



July 15, 2022
Illinois Power Agency ("IPA")
Anthony Star - Director
105 West Madison Street
Suite 1401
Chicago, Illinois 60602
VIA EMAIL

Dear Mr. Star:

June 2023 through May 2028 Forecasts

Energy and Capacity

In the attached files and as described below, Ameren Illinois Company ("AIC") provides forecast scenarios for customers who take supply from AIC fixed price tariffs:

Expected Forecast
High Forecast
Low Forecast

In each of the forecast scenario files, AIC has included the existing hedges for energy and capacity and a calculation of the hedging position based on the IPA strategy associated with the prior plan. AIC has provided this data and calculations solely to ensure the IPA has all of the pertinent information it needs in preparing its next procurement plan. These calculations do not imply any recommendation from AIC and the IPA or its consultant should independently verify all calculations.

In March 2022, following the guidance of the IPA, Staff, and the ORMD, AIC submitted five forecast scenarios that included municipal aggregation contract expiration scenarios where none of these communities switched to AIC fixed price supply, half of these communities switched to AIC fixed price supply, and all of these communities switched to AIC fixed price supply. For the forecasts that included communities switching back to AIC supply, AIC also provided forecast scenarios that included either switching for communities with expiring ARES contracts in the summer months only or switching for communities with expiring contracts occurring in both the summer and non-summer months. After reviewing each forecast, the IPA accepted the forecast that contained the midpoint switching for contracts expiring in summer months only.

In the following forecasts listed below, AIC has included the switching scenario factors presented in the accepted March 2022 forecast. These months, along with their estimated midpoint portion of load, are as follows: June 2022 (~2%), July 2022 (~7%), and September 2022 (<1%). Furthermore, AIC has again identified a sizeable amount of future load with the potential to return to AIC supply due to expiring contracts in December 2022 (~2%) and January 2023 (~19%). AIC has communicated this to the IPA and Staff and all parties agree that it would be beneficial to again provide multiple switching scenarios in their July 2022 forecasts. How AIC factors this potential switching into each forecast scenario varies per scenario and is explained individually below.

1) AIC Expected Energy 2023 through 2028 Low Final.xlsx

The before switching forecast (eligible retail load including distribution losses) is filtered by expected switching to create the after switching forecast. Approximately 58% of residential load has switched away from AIC fixed price tariffs. As mentioned above, the summer municipal aggregation estimated switching scenario factors included in the accepted March 2022 forecast are included again in this forecast. However, for the non-summer portion of the 2022 planning year, no municipal aggregation load has been forecasted to come back to AIC supply. In addition, the switching assumptions for June 2023 through May 2028 are kept flat because AIC has no compelling information at this time that can indicate one direction or another. AIC feels it would be more prudent to address those switching scenarios in the March 2023 forecast update when more up to date information is available.

The expected forecast suggests existing energy hedges account for the following:

<u>Plan Year</u>	<u>Hedge Percentage</u>
2023	37%
2024	17%
2025	8%

2) AIC Expected Energy 2023 through 2028 Mid Final.xlsx

The before switching forecast (eligible retail load including distribution losses) is filtered by expected switching to create the after switching forecast. Approximately 58% of residential load has switched away from AIC fixed price tariffs. Although the impact of municipal aggregation referenda has been substantial in prior years, our expected forecast assumes no additional aggregation referenda in the near term. As mentioned above, the summer municipal aggregation factors included in the accepted March 2022 forecast are included again in this forecast. AIC has also included an added factor for the months of December 2022 (~1%) and January 2023 (~10%) to account for half of the municipal aggregation expiring contractual load to return to AIC fixed price supply. In addition, the switching assumptions for June 2023 through May 2028 are kept flat because AIC has no compelling information at this time that can indicate one direction or another. AIC feels it would be more prudent to address those switching scenarios in the March 2023 forecast update when more up to date information is available.

The expected forecast suggests existing energy hedges account for the following:

<u>Plan Year</u>	<u>Hedge Percentage</u>
2023	32%
2024	15%
2025	7%

3) AIC Expected Energy 2023 through 2028 High Final.xlsx

The before switching forecast (eligible retail load including distribution losses) is filtered by expected switching to create the after switching forecast. Approximately 58% of residential load has switched away from AIC fixed price tariffs. Although the impact of municipal aggregation referenda has been substantial in prior years, our expected forecast assumes no additional aggregation referenda in the near term. As mentioned above, the summer municipal aggregation factors included in the accepted March 2022 forecast are included again in this forecast. AIC has also included an added factor for the months of December 2022 (~2%) and January 2023 (~19%) to account for all of the municipal aggregation expiring contractual load to return to AIC fixed price supply. In addition, the switching assumptions for June 2023 through May 2028 are kept flat because AIC has no compelling information at this time that can indicate one direction or another. AIC feels it would be more prudent to address those switching scenarios in the March 2023 forecast update when more up to date information is available.

The expected forecast suggests existing energy hedges account for the following:

<u>Plan Year</u>	<u>Hedge Percentage</u>
2023	28%
2024	13%
2025	6%

4) AIC High Energy 2023 through 2028 Final.xlsx

The before switching forecast (eligible retail load including distribution losses) is based on a high growth scenario which is then filtered by a low switching scenario to calculate an after switching forecast which is higher than the expected case. The low switching scenario assumes that the AIC fixed price tariff will become more attractive relative to ARES options and thus a more substantial number of customers that previously left the AIC fixed price tariff will return. Similar to the three forecast scenarios mentioned above, the summer municipal aggregation factors included in the accepted March 2022 forecast are included again in this forecast. AIC has also included an added factor for the months of December 2022 (~2%) and January 2023 (~19%) to account for the potential of all municipal aggregation communities with expiring ARES contracts in these months returning to AIC fixed price supply. These added municipal aggregation factors overlays are normal high growth factor of -0.6% to provide the highest potential load that could return to AIC fixed price supply. The result of the low switching

scenario is a forecast where fixed price load eventually returns to levels in proximity to those seen before municipal aggregation.

The high forecast suggests existing energy hedges account for the following:

<u>Plan Year</u>	<u>Hedge Percentage</u>
2023	22%
2024	9%
2025	4%

5) AIC Low Energy 2023 through 2028 Final.xlsx

The before switching forecast (eligible retail load including distribution losses) is based on a low growth scenario which is then filtered by a high switching scenario to calculate an after switching forecast which is lower than the expected case. The high switching scenario assumes that additional municipal aggregation referenda will occur in the planning horizon and that switching outside of municipal aggregation will continue. However, similar to the forecasts above, the summer municipal aggregation factors included in the accepted March forecast are included again in this forecast. The result of the high switching scenario is a forecast where little eligible retail load remains at the end of the planning horizon.

The high forecast suggests existing energy hedges account for the following (not including the impact of any partial curtailment of long-term renewable contracts that may occur under this scenario):

<u>Plan Year</u>	<u>Hedge Percentage</u>
2023	46%
2024	25%
2025	13%

6) AIC Capacity 2023 through 2028 Final.xlsx (includes the Expected Energy - Low, Expected Energy - Mid, and Expected Energy - High scenarios and the High and Low Energy scenarios)

Ameren Illinois has existing bilateral purchases for the 2022 and 2023 Planning years. Per the 2022 Procurement Plan, there will be a Fall 2022 Capacity procurement that should result in higher hedge ratios with the goal being 50% hedged for the 2023 Planning year and 25% hedged for 2024 Planning year.

With the addition of the three separate scenarios for the Expected Energy forecast to account for the potential return of municipal aggregation customers to AIC fixed price supply, we have included a Capacity forecast for each of these scenarios. The hedge ratios for these scenarios, as well as the High and Low Energy Capacity forecasts, are listed below for the Planning years 2023 and 2024.

<u>2023 Plan Year</u>	<u>Hedge Ratio</u>
Expected Energy - Low	40%
Expected Energy – Mid	34%
Expected Energy – High	30%
High Energy	25%
Low Energy	48%

<u>2024 Plan Year</u>	<u>Hedge Ratio</u>
Expected Energy - Low	13%
Expected Energy – Mid	11%
Expected Energy – High	10%
High Energy	7%
Low Energy	18%

Forecasting Methodology

7) AIC Forecasting Methodology July 2022.docx

This file provides a description of the methodology used by Ameren Illinois in preparing its forecasts for the IPA. The document was included as an Appendix in past procurement plans.

Updated Forecast for October 2022 through May 2023

The approved IPA plan has a requirement to provide an updated forecast for the period October 2022 through May 2023 for use in determining the balance of year energy procurement quantities during the September 2022 solicitation. Due to the potential return of municipal aggregation customers to AIC fixed price supply and in attempt to keep consistent with the methodology AIC used to address this challenge in the March 2022 forecast update, we have included three separate forecast scenarios for the forecast period of October 2022 through May 2023. Each of these files are listed below with details regarding each.

8) AIC Expected Energy October 2022 through May 2023 Low Final.xlsx

Following the same logic used in the forecast scenarios above, the summer municipal aggregation factors included in the accepted March 2022 forecast are included again in this forecast. This forecast scenario does not include potential returning customers to the AIC fixed price supply for expiring ARES contracts occurring in December 2022 and January 2023. The resulting balance of year forecast shows an approximate 6% decrease in load relative to our March 2022 forecast. Residual energy quantities are provided for the IPA's information; however, the IPA or its consultant should independently confirm these quantities.

9) AIC Expected Energy October 2022 through May 2023 Mid Final.xlsx

As seen in the forecast scenario above, the summer municipal aggregation factors included in the accepted March 2022 forecast are included again in this forecast. AIC has also included an added factor for the months of December 2022 (~1%) and January 2023 (~10%). These factors account for the assumption that approximately half of the potential municipal aggregation communities with expiring ARES contracts in these months will return to AIC fixed price supply. AIC continues to forecast flat switching after January 2023 across the planning horizon. The resulting balance of year forecast shows an approximate 3% increase in load relative to our March 2022 forecast. Residual energy quantities are provided for the IPA's information; however, the IPA or its consultant should independently confirm these quantities.

10) AIC Expected Energy October 2022 through May 2023 High Final.xlsx

As mentioned above, the summer municipal aggregation factors included in the accepted March 2022 forecast are included again in this forecast. AIC has also included an added factor for the months of December 2022 (~2%) and January 2023 (~19%). These factors account for the assumption that all municipal aggregation communities with expiring ARES contracts in these months will return to AIC fixed price supply. The resulting balance of year forecast shows an approximate 13% increase in load relative to our March 2022 forecast. Residual energy quantities are provided for the IPA's information; however, the IPA or its consultant should independently confirm these quantities.

Community Solar Impact

On September 15th, 2021, Public Act 102-0662 was signed into law modifying provisions of net metering under 220 ILCS 5/16-107.5. The net metering law was modified to require electric utilities to provide monetary credits to subscribers of community solar projects. Any applicable credit or reduction in load obligation from the production of the community renewable generating projects receiving a credit under this subsection shall be credited to the electric utility to offset the cost of providing the credit. As a result of this, AIC has updated the qualified facilities offset found in prior submitted forecasts to include an hourly profile for community solar generation. This updated qualified facilities and community generation offset is applied directly to the after switching DS1, DS2, and DS5 load forecast as previously done with the qualified facilities offset in past submitted forecasts.

AIC has made their best attempt at creating a reasonable future community solar hourly profile based on the limited data we have at this time. AIC recognizes that this process will need to be further refined in future forecasts as more community solar generation data becomes available. AIC does believe, however, that at this time the qualified facilities and community solar generation offset is a reasonable estimate for the purposes of this forecast.

Summary

The advent of municipal aggregation has created considerable uncertainty to the forecasting process, and this will continue through this planning horizon. AIC reviewed Plug In Illinois and noticed the majority of municipal aggregation contracts that are set to expire in this planning cycle occur in December 2022 and January 2023. AIC has no definitive information to suggest these municipalities will come back to Ameren Illinois, but our conversations with the ORMD and the monitoring of current power markets suggest that it is a possibility. The challenge now lies in predicting the level of returning load for Fall 2022 procurement purposes. Faced with this challenge, AIC participated in a meeting with the IPA and Staff to discuss the challenges faced. The IPA suggested that AIC provide multiple forecasts representing different switching scenarios. AIC believes the forecasts attached and described in this letter represent reasonable estimates. The advent of government aggregation, the addition of community solar and the ever-changing market dynamics has created considerable complexities to the forecasting process and AIC cautions that actual results could vary considerably.

Following the guidance from the meeting with the IPA, Staff, and ORMD, AIC is submitting these nine forecasts so that the IPA, Staff, and Bates White can contemplate and then come to a consensus on which one they will use to set the Fall 2022 procurement amounts. Regarding the impact that these forecast changes have on the actual procurement quantities to be pursued; our understanding is that you or your consultant will confirm the revised procurement quantities. For your convenience, Ameren Illinois has provided indicative quantities in our revised forecasts.

We welcome the opportunity to discuss our updated forecast with you and the other parties copied in this correspondence and hope to come to mutual agreement regarding how to proceed. Please let us know if you have questions or wish to discuss any of the files. For matters pertaining to Power Supply, I can be reached at 618-803-8897 or rgordon@ameren.com and Justin Range can be reached at 618-623-3168 or jrange@ameren.com.

Sincerely,

Richard Gordon
Power Supply Specialist, Power Supply Acquisition

cc: Justin Range, Rich McCartney, Brice Sheriff, Ray Saunders – AIC
Torsten Clausen - ICC Staff
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Adam Groner - IPA