Comments of the Environmental Law & Policy Center on the Illinois Power Agency's 2016 Draft Procurement Plan

The Environmental Law & Policy Center (ELPC) appreciates the opportunity to submit comments on the Illinois Power Agency's 2016 Draft Procurement Plan (Draft Plan).[1] Our comments are focused on two specific areas of the plan: the energy efficiency provisions and the renewable energy provisions. As described further below, the pending reduction in the Federal Investment Tax Credit (ITC) for solar projects at the end of 2016 creates additional urgency for the IPA's planning and administration of this year's plan. As state budgets continue to be constrained, the IPA should maximize efforts to leverage available federal resources to help achieve the state's renewable energy targets by accelerating and maximizing solar investments that can qualify for the 30% federal ITC.

I. ENERGY EFFICIENCY

A. Utilities should conduct a TRC screening on every bid that complies with the basic requirements of the RFP.

The IPA asks for feedback on two policy issues from stakeholders: whether TRC screening should be performed on all bids that meet basic RFP requirements, and how Section 16-111.5B programs should be considered in 2016 when there will not yet be a Section 8-103 portfolio.[2] On the first issue, ELPC agrees with the IPA and believes it is preferable to conduct the TRC screening on every bid that meets the basic requirements of the RFP. Stakeholders and the utilities do not always reach consensus on whether a bid is duplicative or competing with existing programs; having TRC screening results would provide additional information that can aid stakeholders, the utilities, and the IPA in their recommendations.

[1] The IPA's August 14, 2015 cover letter and Draft 2016 Plan are available at http://www.illinois.gov/ipa/Pages/Plans_Under_Development.aspx.

[2] *See* Draft Plan Section 7.1.4.

B. Utilities should solicit bids for multi-year energy efficiency programs through the 16-111.5B process.

On the second issue, ELPC believes there is an opportunity for the utilities to expand their energy efficiency procurement in 2016 even if an 8-103 portfolio has not yet been approved. ELPC suggests that the utilities solicit bids for multi-year energy efficiency programs through the 16-111.5B process for programs that have historically been part of their 8-103 portfolios that could be run by third parties on a pay-for-performance model (for example, appliance rebates, lighting discounts, appliance recycling, and behavioral programs). Just as ComEd currently procures behavioral efficiency programs and residential lighting programs through the third-party RFP process, the utilities should solicit bids for other electric efficiency programs that can be procured through the 16-111.5B portfolio. The utilities should use their 8-103 portfolios to develop additional programs that are not bid through the IPA process or which are not strictly electricity programs (e.g. joint gas-electric programs).

C. Ameren should not include fixed, non-incremental, non-program-specific costs in its TRC analysis.

ELPC agrees with the IPA that it is inappropriate for Ameren to include fixed, non-incremental, non-program-specific costs in its TRC calculations. ELPC believes the utilities should only include the known administrative costs of each measure in its calculations. In the event the utility does not track the administrative costs for its programs, they should not include an administrative cost value in TRC calculations.

D. The utilities should attempt to quantify non-energy benefits (NEB) where possible.

The IPA invites interested parties to comment on whether a Non-Energy Benefit (NEB) adder should be included in the TRC test. ELPC recognizes that the specific value of the NEBs is difficult to quantify but there is evidence that the energy efficiency programs provide non-energy benefits (such as water savings, improved housing stock, reduced maintenance costs, reduced pollution and greenhouse gases, etc.). The utilities should quantify the non-energy benefits of each measure where possible. Until then, the utilities should include at a minimum a blanket NEB adder of 10%, which is the value that Ameren used until this year.

II. RENEWABLE ENERGY

A. The IPA should maximize DG procurements in 2016 in order to leverage the maximum amount of federal investment tax credits for the benefit of Illinois customers.

The IPA has proposed a conservative procurement approach for renewable energy resources in the 2016 Draft Plan that would leave Illinois well short of its renewable energy targets through the 2021 planning horizon.[3]

Delivery Year	Ameren Illinois	ComEd	MidAmerican
2016-2017	One-year SRECs procurement up to 34.2GWh Five-year DG REC procurement up to 7.8GWh* No RPS procurement or sales for other resources, target exceeded	One-year SRECs procurement up to 69.9GWh Five- year DG REC procurement up to 16.3GWh* **Total renewables are 68GWh short of target**	One-year SRECs procurement up to 13.2GWh Five- year DG REC procurement up to 2.2GWh **Total renewables are 220.4GWh short of target.**
2017-2018	No RPS procurement: **shortage of 52.8 GWh,** revisit next year	No RPS procurement: **shortage of 827.7GWh,** revisit next year	No RPS procurement: **shortage of 258.9GWh,** revisit next year
2018-2019	No RPS procurement: **shortage of 413.4GWh,** revisit next year	No RPS procurement: **shortage of 1,616.6GWh,** revisit next year	No RPS procurement: **shortage of 289.3GWh,** revisit next year
2019-2020	No RPS procurement: **shortage of 522.7GWh,** revisit next year	No RPS procurement: **shortage of 2,182.4GWh,** revisit next year	No RPS procurement: **shortage of 320.5GWh,** revisit next year
2020-2021	No RPS procurement: **shortage of 633.1GWh,** revisit next year	No RPS procurement: **shortage of 2,527.7GWh,** revisit next year	No RPS procurement: **shortage of 351.9GWh,** revisit next year

Under current conditions and load forecasts, the projected Renewable Resources Budget (RRB) surplus available for additional renewable resource procurements is very significant:[4]

[3] *See* Table 1-5: Summary of Procurement Plan Recommendations Based on July 15, 2015 Utility Load Forecast.

Delivery Year	Available RPS Funds Ameren ($)	Available RPS Funds ComEd ($)	Available RPS Funds MidAmerican ($)
2016-2017	2,213,620	14,048,651	2,477,311
2017-2018	3,255,883	16,916,581	2,486,717
2018-2019	4,721,183	17,524,528	2,486,717
2019-2020	4,769,585	17,687,604	2,486,717
2020-2021	4,769,585	18,101,144	2,486,717

However, due to "continued volatility" in the budget related to customer switching, the IPA is not recommending procurement of resources for contracts of more than one year in length or extending beyond the 2016-2017 delivery year.[5]

ELPC appreciates that customer switching creates planning challenges for the IPA. However, the risk of budget volatility should be balanced against the risks that could result from an overly conservative procurement strategy. The Draft Plan does not describe the level of risk that it perceives nor whether that perceived risk justifies a procurement strategy that would leave Illinois far short of its statutory renewable energy targets. Furthermore, the IPA's conservative approach in this case carries a significant risk that future compliance will be more expensive because of the loss of federal tax credits to reduce solar development costs. The Federal Investment Tax Credit (ITC) for commercial and residential solar power installations allows projects put into service before the end of 2016 to qualify for a 30% dollar-for-dollar tax credit. After December 31, 2016, the commercial tax credit drops to 10% while the residential tax credit expires completely. Thus, from the IPA and ratepayer perspective, any SRECs procured by the IPA for the 2016-2017 compliance year are effectively "on sale" as compared to SRECs that will need to be procured in future years to meet Illinois targets.

The IPA intends to conduct a single DG procurement event in the fall of 2016, using hourly ACP funds for Ameren and ComEd and the RRB for MidAmerican.[6] While ELPC

[4] *See* Tables 8-4, 8-5, and 8-6 at pp. 127-28 of the Draft Plan.
[5] *See* Draft Plan p. 122.
[6] Draft Plan Section 8.4.

supports the proposal to use hourly ACP funds for DG resources, ELPC respectfully recommends that the IPA allocate more of the remaining RRB towards an expanded DG procurement for each of the three utilities. First, the statute clearly states that the amounts are minimums, and that “at least the following percentages shall come from distributed renewable energy resources…1% by June 1, 2015 and thereafter.” This gives the IPA the clear authority to procure more than the minimum percentage. Because the majority of DG resources are likely to be solar, an expanded DG procurement strategy would enable the IPA to close the compliance shortfall that is currently projected for distributed generation, photovoltaics, and total renewables for each of the three utilities. As described above, 2016 is a key year for solar investment as the Federal ITC is set to step down at the end of the year. Finally, the more that the IPA invests in solar now, the sooner the solar industry will grow and mature in the state, bringing with it economies of scale, skilled labor, and lower costs that will enable easier and cheaper compliance with future renewable energy targets. Waiting for future years simply carries more risk and more expense, and it wastes the opportunity to leverage the ITC for the benefit of Illinois customers.

ELPC suggests that the IPA consider an expanded DG procurement to meet the Agency’s projected 2020-2021 delivery year compliance requirements using the RRB. This would change the minimum procurement amounts to the following:

	ComEd	**Ameren**	**MidAm**
2020/2021 DG Procurement Requirement (MWh)	37,895	12,331	3,519
Potential Fall 2015 DG Procurement Amount (MWh)	13,194	6,518	0
Resulting 2016 Procurement Goal (MWh)	24,701	5,813	3,519

The IPA should also consider maximizing DG procurements in 2016 using any available ACP payments held by the IPA in the Renewable Energy Resources Fund (RERF). As the IPA indicates, there were more than $30 million in the RERF as of April 1, 2015 and this balance will grow as ARES make future compliance payments. It would be prudent to maximize the impact of these payments by accelerating DG procurements, particularly as the General Assembly has swept unused RERF funds in the past and could do so again in the future if they are not used for their statutory purpose. The IPA should consider the use of a one-time payment for a future five-year stream of DG RECs in order to minimize any risk of future RERF sweeps impacting existing contracts with suppliers.

B. The IPA should maximize DG procurements in 2016 in order to leverage the expiring federal investment tax credits for the benefit of Illinois customers.

The IPA currently intends to conduct a one-time DG procurement event in the fall of 2016.[7] ELPC recommends that the IPA advance the timing of the proposed DG procurement to early 2016. Systems that can take advantage of the Federal ITC must have the facility in service by the end of December 2016. It is very likely that bidders into both the 2015 and the proposed 2016 DG procurement will have systems identified but not yet built. Holding the DG procurement in October 2016 means that winners will have only 3 months to install systems to meet the requirements of the ITC. This is not practical and could lead to considerable uncertainty for participants in the procurement process, leading to higher bid prices. We recommend that the IPA consider either: (1) moving the 2016 DG procurement to coincide with the currently scheduled Supplemental PV Procurement to be held in March 2016, or (2) hold a separate DG procurement no later than May or June 2016. It is to the benefit of all Illinois ratepayers for

[7] Draft Plan p. 132.

bidders to be able to take advantage of the ITC, and therefore the IPA should plan accordingly to provide participants with enough time to develop qualifying projects.

C. MidAmerican's renewable resource targets should be determined based on the company's entire eligible retail customer load.

ELPC is glad to see MidAmerican participate in the IPA's procurement process for renewable resources. The question at hand is whether MidAmerican's renewable resource targets should be based on all of MidAmerican's eligible retail customer load, or only for that portion of eligible retail customer load for which the utility specifically requests procurement.[8] ELPC agrees with the IPA that the "stronger argument" is that the targets should be based on MidAmerican's entire eligible load. As the IPA notes, the language of Section 1-75(c)(1) of the IPA Act is clear and direct ("a minimum percentage of each utility's total supply to serve the load of eligible retail customers") and this language should "remain[] controlling regardless of whether the broader procurement is only for a portion of eligible retail customer load."[9] Furthermore, reducing the amount procured to only the incremental load will limit the success of the procurement, particularly on the DG side. If reduced to 14% of the proposed procurement amount, the IPA would be soliciting bids for 308 DG RECs, half of which are required to come from systems 25 kW or less in size and half from systems 25 kW or more in size. If these DG RECs are procured from solar resources, for example, this means the procurement of RECs from the equivalent of only one 128 kW system in each of the two size categories. The likelihood of attracting bidders for this small amount is limited and MidAmerican customers face either failure in attracting bids, or an uncompetitive process. Therefore, the IPA should calculate MidAmerican's renewable resource targets based on the entire eligible load.

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[8] Draft Plan p. 120.
[9] *Id.*

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