IRPS Spring 2017 Conference

Session 4: Future Energy Jobs Bill (FEJA) – Benefits, Opportunities, and Impact on end users of all sizes.

SUMMARY OF ENERGY EFFICIENCY (EE) PROVISIONS

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Electric Energy Efficiency prior to FEJA

- Providing EE programs to all customer classes since 2008
- Programs implemented by Utilities, Department of Commerce and Economic Opportunity (DCEO), and Third Parties via the Illinois Power Agency Procurement Process
- Three year planning cycle using June through May planning years
- Annual (first year) savings goals
- All costs recovered from customers in the year they are incurred

Energy Efficiency – What is Changing under FEJA?

- **Utilities Now Responsible for ALL EE**

  Consolidates previous three delivery mechanisms

  1. Utilities' Energy Efficiency Portfolio Standard programs
  2. DCEO energy efficiency programs
     - low income, public buildings and market transformation
  3. IPA Procurement of energy efficiency as a supply resource
     - Residential and small business

Energy Efficiency – What is Changing under FEJA?

- **Multi-year Planning Cycles**
  - Program Years (both electric and gas) moving from June – May to January – December calendar years
  - Electric planning cycles – 1st two Plans are 4 years; 3rd Plan is 5 years

4-Year Plan 2018-2021	4-Year Plan 2022-2025	5-Year Plan 2026-2030

Energy Efficiency – What is Changing under FEJA?

- **10 MW Customer Service Point Exemption**
  - Complete Exemption - Not an Opt-Out
  - Future planning cycle exempt status determinations are made based on usage during the 12 month period immediately preceding the start of the multi-year planning cycle
  - Ameren Illinois has approximately 50 customers exempt from EE beginning June 1st -- exempt from paying and exempt from participating
  - Greater than 10 MW Customer group represents ~25% of AIC electric load

Energy Efficiency – What is Changing under FEJA?

- **Cumulative Persisting Annual Savings Goals**
  - Cumulative Persisting Annual Savings - the total electric energy savings in a given year from measures installed in that year or in previous years, but no earlier than January 1, 2012, that are still operational and providing savings in that year because the measures have not yet reached the end of their useful lives
  - Goals for each utility included in the statute
  - The Commission may modify these goals if:
    - Utility expenditures are limited pursuant to subsection (m)
    - The plans analysis and forecasts of the utility's ability to acquire energy savings demonstrate that achievement of such goals is not cost effective

Energy Efficiency – What is Changing under FEJA?

- **Low Income & Public Housing**
  - Multi-year plans must include measures targeted at low-income households
  - Low-income defined for this purpose as households at or below 80% of area median income
  - Minimum low income expenditure levels included in the statute for each utility
    - Ameren Illinois - $8.35 million per year
    - ComEd - $25 million per year
  - Statute also includes requirement for utilities to procure measures from public housing

Energy Efficiency – What is Changing under FEJA?

- **Electric Statutory Spend Cap – subsection (m)**
  - Determined as a percentage of the average amount paid by residential eligible retail customers during calendar year 2015
    - 3.5% for each year 2018-2021
    - 3.75% for each year 2022-2025
    - 4.0% for each year 2026-2030

Energy Efficiency – What is Changing under FEJA?

- **Energy Efficiency Formula Rate**
  - Allows recovery of actual costs that are prudently incurred
  - Utility may elect annually to defer, up to the full amount of its expenditures, as a regulatory asset.
    - Deferred expenditures are amortized and recovered over a period equal to the weighted average measure life
    - Unamortized balance, as of Dec 31 of each year, shall earn a return equal to the utility's weighted average cost of capital
      - Based on utility's actual year-end capital structure
      - Utility's actual cost of debt
      - Return on Regulatory Asset = 30-year Treasury yield + 580 basis points

Energy Efficiency – What is Changing under FEJA?

- **Performance Incentive/Penalty**
  - Performance determined based on achievement of Annual Incremental Savings goals
  - Applicable Annual Incremental Savings – the year over year difference in the cumulative persisting savings goals
  - Maximum Incentive is a 200 basis points adder to return on equity
  - Maximum Penalty is a 200 basis points reduction to return on equity
  - Performance ranges vary based on utility and time period

Energy Efficiency – What is Changing under FEJA?

- **Voltage Optimization Measures**
  - What is Voltage Optimization – the deployment of technology to levelize and lower the voltage on a circuit, lower voltage results in lower consumption
  - Cost effective voltage optimization measures may be included in multi-year plans submitted by utilities
  - Costs incurred to implement measures recovered in delivery service rates
  - Measure life of 15 years

Energy Efficiency – Electric Customer Impact

- Electric EE charges set to zero starting in June for all customers
- Refund to customers for over collection through May 31, 2017 expected in fall of 2017
  - Any over collection must be returned as a one-time credit to customer bills
- Significantly reduced electric EE charges begin around October 2017 for non-exempt customers (reduction attributable to creation of regulatory asset and amortization, as allowed by law)
- Exempt customers no longer responsible for energy efficiency charges after June 1

Energy Efficiency – Gas Program Changes

- Recovery and Reconciliation Periods move to calendar year
  - Current Program Year = June – May
  - New Program Year = January – December
- Multi-year Planning Cycles
  - Program Years (both electric and gas) moving from June – May to January – December calendar years
  - Electric planning cycles – 1st two Plans are 4 years; 3rd Plan is 5 years
- EE programs previously delivered by DCEO for low income and public sector will be delivered by the utility
- All else remains as it is today