)	On-Peak		Off-Peak	
	Average Price	Quantity	Average Price	Quantity
December 2014	41.69	150	31.33	75
January 2015	55.42	75	36.93	25
February 2015	48.80	25	-	-
January and February 2015	51.94	125	34.99	125
March 2015	43.95	25	Not Procured	Not Procured

ComEd

Winning Suppliers

AEP Energy Partners, Inc.
Cargill Power Markets LLC
Exelon Generation Company, LLC
NRG Power Marketing LLC
Shell Energy North America (US), L.P.
TransAlta Energy Marketing (U.S.) Inc.

Average Prices (\$/MWh) and MWs of Products and Combinations

Month(s)	On-Peak		Off-Peak	
	Average Price	Quantity	Average Price	Quantity
November 2014	36.87	750	24.41	650
December 2014	42.30	850	29.22	725
January 2015	55.34	175	36.21	50
February 2015	46.03	125	-	-
January and February 2015	51.84	725	34.20	725
March 2015	44.47	200	29.00	75
April 2015	38.05	125	-	-
March and April 2015	41.43	550	27.00	575
May 2015	39.64	700	23.07	575

March 2015 Procurement

Ameren Illinois

Winning Suppliers

AEP Energy Partners, Inc.
American Electric Power Service Corporation as Agent for Appalachian Power Company, Indiana Michigan Power Company and Kentucky Power Company
BP Energy Company
Cargill Power Markets, LLC
Exelon Generation Company, LLC
NextEra Energy Power Marketing, LLC
Shell Energy North America (US), L.P.
TransAlta Energy Marketing (U.S.), Inc.
Union Electric Company d/b/a Ameren Missouri

Average Prices (\$/MWh) and Quantities (MW) of Products and Combinations

Month(s)	On-Peak		Off-Peak	
	Average Price	Quantity	Average Price	Quantity
June 2015	35.83	600	24.86	300
July 2015	44.42	200	28.78	175
August 2015	37.51	200	25.81	150
July and August 2015	41.33	525	26.97	250
September 2015	34.50	475	25.03	275
October 2015	33.98	150	25.08	100
November 2015	-	-	-	-
December 2015	36.64	75	28.91	125
October, November and December 2015	34.04	175	26.33	50
January 2016	44.70	75	36.84	25
February 2016	40.27	50	-	-
January and February 2016	41.67	225	34.85	150
March 2016	35.59	150	30.77	75
April 2016	35.21	75	-	-
March and April 2016	36.10	75	-	-
May 2016	35.82	175	26.70	25
June 2015 to May 2016	37.41	125	27.96	175
June 2016	36.25	125	25.72	100

Month(s)	On-Peak		Off-Peak	
	Average Price	Quantity	Average Price	Quantity
July 2016	44.86	75	-	-
August 2016	40.08	75	-	-
July and August 2016	41.66	75	26.69	125
September 2016	33.59	75	24.92	100
October 2016	-	-	23.88	25
November 2016	-	-	25.52	25
December 2016	35.57	25	29.18	50
October, November and December 2016	33.47	75	26.76	50
January 2017	-	-	36.18	50
February 2017	-	-	32.26	25
January and February 2017	42.95	125	34.38	75
March 2017	36.43	100	31.39	75
April 2017	33.84	50	24.01	50
March and April 2017	-	-	28.98	25
May 2017	36.64	75	26.16	75
June 2016 to May 2017	37.97	50	28.11	25
June 2017	37.72	125	25.63	75
July 2017	46.96	25	28.30	50
August 2017	41.12	25	26.11	25
July and August 2017	43.47	100	27.02	50
September 2017	34.15	75	25.49	75
October 2017	31.78	25	23.88	25
November 2017	31.33	25	25.53	50
December 2017	36.72	50	28.21	75
October, November and December 2017	33.85	25	-	-
January 2018	51.53	25	37.55	75
February 2018	45.52	25	33.04	75
January and February 2018	48.42	75	-	-
March 2018	40.05	75	29.60	50
April 2018	34.12	50	24.51	25
March and April 2018	-	-	-	-
May 2018	36.65	50	26.71	25
June 2017 to May 2018	-	-	-	-

ComEd

Winning Suppliers

AEP Energy Partners, Inc.
BP Energy Company
Exelon Generation Company, LLC
NRG Power Marketing LLC
Shell Energy North America (US), L.P.
TransAlta Energy Marketing (U.S.), Inc.

Average Prices (\$/MWh) and Quantities (MW) of Products and Combinations

Month(s)	On-Peak		Off-Peak	
	Average Price	Quantity	Average Price	Quantity
June 2015	37.69	825	22.54	700
July 2015	48.40	450	27.00	75
August 2015	39.62	300	-	-
July and August 2015	44.05	800	25.25	825
September 2015	34.76	650	22.10	550
October 2015	33.85	325	22.15	175
November 2015	-	-	-	-
December 2015	36.30	50	25.71	75
October, November and December 2015	34.65	150	23.59	175
January 2016	48.75	175	35.41	50
February 2016	43.40	150	-	-
January and February 2016	43.36	50	33.45	225
March 2016	37.10	100	27.15	125
April 2016	33.80	50	-	-
March and April 2016	-	-	-	-
May 2016	35.65	75	22.63	50
June 2015 to May 2016	38.58	550	25.36	400
June 2016	37.99	325	22.25	200
July 2016	47.59	375	25.25	225
August 2016	41.24	325	24.20	175
July and August 2016	42.68	75	24.89	75
September 2016	33.45	250	21.56	150

Month(s)	On-Peak		Off-Peak	
	Average Price	Quantity	Average Price	Quantity
October 2016	32.33	150	20.75	25
November 2016	33.60	200	20.92	75
December 2016	34.30	275	25.19	150
October, November and December 2016	-	-	22.50	25
January 2017	46.60	50	37.89	25
February 2017	43.85	25	-	-
January and February 2017	45.14	225	35.95	150
March 2017	37.40	50	28.75	25
April 2017	-	-	-	-
March and April 2017	27.60	125	26.40	50
May 2017	35.89	125	22.50	75
June 2016 to May 2017	-	-	-	-
June 2017	38.78	50	Not Procured	
July 2017	46.35	50	25.10	25
August 2017	41.75	50	Not Procured	
July and August 2017	43.90	50	Not Procured	
September 2017	Not Procured		Not Procured	
October 2017	Not Procured		Not Procured	
November 2017	Not Procured		Not Procured	
December 2017	Not Procured		Not Procured	
October, November and December 2017	Not Procured		Not Procured	
January 2018	51.13	100	37.66	25
February 2018	47.37	75	-	-
January and February 2018	49.17	125	36.15	150
March 2018	39.05	150	29.69	50
April 2018	35.00	125	25.28	25
March and April 2018	37.30	25	27.29	75
May 2018	37.14	125	24.36	125
June 2017 to May 2018	Not Procured		Not Procured	

(2)

The quantity, price, and rate impact of all renewable resources purchased under the electricity procurement plans for electric utilities.

Fiscal Year 15 Procurement

In FY15, the IPA procured photovoltaic renewable resources for ComEd and Ameren Illinois. This was the first renewable resource procurements undertaken by the IPA for the utilities since 2012. As shown in the following tables, the 2015 Procurement Plan indicated that prior IPA procurements (including long-term agreements) had resulted in adequate renewable resources under contract for ComEd and Ameren in every category except photovoltaics and distributed generation. (Negative values mean that the target was exceeded.)

Ameren 2015-2016 Renewables Targets (MWh)

Delivery Year	Total Renewables	Wind	Photovoltaics	Distributed Generation
Target	651,767	488,825	39,106	6,518
Purchased	1,008,810	979,916	8,894	0
Remaining Target	-357,043	-491,091	30,212	6,518

ComEd 2015-2016 Renewables Targets (MWh)

Delivery Year	Total Renewables	Wind	Photovoltaics	Distributed Generation
Target	1,319,414	989,561	79,165	13,194
Purchased	1,464,204	1,433,838	29,395	0
Remaining Target	-144,790	-444,277	49,770	13,194

To meet these targets, the IPA scheduled a procurement of solar renewable energy credits (“SRECs”) in April, 2015 and a procurement of renewable distributed generation in October, 2015. The results of the SREC procurement are listed below. As deliveries of these resources did not begin during the Fiscal Year, there are not yet any rate impacts to report. They will be reported in the FY16 Annual Report. The procurement of renewable distributed generation did not occur in FY15, therefore it will also be reported on in the FY16 Annual Report.

Spring 2015 SREC Procurement

Ameren Illinois

Winning Suppliers
Carbon Solutions Group LLC
DTE Energy Trading, Inc.
Exelon Generation Company, LLC
NRG Power Marketing LLC
Skyview Finance Company LLC

Average Prices and Quantities, by Location			
	Illinois and Adjoining States	Other States	Total
Number of SRECs	6,267	23,945	30,212
Average Winning Price (\$/SREC)	81.23	36.16	45.51

The available budget for this procurement was \$3,690,935. The total cost of winning bids was \$1,374,948.12.

ComEd

Winning Suppliers
Carbon Solutions Group LLC
DTE Energy Trading, Inc.
Exelon Generation Company, LLC
MCP-Butler, L.P.
NRG Power Marketing LLC
Skyview Finance Company LLC

Average Prices and Quantities, by Location			
	Illinois and Adjoining States	Other States	Total
Number of SRECs	14,023	35,747	49,770
Average Winning Price (\$/SREC)	63.00	35.20	43.03

The available budget for this procurement was \$5,606,877. The total cost of winning bids was \$2,141,603.10.

In addition to the renewable resources procurement conducted for the utilities, the IPA conducted the first procurement of renewable resources under its Supplemental Photovoltaic Procurement Plan in June, 2015. That Plan utilizes \$30 million from the Renewable Energy Resources Fund across three separate procurement events to help develop new distributed generation photovoltaic resources in Illinois through five-year contracts for the purchase of SRECs from those systems. Funds in the Renewable Energy Resources Fund are not collected from utilities (e.g., ComEd or Ameren), but rather are collected from Alternative Retail Electric Suppliers as part of their

compliance obligation with the Renewable Portfolio Standard (see 220 ILCS 5/16-115D). The first procurement event had a budget of \$5 million, which was fully spent. As these funds had already been collected from alternative suppliers, no rate impacts result from this procurement.

June 2015 Supplemental Photovoltaic Procurement

Winning Suppliers
Carbon Solutions Group LLC
Microgrid Energy, LLC
Sol Systems, LLC
SRECTrade, Inc.
SunEdison Origination1, LLC
VGI Energy Solutions, LLC
WCP Solar Services, LLC

Average Prices and Quantities, by Contract Type (System Size Category)

	< 25 kW	25-500 kW	Total
Number of SRECs (MWh)	18,541	18,541	37,082
Average Winning Price (\$/MWh)	168.58	101.09	134.84

Prior Procurements

FY15 represented the third year of the delivery of renewable energy resources from the 2010 Long-Term Power Purchase Agreements (“LTPPAs”) authorized by the Illinois Commerce Commission in Docket No. 09-0373. FY15 thus represents the third year in which the rate impact of those purchases can be calculated. These purchases are discussed in more detail in Section 11. The short-term purchases were procured in 2012 as required by Public Act 97-0616.⁵

The following chart summarizes the quantity, price, and rate impact of the renewable energy resources previously procured for the delivery year June 2014 through May 2015, discussed above.⁶

⁵ See 220 ILCS 5/16-111.5(k-5).

⁶ The short-term purchases were for Renewable Energy Credits (“RECs”) only. One MWh of renewable energy is represented by one REC. The long-term purchases were for both RECs and energy and this section reflects the net price of both components of the long-term purchases. For more information on the breakout of REC and net energy prices for the long-term purchases, see Section 11 below.

	Quantity (MWhs)	Price (\$/MWh)	Rate Impact⁷
Ameren	1,047,355	8.16	1.48%
<i>Long-Term Purchases</i>	621,989	12.12	1.30%
<i>Short-Term Purchases</i>	425,366	2.38	0.18%
ComEd	1,796,406	11.71	1.04%
<i>Long-Term Purchases</i>	1,172,829	17.06	0.99%
<i>Short-Term Purchases</i>	623,577	1.65	0.05%

For additional discussion of the rate impact of previous renewable energy purchases, please consult the *2015 Annual Report: The Costs and Benefits of Renewable Resource Procurement in Illinois Under the Illinois Power Agency and Illinois Public Utilities Acts* available on the IPA’s website. The 2016 edition of this report will be available April 1, 2016.

⁷ Rate impact calculated against a retail rate of 8.562 cents/kWh for Ameren Illinois and 12.996 cents/kWh for ComEd. The retail rate is an “all-in” price that includes energy, transmission, distribution, customer charges, taxes, etc.

(3)

The quantity, price, and rate impact of all energy efficiency and demand response measures purchased for electric utilities.

The IPA did not directly purchase any energy efficiency or demand response measures for ComEd or Ameren Illinois in FY15. However, the 2015 Procurement Plan was the third plan to include incremental energy efficiency programs pursuant to Section 16-111.5B of the Public Utilities Act. These programs include both expansion of energy efficiency programs administered by the utilities under Section 8-103 of the Public Utilities Act as well as new programs responsive to Requests for Proposals (“RFP”) administered by the utilities. Section 16-111.5B outlines a process by which utilities propose additional cost effective energy efficiency programs to be included in the IPA’s procurement plan. The programs are selected for inclusion as part of the IPA’s procurement plan which must then be approved by the Illinois Commerce Commission for implementation by the utilities—so while the IPA plays a role in reviewing the proposed programs for cost effectiveness and other criteria and determining which programs are included in its filed Plan, the IPA does not have final say over which programs are ultimately authorized and implemented. Similarly, the IPA is not responsible for the actual procurement or purchase of the measures or a party to any resulting energy efficiency or demand response contracts.

The Section 16-111.5B programs approved as part of the IPA’s 2014 Procurement Plan began operation in June of 2014, the last month of FY14, and operated through May of 2015. Starting in June, 2015 the additional programs approved in the 2015 Plan commenced.

ComEd reported that the preliminary (and currently unevaluated) results of the Section 16-111.5B programs for the energy delivery year June 2014 – May 2015 were 325,521 MWh of net first year incremental savings.. This was less than the planned goal of 387,866,515 MWh. The cost of the programs was \$39,150,327, which represents an initial rate impact of 1.94%.

Ameren Illinois reported that the preliminary (and currently unevaluated) results of the Section 16-111.5B programs for the energy delivery year June 2014 – May 2015 were 61,912 MWh of net first year incremental savings. This slightly exceeds the planned goal of 61,281 MWh. The cost of the programs was \$23,219,956, which represents an initial rate impact of 1.49%.

For both utilities, it should be noted that the rate impact is based upon the cost of the programs for the energy delivery year as a percent of total revenue. The rate impact and MWh savings do not include future savings from energy efficiency measures that have a lifespan of more than one year and thus the true cost of the measures will be significantly lower and there will not be a full lifetime rate impact. To be approved, all programs must first pass a “Total Resource Cost Test” under which the net present value of the expected benefits must exceed the expected costs.

(4) The amount of power and energy produced by each Agency facility.

(5) The quantity of electricity supplied by each Agency facility to municipal electric systems, governmental aggregators, or rural electric cooperatives in Illinois.

(6) The revenues as allocated by the Agency to each facility.

(7) The costs as allocated by the Agency to each facility.

(8) The accumulated depreciation for each facility.

(9) The status of any projects under development.

Among the Agency's goals and objectives enumerated in the Illinois Power Agency Act are to:

C) Develop electric generation and co-generation facilities that use indigenous coal or renewable resources, or both, financed with bonds issued by the Illinois Finance Authority.

D) Supply electricity from the Agency's facilities at cost to one or more of the following: municipal electric systems, governmental aggregators, or rural electric cooperatives in Illinois.⁸

Towards that end, the Agency is authorized to create a Resource Development Bureau. The IPA had no Agency facilities during FY15, nor does it have any plans to develop such facilities at this time. The Act puts a number of restrictions on the Agency that severely limit its ability to develop the allowed facilities in the current marketplace. See, for example:

At the Agency's discretion, it may conduct feasibility studies on the construction of any facility. Funding for a study shall be assessed to municipal electric systems, governmental aggregators, units of local government, or rural electric cooperatives requesting the feasibility study; or through an appropriation from the General Assembly.

No entities have requested such a study.

The Agency may enter into contractual arrangements with private and public entities, including but not limited to municipal electric systems, governmental aggregators, and rural electric cooperatives, to plan, site, construct, improve, rehabilitate, and operate those electric generation and co-generation facilities.

No entities have requested such arrangements.

⁸ 20 ILCS 3855/1-5(C) and (D).

The first facility that the Agency develops, finances, or constructs shall be a facility that uses coal produced in Illinois. The Agency may, however, also develop, finance, or construct renewable energy facilities after work on the first facility has commenced.

Any such facility that uses coal must be a clean coal facility and must be constructed in a location where the geology is suitable for carbon sequestration.

The Agency may supply electricity produced by the Agency's facilities to municipal electric systems, governmental aggregators, or rural electric cooperatives in Illinois. The electricity shall be supplied at cost. Electric utilities shall not be required to purchase electricity directly or indirectly from facilities developed or sponsored by the Agency.

The IPA concurs that competitive markets function best when decisions by potential buyers can be made based on economics rather than fiat. However, under these requirements, the pool of potential buyers for Agency-supplier electricity is extremely small.

Additionally, financing of new generation requires that there be certainty regarding the contractual obligation to purchase the output of the facility. No potential buyer appears to be looking to enter into contracts for the output of a new clean coal facility; even priced at cost, electricity produced by such a facility is likely to be priced significantly above market. Due to a severely restricted pool of potential buyers and the apparent absence of need among those potential buyers, the development of a new IPA facility may not be feasible.

The Agency may sell excess capacity and excess energy into the wholesale electric market at prevailing market rates; provided, however, the Agency may not sell excess capacity or excess energy through the procurement process described in Section 16-111.5 of the Public Utilities Act.

The Agency shall not directly sell electric power and energy to retail customers. Nothing in this paragraph shall be construed to prohibit sales to municipal electric systems, governmental aggregators, or rural electric cooperatives.

These provisions mean that the Agency may not serve eligible retail load in Illinois with any facilities it develops, which serves as a protection of both customers and the market. However, as a consequence, there is not sufficient demand at this time (or in the near future) for the IPA to develop a new facility.

(Source: P.A. 95-481, eff. 8-28-07; 95-1027, eff. 6-1-09.)

(10)

Basic financial and operating information specifically detailed for the reporting year and including, but not limited to, income and expense statements, balance sheets, and changes in financial position, all in accordance with generally accepted accounting principles, debt structure, and a summary of funds on a cash basis.

The Agency's Fiscal Year 2015 unaudited Financial Statements and Notes are contained in the attached Appendix. The Appendix also contains a summary of funds on a cash basis.

(11)

The quantity, price, and rate impact of all renewable resources purchased pursuant to long-term contracts under the electricity procurement plans for electric utilities.

The only long-term contracts for renewable resources that have been procured by the IPA for the utilities are the Long-Term Power Purchase Agreements (“LTPPAs”) entered into in December 2010, resulting from a 20-year bundled REC and energy procurement. Most, if not all, of the winning bidders were projects that required build out, thus deliveries under these long-term contracts did not begin until June 1, 2012.

The LTPPAs called for the annual delivery of 600,000 RECs for Ameren Illinois and 1,261,725 RECs for ComEd (in addition to the associated energy) with delivery within each annual June-May contract year, except that up to 10% of the annual contract quantity from each supplier may be carried over or carried back between consecutive contract years. Ameren Illinois reported that suppliers delivered 67,457 replacement RECs at no cost to Ameren Illinois to make up for the prior year shortfalls in the RECs and energy from the contracts; likewise, ComEd reported 102,786 replacement RECs supplied at no cost. The replacement RECs do not have associated energy deliveries.

Section (2) above reported the quantity, price and rate impact associated with the REC component of all contracts for renewable resources. In this Section, the total impact of the LTPPAs (energy and REC components) is separately reported. The settlement of the associated delivered energy nets out the difference between the actual wholesale energy market prices during the reported period and a forward energy price developed as part of the 2010 procurement process.

	Ameren Illinois	ComEd
RECs	621,989	1,172,829
Cost of RECs	\$7,537,018	\$20,011,809
REC Price (\$/REC)	12.12	17.06
REC Rate Impact	1.30%	0.99%
Delivered Energy (MWh)	554,532.00	1,070,041.07
Incremental Cost of Delivered Energy Relative to Market	\$5,902,910	\$9,468,650
Incremental Unit Cost of Delivered Energy (\$/MWh)	10.64	8.85
Incremental Energy Cost Rate Impact	1.02%	0.47%
Total Cost of Delivered Long-Term Renewables (RECs + Incremental Cost of Delivered Energy)	\$13,439,928	\$29,480,459
Total Rate Impact of Long-Term Renewables	2.32%	1.46%

For the June 2014 through May 2015 delivery year, ComEd’s contracts were curtailed by 6.8% pursuant to the Illinois Commerce Commission Order in Docket 13-0546. This curtailment took place to prevent ComEd’s annual renewable resource budget from exceeding the statutorily

mandated rate cap of 2.015%. Pursuant to the approved 2014 Plan, ComEd purchased 62,266 of those curtailed RECs (but not the associated energy) at a total cost of \$1,887,999 resulting in a per REC purchase price of \$30.32. That purchase utilized funds that ComEd had previously collected from customers taking hourly-priced electric service as part of their renewable portfolio standard obligations, and therefore did not have a rate impact.

For the energy delivery year that started in June 2015, there was no need for any curtailment of long-term contracts.

Appendix
Illinois Power Agency
Fiscal Year 2015
Unaudited Financial Statement and Notes
Summary of Funds on a Cash Basis

State of Illinois
 Illinois Power Agency
 Individual Nonshared Governmental Funds
 Balance Sheets
 June 30, 2015
 (Expressed in Thousands)

	Special Revenue		Permanent Trust
	Illinois Power Agency Operations 0425	Illinois Power Agency Renewable Energy Resources 0836	Illinois Power Agency Trust 0424
Assets			
Cash equity in State Treasury	\$ 6,141	\$ 30,857	\$ -
Investments	-	-	34,177
Other receivables, net	94	86,447	-
Due from other agency funds	1,063	-	-
Total assets	<u>\$ 7,298</u>	<u>\$ 117,304</u>	<u>\$ 34,177</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 614	\$ 1,014	\$ -
Due to other Agency funds	-	-	1,063
Due to other State funds	4	97	-
Total liabilities	<u>618</u>	<u>1,111</u>	<u>1,063</u>
Deferred Inflows of Resources (DIR)			
Unavailable revenue	-	17,711	-
Total DIR	<u>-</u>	<u>17,711</u>	<u>-</u>
Fund Balances			
Nonspendable - endowments and similar funds	-	-	33,114
Committed			
Employment and economic development	6,680	98,482	-
Total fund balances	<u>6,680</u>	<u>98,482</u>	<u>33,114</u>
Total liabilities, DIR, and fund balances	<u>\$ 7,298</u>	<u>\$ 117,304</u>	<u>\$ 34,177</u>

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
 Illinois Power Agency
 Individual Nonshared Governmental Funds
 Statements of Revenues,
 Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2015
 (Expressed in Thousands)

	Special Revenue		Permanent Trust
	Illinois Power Agency Operations 0425	Illinois Power Agency Renewable Energy Resources 0836	Illinois Power Agency Trust 0424
Revenues			
Licenses and fees	\$ 932	\$ -	\$ -
Interest and other investment income	-	-	1,555
Other revenues	-	76,064	-
Total revenues	<u>932</u>	<u>76,064</u>	<u>1,555</u>
Expenditures			
Employment and economic development	1,995	815	-
Total expenditures	<u>1,995</u>	<u>815</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,063)</u>	<u>75,249</u>	<u>1,555</u>
Other sources (uses) of financial resources			
Transfers in	1,063	-	-
Transfers out	-	(98,000)	(1,063)
Net other sources (uses) of financial resources	<u>1,063</u>	<u>(98,000)</u>	<u>(1,063)</u>
Net change in fund balances	<u>-</u>	<u>(22,751)</u>	<u>492</u>
Fund balances, July 1, 2014	<u>6,680</u>	<u>121,233</u>	<u>32,622</u>
Fund Balances, June 30, 2015	<u><u>\$ 6,680</u></u>	<u><u>\$ 98,482</u></u>	<u><u>\$ 33,114</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(1) Organization

The Illinois Power Agency (Agency) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Agency actively administers four individual nonshared governmental funds - the Illinois Power Agency Operations Fund, the Illinois Power Agency Trust Fund, the Illinois Power Agency Investment Fund, and the Illinois Power Agency Renewable Energy Resources Fund (collectively, "Funds") - described within these Notes to the Financial Statements. A nonshared fund is a fund in which a single agency of the State is responsible for administering substantially all of the financial transactions of the fund. Each of the Funds operate under a budget approved by the Illinois General Assembly in which resources are appropriated for the use of the Agency to meet each one of the Funds' specific mission and functions as described within the Illinois Compiled Statutes and the Illinois Administrative Code. All funds appropriated to the Agency from each one of the Funds and all cash received for each one of the Funds are under the custody and control of the State Treasurer.

The Agency, created in 2008, is dedicated to capturing the benefits of competitive energy markets and facilitating the development of alternative energy technologies for the benefit of Illinois consumers. The Agency meets these objectives by planning and managing competitive procurements and participating in the development of new power generation assets and approaches in Illinois. The Agency is an independent agency subject to the oversight of the Executive Ethics Commission and its activities are subject to the authority of certain departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly.

(2) Summary of Significant Accounting Policies

The financial statements of the Funds have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for governmental funds, as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate user understanding of the Funds' financial statements, significant accounting policies are summarized below.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

The financial statements only present the Funds administered by the Agency and do not purport to, and do not, present fairly the financial position of the Agency or the State as of June 30, 2015, nor changes in the Agency or State's financial position for the year ended in conformity with GAAP.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(2) Summary of Significant Accounting Policies - Continued

(a) Financial Reporting Entity - Continued

The Funds are not legally separate from the State; therefore, the financial information of the Funds are included in the financial statements of the State. The State's Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871, or accessing its website at www.illinoiscomptroller.gov.

(b) Basis of Presentation

In government, the basic reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, inflows, outflows, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A balance sheet and statement of revenues, expenditures, and changes in fund balance have been presented for the Funds administered by the Agency.

The Agency administers the following fund types:

Governmental Fund Type:

Special Revenue:

These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.

Illinois Power Agency Operations Fund – 425

This fund was created as a special fund in the State Treasury. The fund is administered by the Agency for Agency operations as specified in the Illinois Power Agency Act. Funding sources include charges for services through fee reimbursements as provided by the Illinois Power Agency Act and transfers of interest and investment income from the Illinois Power Agency Trust Fund.

Illinois Power Agency Facilities Fund – 426

This fund was created as a special fund in the State Treasury. The fund shall be administered by the Agency for costs incurred in connection with the development and construction of a power facility by the Agency as well as costs incurred in connection with the operation and maintenance of an Agency facility. There was no activity in this fund during Fiscal Year 2015.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(2) **Summary of Significant Accounting Policies - Continued**

(b) ***Basis of Presentation - Continued***

Illinois Power Agency Debt Service Fund – 427

This fund was created as a special fund in the State Treasury. The fund shall be administered by the Agency for retirement of revenue bonds issued for any Agency facility. There was no activity in this fund during Fiscal Year 2015.

Illinois Power Agency Renewable Energy Resources Fund – 836

This fund was created as a special fund in the State Treasury. This fund is administered by the Agency for the procurement of renewable energy resources. This fund's funding source is Alternative Compliance Payments remitted by Alternative Retail Electric Suppliers to comply with the State's Renewable Portfolio Standard established by the Public Utilities Act.

Permanent:

These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens.

Illinois Power Agency Trust Fund – 424

This fund was created as a special fund in the State Treasury. This fund has two distinct purposes:

- 1) This fund may accept, receive, and administer any grants, loans, or other funds made available to it by any source. Any funds received except for interest and investment income shall not be considered income, but shall be added to the principal of the Illinois Power Agency Trust Fund. These amounts shall be interfund cash transferred to the Illinois Power Agency Investment Fund to be held for investment by the Illinois State Board of Investment for the purpose of obtaining a total return on investments for the long term as described in the State Finance Act (30 ILCS 105/6z-75).
- 2) This fund may accept cash transfers of investment income from the Illinois Power Agency Investment Fund for interfund cash transfer, subject to appropriations from the Illinois General Assembly, to the Illinois Power Agency Operations Fund as described in the State Finance Act (30 ILCS 105/6z-75).

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(2) Summary of Significant Accounting Policies - Continued**(b) Basis of Presentation - Continued****Illinois Power Agency Investment Fund – 1408**

This fund was created as a locally held fund held by the Illinois State Board of Investment outside of the State Treasury. Any funds received by the Illinois Power Agency Investment Fund from the Illinois Power Agency Trust Fund shall not be considered income, but shall be added to the principal of the Fund. In addition, the Agency may interfund cash transfer, subject to the maximum appropriation for the Illinois Power Agency Trust Fund from the Illinois General Assembly, up to 90% of the annual investment income to the Illinois Power Agency Trust Fund for interfund cash transfer to the Illinois Power Agency Operations Fund. Any investment income not interfund cash transferred to the Illinois Power Agency Trust Fund for interfund cash transfer to the Illinois Power Agency Operations Fund shall not be considered income, but shall be added to the principal of the Illinois Power Agency Investment Fund.

The Illinois Power Agency Investment Fund has been collapsed into the Illinois Power Agency Trust Fund for financial reporting purposes.

Funding sources for both permanent funds include interest accumulations deposited by the State Treasurer, investment income received through the Illinois State Board of Investment, and any grants, loans, or other funds made available to it by any source.

(c) Measurement Focus and Basis of Accounting

The Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of formal debt issues and acquisitions under capital leases and installment purchases are reported as other financing sources. Significant revenue sources which are susceptible to accrual include charges for services and interest and investment income. All other revenue sources including fines, licenses, and other miscellaneous revenues are considered to be measurable and available only when cash is received.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(2) Summary of Significant Accounting Policies - Continued

(d) Cash Equity in State Treasury

Cash equity in the State Treasury includes deposits held in the State Treasury. It also includes cash received and deposited in the Agency's clearing account and in process to the State Treasurer.

(e) Investments

Investments are reported at fair value. The Illinois State Board of Investment holds investments for the Illinois Power Agency Trust Fund within the Illinois Power Agency Investment Fund pursuant to the State Finance Act (30 ILCS 105/6z-75).

(f) Interfund Transactions

The following types of interfund transactions between the Funds and funds of other State agencies may occur:

Interfund Loans are amounts provided with a requirement for repayment made in accordance with State law, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Services provided and used are sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental fund's balance sheet.

Reimbursements are repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers are flows of assets (such as cash or goods) between funds without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the governmental funds making transfers and as other financing sources in the governmental funds receiving transfers.

STATE OF ILLINOIS
ILLINOIS POWER AGENCYIndividual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(2) Summary of Significant Accounting Policies - Continued

(g) Fund Balances

Fund balances are classified in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The Illinois Power Agency Trust Fund had a nonspendable fund balance as of June 30, 2015.

Restricted – This consists of amounts that are restricted to specific purposes, which is when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. There were no restricted fund balances as of June 30, 2015.

Committed – This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Agency's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Agency removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Agency's highest level of decision-making authority rests with the Illinois General Assembly and the Governor. The State passes "Public Acts" to commit its fund balances. The Illinois Power Agency Operations Fund and the Illinois Power Agency Renewable Energy Resources Fund had committed fund balances as of June 30, 2015.

Assigned – This consists of net amounts that are constrained by the Agency's intent to be used for specific purposes, but that are neither restricted nor committed. Fund balance assignments can only be removed or changed by action of the General Assembly. There were no assigned fund balances as of June 30, 2015.

Unassigned – This consists of residual fund balance (deficit) that has not been designated for specific purposes within the Funds. There were no unassigned fund balances as of June 30, 2015.

The Agency has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the policy is to use committed resources first, then assigned. Unassigned amounts are only used after the other resources have been used.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(2) **Summary of Significant Accounting Policies - Continued**

(h) ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(i) ***Future Adoption of GASB Statements***

Effective for the year ending June 30, 2016, the Agency will adopt GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The Agency has not yet determined the impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2016, the Agency will adopt GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Agency does not expect a material impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2017, the Agency will adopt GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Agency has not yet determined the impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2018, the Agency will adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Agency does not expect a material impact on the Funds' financial statements as a result of adopting this statement.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(2) Summary of Significant Accounting Policies - Continued

(i) Future Adoption of GASB Statements - Continued

Effective for the year ending June 30, 2016, the Agency will adopt GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The Agency has not yet determined the impact on the Funds’ financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2017, the Agency will adopt GASB Statement No. 77, *Tax Abatement Disclosures*, which is to assist users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The Agency has not yet determined the impact on the Funds’ financial statements as a result of adopting this statement.

(3) Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the Fund’s deposits and investments for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer at June 30, 2015, including cash on hand and cash in transit, totaled \$6.141 million for the Illinois Power Agency Operations Fund and \$30.857 million for the Illinois Power Agency Renewable Energy Resources Fund. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Funds do not own individual securities. Details on the nature of these deposits are available within the State’s Comprehensive Annual Financial Report.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(3) Deposits and Investments - Continued

(b) Investments

The Illinois State Board of Investment, an internal investment pool of the State, holds the investments within the Illinois Power Agency Investment Fund pursuant to the State Finance Act (30 ILCS 105/6z-75). At June 30, 2015, total investments were \$34.177 million.

The Illinois State Board of Investment manages all assets held by it within a single commingled fund. Disclosures pertaining to these investments are included in the financial statements of the Illinois State Board of Investment. A copy of the financial statements of the Illinois State Board of Investment may be obtained by writing to the Illinois State Board of Investment, 180 North LaSalle Street, Suite 2015; Chicago, Illinois, 60601.

(4) Other Receivables

The balance of Other Receivables for the Illinois Power Agency Renewable Energy Resources Fund includes amounts owed to the Agency for Alternative Compliance Payments (ACP), totaling \$86.370 million, and refundable deposits, totaling \$77 thousand.

In addition, the balance of Other Receivables for the Illinois Power Agency Operations Fund includes reimbursements owed to the Agency, totaling \$94 thousand.

(5) Accounts Payable and Accrued Liabilities

The balance of the Illinois Power Agency Operations Fund accounts payable and accrued liabilities includes \$497 thousand that the Fund will ultimately have to pay into the State's General Fund. In Fiscal Year 2009, the Illinois Power Agency Operations Fund received appropriations from the General Fund to pay for its operational expenses, subject to a requirement to repay all amounts expended by the Illinois Power Agency Operations Fund during either Fiscal Year 2010 or Fiscal Year 2011. On March 7, 2011, a vendor filed claim against the Illinois Power Agency Operations Fund within the Court of Claims for failure to pay an invoice. The Court of Claims entered an order on November 22, 2011, concluding the vendor's claim was a standard lapsed appropriation claim which should be paid pursuant to a stipulation entered into by the Attorney General.

The Court of Claims paid the vendor for the full amount due from the State's General Fund on June 14, 2012. The Illinois Power Agency Operations Fund must now repay the General Fund for the amount paid by the Court of Claims from its Fiscal Year 2009 lapsed appropriations. As the State law authorizing the repayment expired in Fiscal Year 2011, the Illinois Power Agency Operations Fund did not record this amount as an interfund balance or activity.

The Agency intends to seek a legislative remedy to allow it to repay the full amount due to the State's General Fund from the Illinois Power Agency Operations Fund.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(6) Interfund Balances and Activity

Balances Due from/to Other Funds

The following presents the Funds' interfund balances and activities at June 30, 2015:

The following balances (in thousands) represents amounts due from other funds:

Due To	Due From		Description/Purpose
	Illinois Power Agency Trust Fund	Other State Funds	
Illinois Power Agency Operations Fund	\$ 1,063	\$ -	Investment Income Transfer
Total:	\$ 1,063	\$ -	

The following balances (in thousands) represents amounts due to other funds:

Due From	Due To		Description/Purpose
	Illinois Power Agency Operations Fund	Other State Funds	
Illinois Power Agency Trust Fund	\$ 1,063	\$ -	Investment Income Transfer
Illinois Power Agency Operations Fund	-	4	Payment for Services
Illinois Power Agency Renewable Energy Resources Fund	-	97	Payment for Services
Total:	\$ 1,063	\$ 101	

(7) Pension Plan

Substantially all of the Agency's full-time employees participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois' reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for Fiscal Year 2015 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(7) Pension Plan - Continued

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Agency pays employer retirement contributions based upon an actuarially determined percentage of its payrolls. For Fiscal Year 2015, the employer contribution rate was 40.312%.

(8) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employees' Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the State's Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established is included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62706.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2015

(9) Risk Management

The Funds are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation; and, natural disasters. The State retains the risk of loss (i.e. self insured) for these risks.

The Funds' risk management activities for self-insurance, unemployment insurance, and workers' compensation are financed through appropriations to the Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Funds; and accordingly, have not been reported in the Funds' financial statements for the year ended June 30, 2015.

(10) Commitments and Contingencies

(a) Operating Leases

The Illinois Power Agency Operations Fund leases various real property and equipment under terms of noncancellable operating lease agreements that require the Illinois Power Agency Operations Fund to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$18 thousand for the year ended June 30, 2015.

(b) Renewable Energy Credits

During Fiscal Year 2015, pursuant to Public Act 98-0672, the Agency held a procurement to purchase up to \$5 million in Renewable Energy Credits (RECs) from new photovoltaic distributed renewable energy generation devices. Seven companies won bids to sell RECs to the Agency with contracts that started on, or after, July 1, 2015, and with terms that allow for one year to develop projects and then five years for delivery of RECs as they are created.

(11) Subsequent Events

The State of Illinois has not adopted a Fiscal Year 2016 operating budget as of the date of this report, December 1, 2015. The Agency is part of the executive branch of government (although it is organized as an independent agency under the oversight of the Executive Ethics Commission) and operates under a budget approved by the General Assembly in which resources from the Illinois Power Agency Operations Fund, the Illinois Power Agency Trust Fund, and the Renewable Energy Resources Fund are appropriated for the use of the Agency. Consequently, the Agency is presently unable to make payments from the appropriated accounts to vendors. Payments to Agency employees for work performed are being made pursuant to a July 2015 court order.

The Agency is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operations during this and future fiscal years.

State of Illinois
 Illinois Power Agency
 Summary of Funds on a Cash Basis
 June 30, 2015
 (Expressed in Thousands)

	Special Revenue		Permanent Trust
	Illinois Power Agency Operations 0425	Illinois Power Agency Renewable Energy Resources 0836	Illinois Power Agency Trust 0424
Assets			
Cash equity in State Treasury	\$ 6,141	\$ 30,857	\$ -
Investments	-	-	34,177
Total assets	<u>\$ 6,141</u>	<u>\$ 30,857</u>	<u>\$ 34,177</u>
Liabilities			
Accounts payable	\$ -	\$ 350	\$ -
Total liabilities	<u>-</u>	<u>350</u>	<u>-</u>
Fund Balances			
Nonspendable - endowments and similar funds	-	-	34,177
Committed			
Employment and economic development	6,141	30,507	-
Total fund balances	<u>6,141</u>	<u>30,507</u>	<u>34,177</u>
Total liabilities, DIR, and fund balances	<u>\$ 6,141</u>	<u>\$ 30,857</u>	<u>\$ 34,177</u>