

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
-vs-)	
)	Docket 15-0403
Commonwealth Edison Company,)	
The Peoples Gas Light and Coke Company,)	
North Shore Gas Company,)	
Ameren Illinois Company)	
d/b/a Ameren Illinois, and)	
Northern Illinois Gas Company)	
d/b/a Nicor Gas Company)	
)	
Independent Evaluator's Evaluation Report)	
on the Electric and Gas On-Bill Financing)	
Programs as Required by Section 16-111.7)	
and 19-140 of the Public Utilities Act.)	

REPLY BRIEF ON EXCEPTIONS OF AMEREN ILLINOIS COMPANY

Ameren Illinois Company d/b/a Ameren Illinois (“Ameren Illinois” or “AIC”), pursuant to Section 10-111 of the Public Utilities Act (the “Act”), see 220 ILCS 5/10-111, Section 200.830 of the Rules of Practice of the Illinois Commerce Commission (“Commission”), see 83 Ill. Adm. Code § 200.830, and the schedule established by the Administrative Law Judge (“ALJ”), submits the following Reply to the Briefs on Exceptions (“BOEs”) filed by the parties to this docket in response to the ALJ’s Proposed Order dated April 22, 2016.

I. INTRODUCTION

Five parties filed BOEs in this docket on May 6, 2016: (1) Ameren Illinois; (2) the Staff of the Illinois Commerce Commission (“Staff”); (3) Northern Illinois Gas Company d/b/a Nicor Gas Company (“Nicor Gas”); (4) Commonwealth Edison Company (“ComEd”); and (5) Citizens Utility Board (“CUB”). While the Parties raised several issues, Ameren Illinois replies to only three:

- ComEd's point regarding the Commission's ability to "modify" the interest rate and financing components of the OBF program (ComEd BOE at 2-3), which was also raised by Nicor Gas (Nicor Gas BOE at 5);
- CUB's recommendation that the Commission "lower the credit score threshold for participating in the OBF program" (CUB BOE at 1-3); and
- CUB's recommendation that the Commission encourage the General Assembly to consider tied-to-the-meter loans (CUB BOE at 3-4).

Ameren Illinois writes in support of the first point, and in opposition to the second and third. Ultimately, Ameren Illinois recommends that the Commission adopt the ALJ's Proposed Order with the modifications reflected in AIC's Brief on Exceptions, as well as the modifications reflected in ComEd's Exception #1.

II. RESPONSE TO COMED

ComEd's first exception concerns the Proposed Order's statement that "[t]he Commission will include in its report a recommendation that it be granted the ability to review and modify the interest rate/financing components of the OBF program." (Proposed Order at 11.) ComEd proposes striking the words "review and modify" from the Proposed Order, replacing them with the word "monitor." (ComEd BOE at 3.) Nicor Gas has proposed a similar revision. (Nicor Gas BOE at 5.) In support of its point, ComEd notes that the Commission does not have jurisdiction over financial institutions such that it could order the lenders extending credit to consumers as part of the OBF program to provide financing at a certain interest rate. ComEd BOE at 2. The interest rate is set by the market. *Id.* The Commission could order the utilities to re-issue RFPs seeking bids on different and more favorable terms, see 220 ILCS 5/16-111.7(c)(2); 220 ILCS 5/19-140(c)(2), but that would be a complicated, expensive and inefficient endeavor with disruptive impacts on a financing program that is already well underway. *Id.*

Ameren Illinois agrees with all of the points raised by ComEd and Nicor Gas. Moreover, while all parties agree - Ameren Illinois included - that it is important for AFC First¹ to solicit funding for customers on the best terms available, it is also important to take a realistic view and acknowledge that lenders will only fund OBF program purchases on terms that make sense for them. And, under the Act, the ultimate decision whether to extend OBF financing to a customer rests with the lender: “The lender shall conduct credit checks or undertake other appropriate measures to limit credit risk, and shall review and approve or deny financing applications submitted by customers[.]” 220 ILCS 5/16-111.7(c)(4); 220 ILCS 5/19-140(c)(4). Any attempt to tweak one input into the lender’s decision on a consumer’s OBF application could have unintended consequences. For example, even if the Commission had jurisdiction over financial institutions, forcing lenders to provide financing at a below-market interest rate could cause those lenders to compensate in unintended ways, such as by raising their minimum credit score requirements, or by exiting the program entirely. If the goal is to improve the terms of access to the program for consumers, assigning an interest rate not determined by the market could therefore be ineffective, or, worse, counterproductive.

In sum, Ameren Illinois agrees with ComEd and Nicor Gas that the Commission should not recommend to the General Assembly that it be granted the ability to “review and modify” the interest rate and financing components of the OBF program, and recommends instead that the modifications set forth in ComEd’s Exception 1 be adopted.

¹ AFC First was purchased in late 2015 and is now Renew Financial.

III. RESPONSE TO CUB

A. Response to CUB Exception #1

CUB's first exception proposes revisions to the ALJ's Proposed Order so that it directs the utilities to provide updated information concerning OBF program default rates to the Commission within 90 days of the Final Order, and so that it finds that "[i]f that information demonstrates the default rate remains lower than 1.5%, the Commission will order that the credit score eligibility criteria [be] reduced by 40 points to a minimum credit threshold of 600 points." (CUB BOE at 3.) While Ameren Illinois understands that CUB's recommendation is motivated by a commendable desire to ensure that all who can benefit from the OBF program have access to it, Ameren Illinois continues to disagree with CUB's recommendation, for several reasons.

First, CUB seems to suggest that reducing the minimum credit score requirement by 20 to 40 points is necessary because it "would put [the] Illinois OBF [program] 'within range of other financing programs across the country,'" but that is a little misleading. (CUB BOE at 3.) The Cadmus team found that 640 already is within the range of minimum credit scores for other energy efficiency financing programs around the country, and AFC First² has stated that 640 is "standard for energy efficiency programs they implement." (Evaluator's Report at 87-88.) Thus, if CUB's goal is to ensure that the Illinois OBF program is administered in a manner consistent with its peers in other locations, then the program as presently constructed already passes the test. The Cadmus Group did not recommend that the minimum credit score requirement be lowered, and CUB has provided no evidence or analysis that would support a conclusion that it should be.

² AFC First was purchased in late 2015 and is now Renew Financial.

Second, CUB argues, through its exceptions language, that the increased default risk that would accompany a decreased minimum credit score requirement—and, therefore, the increased amount of defaulted OBF program loans which would be passed on to other ratepayers through uncollectibles adjustments—is not an issue, because the utilities have the option of suspending service for defaulting customers. (CUB BOE at 3.) Putting aside the oddity of a consumer advocacy group arguing for a “solution” that would subject more vulnerable customers to the possible suspension of utility service, CUB is misunderstanding the problem. Pursuant to the OBF program statutory scheme, the “utility *shall* remit payment in full to the lender each month on behalf of the participant,” and, if the participant defaults, “the electric utility *shall* continue to remit *all payments* due under the program to the lender.” 220 ILCS 5/16-111.7(c)(6) (emphasis added); 220 ILCS 5/19-140(c)(6). In other words, suspending a customer’s service does not suspend the utility’s obligation to pay the loan. Some OBF program loans are substantial, with high dollar values and up to ten year repayment terms (Evaluator’s Report at 1), and the utilities are permitted to recover for such expenditures through their uncollectibles riders, see 220 ILCS 5/16-111.7(c)(6), meaning the cost of one ratepayer’s default is borne by other ratepayers. Thus, while decreasing the minimum credit score requirement could be good for the particular ratepayers who are able to take advantage of the change, it could have a different impact on other ratepayers.³

Third, CUB argues, again through its exceptions language, that the Attorney General’s argument that increased participation in the OBF program “could increase the risk that participating customers have vital utility services disconnected because they are

³ Ameren Illinois acknowledges that the Act gives the utility a security interest in the energy efficiency measure itself, but that will not always be sufficient to cover the utilities’ expenditures in the event of default, especially in situations where the installed modification is a fixture. 220 ILCS 5/16-111.7(c)(6); 220 ILCS 5/19-140(c)(6).

unable to pay utility bills that include payments of OBF-funded energy efficiency measures” (AG Initial Comments at 3) is wrong. (CUB BOE at 3.) CUB argues that “the energy efficiency investment would make the consumers’ underlying bill more affordable, not less.” (CUB BOE at 3.) But that is an oversimplification. While measures installed pursuant to Illinois energy efficiency programs will eventually prove cost-effective, that does not mean the benefits will outweigh the costs on the customer’s bill in the near-term. For example, a new energy-efficient appliance that costs a ratepayer hundreds or thousands of dollars will pay for itself eventually, but it may take some time for the benefits to catch up to the costs. The concern, if the OBF program is opened up to less credit-worthy customers, is that they will be unequipped to handle the *near-term* bill impact, thus acutely increasing the risk of default and the risk that other ratepayers will be made to pay. CUB has not provided any facts or analysis that refute this consideration.

Thus, Ameren Illinois recommends that the Commission reject CUB’s Exception #1 and the accompanying proposed modifications. After all, CUB itself has conceded that its attempts to lower the customer eligibility threshold are risky. (CUB Initial Comments at 2-3 (“[f]rom a ratepayer perspective, the structure of the OBF program means that the lender should be cautious as to who receives financing, as any unpaid bills are passed through [the] uncollectible rider.”).) And it has provided no persuasive reason to take that risk.

B. Response to CUB Exception #2

CUB argues that the Commission should encourage the General Assembly to consider adding tied-to-the-meter loans to the Illinois OBF program. (CUB BOE at 3-4.) CUB believes that tied-to-the-meter loans will encourage the adoption of energy efficiency programs and measures in the rental market. (CUB BOE at 4.) But the Cadmus Report

disagrees: “Tied-to-the-meter loans offer little benefit and the potential for delay, expense, and confusion.” (Evaluator’s Report at 8.) The Cadmus Group recommended that Illinois should “not make the program loan a tied-to-the-meter loan at this time,” because “[t]here is not enough reason at the present moment to transition the program to a tied-to-meter loan.” (Evaluator’s Report at 8.) CUB does not provide meaningful evidence or analysis supporting its proposed break from the Evaluator’s recommendation, and CUB’s Exception #2 should therefore be rejected.

IV. CONCLUSION

In conclusion, Ameren Illinois respectfully requests that the Commission adopt the ALJ’s Proposed Order with the modifications set forth in AIC’s Brief on Exceptions and in ComEd’s Exception #1.

Dated: May 13, 2016

Respectfully submitted,

AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois

A handwritten signature in black ink that reads "Kristol Whatley". The signature is written in a cursive style with a large, sweeping initial "K".

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