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## **ICC Announces Release of Report in Cloud Computing Notice of Inquiry**

CHICAGO: The Illinois Commerce Commission (ICC) announced the release of a report detailing findings from the Commission's Notice of Inquiry (NOI) regarding the regulatory treatment of cloud-based computing arrangements.

Initiated in February 2016 by Chairman Brien J. Sheahan, the NOI is a fact-gathering process through which the Commission sought comments from stakeholders to explore utility investment in cloud computing and whether leveling the playing field between cloud and on-premises solutions would encourage utilities to make the most cost-effective investments. The NOI is a follow up to a Commission [Policy Session](#) on Business and IT Investments in Cloud Computing Arrangements held in September, 2015.

Cloud computing generally refers to delivering computing resources – whether in the form of software, storage capacity, or other services – over the Internet. Increasingly, businesses in other sectors, including heavily regulated ones, are adopting cloud-based solutions over on-premises solutions to improve customer service, enhance cyber security and generate greater value for customers.

Currently, utilities are permitted to earn a rate of return on investments in on-premise computing solutions, which are considered capital expenses, but do not earn a rate of return on comparable spending on cloud-based solutions, which are considered operating expenses. For example: a utility is permitted to capitalize the cost of purchasing a copy of Microsoft's on-premise Office product, but is not permitted to capitalize the cost of a license for Microsoft's cloud product known as Office 365— despite the two products fulfilling the same function for the utility. This disparate accounting treatment may incentivize utilities to invest in on-premise solutions over cloud-based solutions.

The report recommends the Commission consider initiating a rulemaking proceeding to evaluate this issue.

"We thank all parties who participated in this proceeding for their thoughtful participation. The comments show a consensus that current regulatory accounting rules have not kept pace with

technological innovation,” said Chairman Sheahan. “Currently, the disparity between on-premise and cloud computing systems create a disincentive for utilities to invest in new technology. There must be a level playing field between on-premise and cloud computing systems, especially because these systems serve the same functions.”

In addition to his leadership on the issue of Cloud Computing at the ICC, in March 2016, Chairman Sheahan authored an [article](#) with his legal and policy advisors for *Electricity Policy* entitled “Are Regulators’ Heads in the Cloud? Primary Challenges to Utility Adoption of Cloud-Based Solutions.” A [Resolution](#) was also adopted at the 2016 Annual Meeting of the National Association of Regulatory Utility Commissioners (NARUC), “Encouraging State Utility Commissions to Consider Improving the Regulatory Treatment of Cloud Computing Arrangements.”

Commenters in the NOI included Ameren Illinois Company; C3 IoT; Commonwealth Edison Company; The People of the State of Illinois, Office of the Attorney General; Illinois-American Water Company and Aqua Illinois, Inc. as “Water Utilities”; Advanced Energy Economy Institute, Advanced Energy Management Alliance; EnergyHub; EnergySavvy; EnerNOC Inc.; FirstFuel Software, Inc.; Opower, Inc.; and Oracle as “Joint Software Provider Parties”; MidAmerican Energy Company; Nicor Gas; North Shore Gas Company; Peoples Gas Light and Coke Company; Splunk, Inc.; and the Utility Analytics Institute.

Click [here](#) to view the report on the ICC’s website. Click [here](#) for more information on the Notice of Inquiry, or to view comments submitted during the proceeding.

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The Illinois Commerce Commission (ICC) is a quasi-judicial body made up of five Commissioners. Through its Public Utility Program, the Commission oversees the provision of adequate, reliable, efficient and safe utility services at the least possible cost to Illinois citizens served by electric, natural gas, telecommunications, water and sewer public utility companies. Through its Transportation Regulatory Program, the Commission oversees public safety and consumer protection programs with regard to intrastate commercial motor carriers of general freight, household goods movers, relocation towers, safety towers, personal property warehouses and repossession agencies. The Commission’s Rail Safety Program also inspects and regulates the general safety of railroad tracks, facilities and equipment in the state.

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