STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ILLINOIS POWER AGENCY	:	
	:	
Petition for Approval of the 2016 IPA Procurement Plan pursuant to Section 16-111.5(d)(4) of the Public Utilities Act	:	ICC Docket No. 15-0541

OBJECTIONS OF THE ENVIRONMENTAL LAW AND POLICY CENTER

In accordance with section 16-111.5(d)(2) of the Illinois Public Utilities Act (PUA), 220 ILCS 5/16-111.5(d)(2), the Environmental Law & Policy Center (ELPC) hereby files its "objections" to the Illinois Power Agency's (IPA) 2016 Procurement Plan, which the IPA filed with the Illinois Commerce Commission (ICC) for consideration and approval on September 28, 2015. 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. The IPA should accelerate and increase the procurement of distributed solar resources now, while those resources are effectively "on sale," in order to meet the goals of the Illinois Renewable Energy Standard at 20 ILCS 3855/1-75(c) and the Illinois Power Agency Act's requirement to procure "adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest cost over time, taking into account any benefits of price stability." (20 ILCS 3855/1-5)

Objection #1 - The IPA should expand its proposed distributed generation (DG) procurement in early 2016 in order to leverage expiring federal tax credits to benefit Illinois customers.

As described above, 2016 is a key year for solar investment. 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% tax credit. After December 31, 2016, the commercial tax credit drops to 10% while the residential tax credit expires. Thus, from the IPA and ratepayer perspective, distributed solar resources are effectively "on sale" in 2016 as compared to RECs from distributed solar projects the IPA will need to procure in future years to meet Illinois sub-targets. Maximizing distributed solar procurements in 2016 will help Illinois meet its DG and solar sub-target goals in a more cost-effective way for Illinois ratepayers.

The IPA proposes to procure DG RECs through a single DG procurement event in the early summer of 2016, funded by the Alternative Compliance Payments ("ACPs") collected by ComEd and Ameren on behalf of customers taking hourly service.[1] However, due to "continued volatility" in the available Renewable Resources Budget (RRB) because of customer switching, the IPA does not propose to use any resources from the RRB for DG resources.[2] Under current conditions and load forecasts, this will result in a significant surplus of available funds in the RRB that could have been allocated towards additional solar and DG resources.[3]

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	2,496,201
2019-2020	4,769,585	17,687,604	2,507,235
2020-2021	5,015,585	18,101,144	2,518,768

At the same time, the IPA currently projects that it will fall significantly short of the statutory solar and DG sub-target goals in every delivery year through the 2021 planning horizon.[4]

[1] As of May 31, 2015, Ameren's hourly ACP balance is $10,040,276 and ComEd's balance is $19,039,957. *See* Plan at 133.
[2] Plan at 128.
[3] *See* Tables 8-4, 8-5, and 8-6 at pp. 132-33 of the Plan.
[4] *See* Tables 8-1, 8-2, and 8-3 at pp. 129-131 of the Plan.

Delivery Year	Ameren Illinois Target Shortfall (MWh)		ComEd Target Shortfall (MWh)		MidAmerican Target Shortfall (MWh)	
	PV	**DG**	**PV**	**DG**	**PV**	**DG**
2016-2017	**34,207**	**7,767**	**69,866**	**16,294**	**13,225**	**2,204**
2017-2018	**48,372**	**9,072**	**113,769**	**23,609**	**15,532**	**2,589**
2018-2019	**57,373**	**10,134**	**144,811**	**28,783**	**17,360**	**2,893**
2019-2020	**63,932**	**11,227**	**178,760**	**34,441**	**19,229**	**3,205**
2020-2021	**70,556**	**12,331**	**199,481**	**37,895**	**21,112**	**3,519**

ELPC respectfully recommends that the IPA allocate more of the remaining RRB funds towards an expanded DG procurement in early 2016 for each of the three utilities to close this regulatory shortfall in the most cost effective way. 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 this year in order to meet its future compliance targets. 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. 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 forfeits the opportunity to leverage the federal ITC to reduce RPS compliance costs to benefit Illinois ratepayers.

ELPC appreciates that customer switching creates planning challenges for the IPA. Contracts for DG resources must be "no less than 5 years" in length,[5] which requires some level

[5] 20 ILCS 3855/1-75(c)(1).

of forecasting for future trends in customer switching and municipal aggregation. While the IPA cannot predict these trends with perfect certainty, the IPA should attempt to strike a balance between the risk of budget volatility related to customer switching and the risk that could result from an overly conservative procurement strategy and missed statutory goals. The Plan does not describe the level of budget risk that the IPA perceives nor whether that perceived risk justifies a procurement strategy that would leave Illinois short of its statutory renewable energy targets. The imminent expiration of the federal ITC creates more urgency for the IPA to carefully weigh its options in the 2016 Plan to maximize solar resource procurement while accommodating a safety margin for budget volatility.

The Commission should order the IPA to expand its planned DG procurement in order to maximize the impact of federal tax incentives and make up some of the current statutory shortfall of DG RECs in a cost effective way. ELPC suggests that the IPA consider using the RRB along with the ACP funds previously described to fund an expanded DG procurement in early 2016 to meet the IPA's full DG sub-target requirements through the 2020-2021 Delivery Year.[6] While the IPA will procure some DG RECs through its Fall 2015 procurement, the IPA will remain significantly short of the DG targets specified in the law.

	ComEd	**Ameren**	**MidAm**
2020/2021 DG Procurement Requirement (MWh)	37,895	12,331	3,519

ELPC appreciates that the IPA revised the timing of its proposed DG procurement from fall to early summer of 2016 in order to accommodate the scheduled expiration of the investment tax credit. The IPA and Commission should consider whether this date should be moved even earlier to provide additional time for developers to complete projects to qualify for the ITC.

[6] The Distributed Generation RPS requirement is 1% of the annual RPS requirement. See 20 ILCS 3855/1-75(c)(1).

Objection #2 – The IPA should signal its intent to procure DG RECs using the Renewable Energy Resources Fund (RERF).

In addition to the RRB and hourly ACPs, the IPA also holds funds in the Renewable Energy Resources Fund (RERF) to procure renewable energy resources pursuant to Section 1-56 of the IPA Act. As the IPA indicates, the RERF balance as of September 28, 2015 totals more than $116,000,000.[7] The IPA has interpreted language in Section 1-56 to limit the use of the RERF to years in which the IPA can conduct a procurement "in conjunction with" a procurement for electric utilities.[8] While this has effectively limited the use of the RERF in prior years, the fact that the IPA is planning a renewable resources procurement for electric utilities in 2016 means that it can also tap the RERF for additional renewable resources this year.

For all of the reasons described above related to the expiration of the federal ITC, the IPA should maximize the use of the RERF to procure additional distributed solar resources early in 2016. 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. While the ICC has held that it does not have direct jurisdiction over the use of the RERF, the ICC should recommend that the IPA coordinate its use of RERF funds with its traditional procurement plan in order to provide greater transparency to the industry and stakeholders.

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[7] Plan at 137.
[8] *See* 20 ILCS 3855/1-56(c).

CONCLUSION

ELPC respectfully requests that the IPA's Final Procurement Plan be modified and clarified consistent with these objections.

Dated: October 5, 2015

Respectfully submitted,

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VERIFICATION

I, Brad Klein, state that I have read the foregoing Objection of the Environmental Law & Policy Center for ICC Docket No. 15-0541, that I know the contents thereof, and that to the best of my knowledge, information and belief, based upon reasonable inquiry, the contents are true and correct.

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STATE OF Illinois **)**
) SCT.
COUNTY OF Cook **)**

The foregoing instrument was subscribed, sworn to and acknowledged before me by

Brad Klein on this the 5th day of October, 2015.

Susan O'Connell
Notary Public
My Commission Expires: 11-1-2015

OFFICIAL SEAL
SUSAN O'CONNELL
Notary Public - State of Illinois
My Commission Expires Nov 01, 2015