

ILLINOIS INSTITUTE OF REGULATORY POLICY STUDIES

THE ENERGY TRANSITION ACT

**Changes to Utility Ratemaking:
Distribution Grid Planning,
Multi-year Rate Plans
and Performance Metrics**

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THE OFFICE OF THE ATTORNEY GENERAL OF THE STATE OF ILLINOIS

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A Little History

1890 to 2011

“Rate of Return” or “Cost of Service” Regulation

- Weather and Sales Risk Borne by Shareholders
- Average Allowed- not guaranteed ROEs of 9.45 to 10.6% (in 21st century)
- Rate Stability for Consumers between rate cases
- Risk of large rate increases (lumpy)

2011 - 2022

Electric Distribution Formula Rate Regulation

- Weather and Sales Risk Borne by Consumers
- Guaranteed ROEs reflect 30 year T-bills, dropped from 10.05% in 2011 to 8.38% today
- Accelerated rate base spending- **Ameren: 67.09% increase to \$3.4 billion 2011-2021; ComEd: 84.02% increase to \$12.0 billion 2011-2021**
- Annual Rate Variability: average annual revenue increases for **Ameren=\$17 million** and for **ComEd = \$84.5 million**

Source for ROE and revenue increases: ICC Rate Case History



New and Old Ratemaking Options

- Return to rate of return regulation by Jan. 20, 2023 filing, with reconciliation of costs through effective date of new rates. §16-108.18(d)(9)(A); §16-108.25
- Multi-year rate plan - §16-108.18
 - Rates set for four years
 - annual changes possible
 - Measure for annual changes unspecified
 - Rate design in separate proceeding every three years
 - Utility may petition to change rates during the four year plan §16-108.18(d)(15)
 - ROE recovery to equal the ROE in the four-year plan, alone could increase rates \$180 million. *Id.* at (f)(6)(C)
 - Annual reconciliations to allow surcharges to guarantee utility ROE §16-108.18(f)(6)
 - 105% = \$ 136 million increase at current rates
 - Multiple exclusions from cap can lead to another \$204 million increased revenues based on current costs. *Id.* at (f)(6)(A)(ii)



Integrated Distribution Grid Planning





Integrated Distribution Grid Planning

- ICC to audit existing grid, report due 4/15/2022 §16-105.10
- Ameren Electric and ComEd subject to grid planning §16-105.17(c)
- Each utility to file its “capital investment proposal” §16-105.17(e)(5)
- Requires six workshops per utility beginning 01/01/2022 and concluding 5/31/2022 §16-105.17(d)(1)
- Workshops to examine each utility’s (i) historic distribution system investments for at least the 5 years prior to the year in which the workshop is held and (ii) planned investments for the 5-year period following the year in which the workshop is held. *Id.*
- Each utility to submit a plan to be publicly posted, respond to data requests, have a representative present to answer questions. §16-105.17(e)(5)
- The information provided pursuant to the workshop process is not binding on the utility §16-105.17(e)(5)



Grid Workshop Objectives

16-105.17(e)(2) The workshops shall be designed to achieve the following objectives:

- (A) review utilities' planned capital investments and supporting data;
- (B) review how utilities plan to invest in their distribution system in order to meet the system's projected needs;
- (C) review system and locational data on reliability, resiliency, DER, and service quality provided by the utilities;
- (D) solicit and consider input from diverse stakeholders, including representatives from environmental justice communities, geographically diverse communities, low-income representatives, consumer representatives, environmental representatives, organized labor representatives, third-party technology providers, and utilities;
- (E) consider proposals from utilities and stakeholders on programs and policies necessary to achieve the objectives in subsection (d) of this Section;
- (F) consider proposals applicable to each component of the utilities' Multi-Year Integrated Grid Plan filings under paragraph (2) of subsection (f) of this Section;
- (G) educate and equip interested stakeholders so that they can effectively and efficiently provide feedback and input to the electric utility; and
- (H) review planned capital investment to ensure that delivery services are provided at rates that are affordable to all customers, including low-income customers.





Grid Plan: Legislative Intent

Sec. 16-105.17.(a) The General Assembly finds that ensuring alignment of regulated utility operations, expenditures, and investments with public benefit goals, including safety, reliability, resiliency, affordability, equity, emissions reductions, and expansion of clean distributed energy resources, is critical to maximizing the benefits of the interconnected utility grid and cost-effective utility expenditures on the grid. It is the policy of the State to promote inclusive, comprehensive, transparent, cost-effective distribution system planning and disclosures processes that minimize long-term costs for Illinois customers and support the achievement of State renewable energy development and other clean energy, public health, and environmental policy goals. Utility distribution system expenditures, programs, investments, and policies must be evaluated in coordination with these goals. In particular, the General Assembly finds that:

- (1) Investment in infrastructure to support and enable existing and new distributed energy resources creates significant economic development, environmental, and public health benefits in the State.
- (2) Illinois' electricity distribution system must cost-effectively integrate renewable energy resources, including utility-scale renewable energy resources, community renewable generation, and distributed renewable energy resources, support beneficial electrification, including electric vehicle use and adoption, promote opportunities for third-party investment in nontraditional, grid-related technologies and resources such as batteries, solar photovoltaic panels, and smart thermostats, reduce energy usage generally and especially during times of greatest reliance on fossil fuels, and enhance customer engagement opportunities.
- (3) Inclusive distribution system planning is an essential tool for the Commission, public utilities, and stakeholders to effectively coordinate environmental, consumer, reliability, and equity goals at fair and reasonable costs, and for ensuring transparent utility accountability for meeting those goals.
- (4) Any planning process should advance Illinois energy policy goals while ensuring utility investments are cost-effective. Such a process should maximize the sharing of information, minimize overlap with existing filing requirements to ensure robust stakeholder participation, and recognize the responsibility of the utility to manage the grid in a safe, reliable manner.
- (5) The General Assembly is concerned that, in the absence of a transparent, meaningful distribution system planning process, utility investments may not always serve customers' best interests, appropriately promote the expansion of clean distributed energy resources, and advance equity and environmental justice.
- (6) The General Assembly is also encouraged by the opportunities presented by nontraditional solutions to utility, customer, and grid needs that may be more efficient and cost-effective, and less environmentally harmful than traditional solutions. Nontraditional solutions include distributed energy resources owned or implemented by customers and independent third parties, controllable load, beneficial electrification, or rate design that encourages efficient energy use.
- (7) The General Assembly finds that Illinois utilities' current processes for planning their distribution system should be made more accessible and transparent to individuals and communities, and that more inclusive and accessible distribution system planning processes would be in the interests of all Illinois residents.
- (8) The General Assembly finds it would be beneficial to require utilities to demonstrate how their spending promotes identified State clean energy goals, such as integrating renewable energy, empowering customers to make informed choices, supporting electric vehicles, beneficial electrification, and energy storage, achieving equity goals, enhancing resilience, and maintaining reliability.

The General Assembly therefore directs the utilities to implement distribution system planning as described in this Section in order to accelerate progress on Illinois clean energy and environmental goals and hold electric utilities publicly accountable for their performance.



Grid Plan: Statutory Objectives

(d) The Multi-Year Integrated Grid Plan ("the Plan") shall be designed to:

- (1) ensure coordination of the State's renewable energy goals, climate and environmental goals with the utility's distribution system investments, and programs and policies over a 5-year planning horizon to maximize the benefits of each while ensuring utility expenditures are cost-effective;
- (2) optimize utilization of electricity grid assets and resources to minimize total system costs;
- (3) support efforts to bring the benefits of grid modernization and clean energy, including, but not limited to, deployment of distributed energy resources, to all retail customers, and support efforts to bring at least 40% of the benefits of those benefits to Equity Investment Eligible Communities. Nothing in this paragraph is meant to require a specific amount of spending in a particular geographic area;
- (4) enable greater customer engagement, empowerment, and options for energy services;
- (5) reduce grid congestion, minimize the time and expense associated with interconnection, and increase the capacity of the distribution grid to host increasing levels of distributed energy resources, to facilitate availability and development of distributed energy resources, particularly in locations that enhance consumer and environmental benefits;
- (6) ensure opportunities for robust public participation through open, transparent planning processes.
- (7) provide for the analysis of the cost-effectiveness of proposed system investments, which takes into account environmental costs and benefits;
- (8) to the maximum extent practicable, achieve or support the achievement of Illinois environmental goals, including those described in Section 9.10 of the Environmental Protection Act and Section 1-75 of the Illinois Power Agency Act, and emissions reductions required to improve the health, safety, and prosperity of all Illinois residents;
- (9) support existing Illinois policy goals promoting the long-term growth of energy efficiency, demand response, and investments in renewable energy resources;
- (10) provide sufficient public information to the Commission, stakeholders, and market participants in order to enable nonemitting customer-owned or third-party distributed energy resources, acting individually or in aggregate, to seamlessly and easily connect to the grid, provide grid benefits, support grid services, and achieve environmental outcomes, without necessarily requiring utility ownership or controlling interest over those resources, and enable those resources to act as alternatives to utility capital investments; and
- (11) provide delivery services at rates that are affordable to all customers, including low-income customers.



Grid Plan Include a Wide Range of Topics -1

16-105.17(f) Multi-Year Integrated Grid Plan.

(2) In order to ensure electric utilities' ability to meet the goals and objectives set forth in this Section, the Multi-Year Integrated Grid Plans must include, at minimum, the following information:

(A) **A description of the utility's distribution system planning process**, including:

(i) the overview of the process, including frequency and duration of the process, roles, and responsibilities of utility personnel and departments involved;

(ii) a summary of the meetings with stakeholders conducted prior to filing of the plan with the Commission.

(iii) the description of any coordination of the processes with any other planning process internal or external to the utility, including those required by a regional transmission

operator.

(B) A detailed description of the **current operating conditions** for the distribution system separately presented for each of the utility's operating areas, where possible, including a detailed description, with supporting data, of system conditions, including baseline data regarding the utility's distribution system from the utility's annual report to the Commission, total distribution system substation capacity in kVa, total miles of

primary overhead distribution wire, and total miles of primary underground distribution cable, distributed energy resource deployment by type, size, customer class, and geographic dispersion as to those DERs that have completed the interconnection process, the most current distribution line loss study, current and expected System Average Interruption Frequency Index and Customer Average Interruption Duration Index data for the system, identification of the system model software currently used and planned software deployments, and other data needs as requested by the Commission or as determined through Commission rules. The description shall also include the utility's most recent system load and peak demand forecast for at least the next 5 years, and up to 10 years if available, a discussion of how the forecast was prepared and how distributed energy resources and energy efficiency were factored into the forecast, and identification of the forecasting software currently used and planned software deployments.



Grid Plan Include a Wide Range of Topics -2

(C) Financial Data.

- (i) For each of the preceding 5 years, the utility's distribution system investments by the investment categories tracked by the utility, including, but not limited to, new business, facility relocation, capacity expansion, system performance, preventive maintenance, corrective maintenance, the total amount of investments associated with the integration of DERs, the total amount of charges to DER developers and retail customers for interconnection of DERs to the distribution system, and a list of each major investment category the utility used to maintain its routine standing operational activities and the associated plant in service amount for each category in which the plant in service amount is at least \$2,000,000;
- (ii) For each of the preceding 5 years, data on and a discussion of the utility's distribution system operation and maintenance expenses;
- (iii) A 5-year long-range forecast of distribution system capital investments and operational and maintenance expenses, including a discussion of any projections for expenses for the categories listed in subparagraph (i) of this item (C).

(D) **System data on DERs** on the utility's distribution system, including the total number and nameplate capacity of DERs that completed interconnection in the prior year, current DER deployment by type, size, and geographic dispersion, to the extent that granular geographic information does not disclose personally identifiable information, and other data as requested by the Commission or determined by Commission rules.

(E) Hosting Capacity and Interconnection Requirements.

- (i) The utility shall make available on its website the hosting capacity analysis results that shall include mapping and GIS capability, as well as any other requirements requested by the Commission or determined through Commission rules. The plan shall identify where the hosting capacity analysis results shall be made publicly available. This shall also include an assessment of the impact of utility investments over the next 5 years on hosting capacity and a narrative discussion of how the hosting capacity analysis advances customer-sited distributed energy resources, including electric vehicles, energy storage systems, and photovoltaic resources, and how the identification of interconnection points on the distribution system will support the continued development of distributed energy resources.
- (ii) Discussion of the utility's interconnection requirements and how they comply with the Commission's applicable regulations.



Grid Plan Include a Wide Range of Topics - 3

(F) Identification and discussion of the scenarios considered in the development of the utility's Multi-Year Integrated Grid Plan, including DER scenarios, and discussion of base-case and alternative scenarios, how the scenarios were developed and selected, and how the scenarios include a reasonable mix of DERs scenarios, types, and geographic dispersion. Scenarios shall at least consider the 5-year forecast horizon of the Multi-Year Integrated Grid Plan, but may also consider longer-term scenarios where data is available. The plan shall also include requirements requested by the Commission or determined through Commission rules.

(G) An evaluation of the short-term and long-run benefits and costs of distributed energy resources located on the distribution system, including, but not limited to, the locational, temporal, and performance-based benefits and costs of distributed energy resources. The utility shall use the results of this evaluation to inform its analysis of Solution Sourcing Opportunities, including nonwires alternatives, under subparagraph (K) of paragraph (2) subsection (f) of this Section. The Commission may use the data produced through this evaluation to, among other use-cases, inform the Commission's investigation and establishment of tariffs and compensation for distributed energy resources interconnecting to the utility's distribution system, including rebates provided by the electric utility pursuant to Section 16-107.6 of this Act.

(H) Long-term Distribution System Investment Plan.

(i) The utility's planned distribution capital investments for the period covered by the planning process required by this Section, by the investment categories used by the utility, and with discussion of any individual planned projects with a planned total investment gross amount of \$3,000,000 or more and of the alternatives considered by the utility to such individual projects including any non-traditional alternatives and DER alternatives, and supporting data. This shall provide sufficiently detailed explanations of how the planned investments shall support the goals in subsection (d) of this Section.

(ii) Discussion of how the utility's capital investments plan is consistent with Commission orders regarding the procurement of renewable resources as discussed in Section 16-111.5 of this Act, energy efficiency plans as discussed in Section 8-103B, distributed generation rebates as discussed in Section 16-107.6, and any other Commission order affecting the goals described in subsection (d) of this Section.

(iii) A plan for achieving the applicable metrics that were approved by the Commission for the utility pursuant to subsection (e) of Section 16-108.18 of this Act.



Grid Plan Include a Wide Range of Topics - 4

- (iv) A narrative discussion of the utility's vision for the distribution system over the next 5 years.
- (v) Any additional information requested by the Commission or determined through Commission rules.
- (I) A detailed description of historic distribution system operations and maintenance expenditures for the preceding 5 years and of planned or projected operations and maintenance expenditures for the period covered by the planning process required by this Section, as well as the data, reasoning and explanation supporting planned or projected expenditures. Any additional information requested by the Commission or determined through Commission rules.
- (J) A detailed plan for achieving the applicable metrics that were approved by the Commission for the utility pursuant to subsection (e) of Section 16-108.18 of this Act, including, but not limited to, the following:
 - (i) A description of, exclusive of low-income rate relief programs and other income-qualified programs, how the utility is supporting efforts to bring 40% of benefits from programs, policies, and initiatives proposed in their Multi-Year Integrated Grid Plan to ratepayers in low-income and environmental justice communities. This shall also include any information requested by the Commission or determined through Commission rules. Nothing in this subparagraph is meant to require a specific amount of spending in a particular geographic area.
 - (ii) A detailed analysis of current and projected flexible resources, including resource type, size (in MW and MWh), location and environmental impact, as well as anticipated needs that can be met using flexible resources, to meet the goals described in subsection (d) of this Section, to meet the applicable metrics that were approved by the Commission for the utility pursuant to subsection (e) of Section 16-108.18 of this Act, and any other Commission order affecting the goals described in subsection (d) of this Section.
 - (iii) Any additional information requested by the Commission or determined through Commission rules.
- (K) Identification of potential cost-effective solutions from nontraditional and third-party owned investments that could meet anticipated grid needs, including, but not limited to, distributed energy resources procurements, tariffs or contracts, programmatic solutions, rate design options, technologies or programs that facilitate load flexibility, nonwires alternatives, and other solutions that are intended to meet the objectives described at subsection (d). It is the policy of this State that cost-effective third-party or customer-owned distributed energy resources create robust competition and customer choice and shall be considered as appropriate. The Commission shall establish rules determining data or methods for Solution Sourcing Opportunities.



Grid Plan Include a Wide Range of Topics - 5

(L) A detailed description of the utility's interoperability plan, which must describe the manner in which the electric utility's current and planned distribution system investments will work together and exchange information and data, the extent to which the utility is implementing open standards and interfaces with third-party distributed energy resource owners and aggregators, and the utility's plan for interoperability testing and certification.

(3) To the extent any information in utilities' Multi-Year Integrated Grid Plans is designated as confidential and proprietary under the Commission's rules, the proponent of the designation shall have the burden of making the requisite showing under the Commission's rules.

... Confidentiality ...

(4) It is the policy of this State that holistic consideration of all related investments, planning processes, tariffs, rate design options, programs, and other utility policies and plans shall be required. To that end, the Commission shall consider, comprehensively, the impact of all related plans, tariffs, programs, and policies on the Plan and on each other, including:

(A) time-of-use pricing program pursuant to Section 16-107.7 of this Act, hourly pricing program pursuant to Section 16-107 of this Act, and any other time-variant or dynamic pricing program;

(B) distributed generation rebate pursuant to Section 16-107.6 of this Act;

(C) net electricity metering, pursuant to Section 16-107.5 of this Act;

(D) energy efficiency programs pursuant to Section 8-103B of this Act;

(E) beneficial electrification programs pursuant to Section 16-107.8 of this Act;





Grid Plan Include a Wide Range of Topics - 6

(F) Equitable Energy Upgrade Program pursuant to Section 16-111.10 of this Act;

(G) renewable energy programs and procurements set forth in the Illinois Power Agency Act, including, but not limited to, those set forth in the long-term renewable resources procurement plan developed pursuant to Section 1-20 of that Act; and

(H) other plans, programs, and policies that are relevant to distribution grid investments, costs, planning, and other categories as requested by the Commission.

The Plan shall comprehensively detail the relationship between these plans, tariffs, and programs and to the electric utility's achievement of the objectives in subsection (d). The Plan shall be designed to coordinate each of these plans, programs, and tariffs with the electric utility's long-term distribution system investment planning in order to maximize the benefits of each.





Grid Planning: Due Dates

- Six workshops per utility 1/1/2022 through 5/31/2022
- Workshop report due **7/1/2022**, subject to comment.
- By **8/1/2022** the Commission shall initiate a docket with grid plan requirements in addition to statutory requirements; Utilities' Multi-Year Integrated Grid Plans due **1/20/2023**

§16-105.17(e)(7), (8), (f)(1)

- Multi-Year Integrated Grid Plan and Multi-year Rate plan to be consolidated

§16-108.18(d)(2), (12)

- An order approving the grid plan is due **12/15/2023**; An order approving the multi-year rate plan due **12/20/2023**

§ § 16-105.17(f)(5)(C); 16-108.18(d)(1)





Multi-Year Rate Plan Performance Metrics, Incentives, and Penalties





Multi-year Rate Plan to Include Performance Metrics & Incentives

- Workshops through **10/31/2022**; Report due “after **November 1, 2022**,” subject to comment §16-108.18(d)(4)
- Utilities electing multi-year rate plan to file proposed performance metrics and incentive mechanism by **1/20/2022** §16-108.18(d)(6)(A)
- Order due **9/30/2022**, PIMS effective **1/1/2024** §16-108.18(e)(6)(A)
- Performance incentive mechanisms (PIMS) can increase or decrease guaranteed ROE by 20-60 basis points; incentives and penalties must be symmetrical overall §16-108.18(e)(2)(B)
- There can be no more than eight PIMs, with at least one in each of the six categories §16-108.18(e)(2)(A)
- PIMs and metrics must ensure no degradation in performance and include incremental improvement over 4-10 years §16-108.18(e)(2)





Effect on Existing Tracking Metrics and PIMS?

Today, ComEd and Ameren file annual reports on:

- Reliability, 83 Ill. Adm. Code 410, implementing §16-125 of the PUA
- Infrastructure plan, spending, jobs §16-108.5(b)*
- AMI, plan, activities, reporting §16-108.6*
- Residential rate and bill changes AMI reports*
- Performance Metrics, annual reporting §16-108.5(f)*
- Net Metering, # customers, capacity, type §16-107.5(k)
- Credit and collections reporting §8-201.10
- Other...

Will tracking metrics build on existing reporting?

How do 8 PIMs relate to existing tracking metrics?

*For infrastructure/AMI related reports: <https://icc.illinois.gov/industry-reports/infrastructure-investment-plans>



Performance, Tracking Metrics and PIMS Can Cover A Broad Range of Areas and Issues - 1

16-108.18(c) Through coordinated, comprehensive system planning, ratemaking, and performance incentives, the performance-based ratemaking framework should be designed to accomplish the following objectives:

- (1) maintain and improve service reliability and safety, including and particularly in environmental justice, low-income and equity investment eligible communities;
- (2) decarbonize utility systems at a pace that meets or exceeds State climate goals, while also ensuring the affordability of rates for all customers, including low-income customers;
- (3) direct electric utilities to make cost-effective investments that support achievement of Illinois' clean energy policies, including, at a minimum, investments designed to integrate distributed energy resources, comply with critical infrastructure protection standards, plans, and industry best practices, and support and take advantage of potential benefits from the electric vehicle charging and other electrification, while mitigating the impacts;
- (4) choose cost-effective assets and services, whether utility-supplied or through third-party contracting, considering both economic and environmental costs and the effects on utility rates, to deliver high-quality service to customers at least cost;





Performance, Tracking Metrics and PIMS Can Cover A Broad Range of Areas and Issues - 2

- (5) maintain the affordability of electric delivery services for all customers, including low-income customers;
- (6) maintain and grow a diverse workforce, diverse supplier procurement base and, for relevant programs, diverse approved-vendor pools, including increased opportunities for minority-owned, female-owned, veteran-owned, and disability-owned business enterprises;
- (7) improve customer service performance and engagement;
- (8) address the particular burdens faced by consumers in environmental justice and equity investment eligible communities, including shareholder, consumer, and publicly funded bill payment assistance and credit and collection policies, and ensure equitable disconnections, late fees, or arrearages as a result of utility credit and collection practices, which may include consideration of impact by zip code; and
- (9) implement or otherwise enhance current supplier diversity programs to increase diverse contractor participation in professional services, subcontracting, and prime contracting opportunities with programs that address barriers to access. Supplier diversity programs shall address specific barriers related to RFP and contract access, access to capital, information technology and cyber security access and costs, administrative burdens, and quality control with specific metrics, outcomes, and demographic data reported.





Annual reports and evaluation of PIMS - 1

Section 16-108.18(f)

- Commission to establish requirements for annual performance metrics evaluation reports.
§16-108.18(d)(11)
- Performance metrics shall include a description of the metric, a calculation method, a data collection method, annual performance targets
§16-108.18(e)(2)(B)
- On **February 15 of each year**, the utility shall file a annual Performance Evaluation Report including a description of data supporting how the utility performed under each performance metric and any extraordinary events that adversely affected performance.
§16-108.18(f)(1)
- On **May 1 of each year**, the Commission opens performance evaluation proceeding to evaluate the utilities' performance and determine the Annual Adjustment
§16-108.18(f)





Annual reports and evaluation of PIMS - 2

- The Commission to retain an independent evaluator that will file its evaluation of utility performance each year. ***Discrepancies between the utility's assumptions, baselines, targets, or calculations and those of the independent evaluator shall be closely scrutinized by the Commission***, which may require the utility to revise its data collection and calculation process within 60 days, with specifications where appropriate.
§16-108.18(f)(3)
- If the Commission finds that the utility's reported data for any metric or metrics ***significantly and incorrectly deviates*** from the data reported by the independent evaluator, then the Commission shall order the utility to revise its data collection and calculation process within 60 days, with specifications where appropriate. *Id.*
- If assumed technology not implemented, utility can request to be excused from compliance.
§16-108.18(f)(2)
- Adjustments to be applied through a surcharge in the following calendar year.
§16-108.18(f)(4)



Annual Review of Investments – 1

Section 16-108.18(f)(5) & (6): Quarterly reports on investments

(5) In order to promote the transparency of utility investments during the effective period of a multi-year rate plan, inform the Commission's investigation and adjustment of rates in the annual adjustment process, and to facilitate the participation of stakeholders in the annual adjustment process, an electric utility with an effective Multi-Year Rate Plan shall, within 90 days of the close of each quarter during the Multi-Year Rate Plan period, submit to the Commission a report that summarizes the additions to utility plant that were placed into service during the prior quarter, which for purposes of the report shall be the most recently closed fiscal quarter. The report shall also summarize the utility plant the electric utility projects it will place into service through the end of the calendar year in which the report is filed. The projections, estimates, plans, and forward-looking information that are provided in the reports pursuant to this paragraph (5) are for planning purposes and are intended to be illustrative of the investments that the utility proposes to make as of the time of submittal. Nothing in this paragraph (5) precludes, or is intended to limit, a utility's ability to modify and update its projections, estimates, plans, and forward-looking information previously submitted in order to reflect stakeholder input or other new or updated information and analysis, including, but not limited to, changes in specific investment needs, customer electric use patterns, customer applications and preferences, and commercially available equipment and technologies, however the utility shall explain any changes or deviations between the projected investments from the quarterly reports and actual investments in the annual report. The reports submitted pursuant to this subsection are intended to be flexible planning tools, and are expected to evolve as new information becomes available. Within 7 days of receiving a quarterly report, the Commission shall timely make such report available to the public by posting it on the Commission's website. Each quarterly report shall include the following detail:

(A) The total dollar value of the additions to utility plant placed in service during the prior quarter;



Annual Review of Investments - 2

(B) A list of the major investment categories the electric utility used to manage its routine standing operational activities during the prior quarter including the total dollar amount for the work reflected in each investment category in which utility plant in service is equal to or greater than \$2,000,000 for an electric utility that serves more than 3,000,000 customers in the State or \$500,000 for an electric utility that serves less than 3,000,000 customers but more than 500,000 customers in the State as of the last day of the quarterly reporting period, as well as a summary description of each investment category;

(C) A list of the projects which the electric utility has identified by a unique investment tracking number for utility plant placed in service during the prior quarter for utility plant placed in service with a total dollar value as of the last day of the quarterly reporting period that is equal to or greater than \$2,000,000 for an electric utility that serves more than 3,000,000 customers in the State or \$500,000 for an electric utility that serves less than 3,000,000 retail customers but more than \$500,000 retail customers in the State, as well as a summary of each project;

(D) The estimated total dollar value of the additions to utility plant projected to be placed in service through the end of the calendar year in which the report is filed;

(E) A list of the major investment categories the electric utility used to manage its routine standing operational activities with utility plant projected to be placed in service through the end of the calendar year in which the report is filed, including the total dollar amount for the work reflected in each investment category in which utility plant in service is projected to be equal to or greater than \$2,000,000 for an electric utility that serves more than 3,000,000 customers in the State or \$500,000 for an electric utility that serves less than 3,000,000 retail customers but more than 500,000 retail customers in the State, as well as a summary description of each investment category; and

(F) A list of the projects for which the electric utility has identified by a unique investment tracking number for utility plant projected to be placed in service through the end of the calendar year in which the report is filed with an estimated dollar value that is equal to or greater than \$2,000,000 for an electric utility that serves more than 3,000,000 customers in the State or \$500,000 for an electric utility that serves less than 3,000,000 retail customers but more than \$500,000 retail customers in the State, as well as a summary description of each project.



Effects on Rates





Miscellaneous Provisions Affecting Rates

- Excess Deferred Income Tax **Refund** by December 31, 2025 (§16-108.21)
ComEd = \$389.26 million Ameren = \$39.2 million
- Energy Transition Assistance Fund: \$180 million per year statewide
20 ILCS 605/605-1075(d)(1)
- Increased Renewable Portfolio Standard Charges, changed baseline and cap increased from 2.015% to 4.25% 20 ILCS 3855/1-75(c)(1)(E)
- Increased Energy Efficiency Charges, increase from 3.5% to 4.0%
220 ILCS 5/8-103B(m)
- Carbon Mitigation Credit Charges 20 ILCS 3855/1-75(d-10)





Ratemaking Implications

- ROE/profit set by Commission, not by formula
 - How will the ROE compare to the formula ROE? Large rate base and plant additions magnify effect of increased ROE
 - How will the reduction in risk resulting from the annual true-up affect the ROE compared to utilities that lack a comprehensive annual true-up mechanism?
 - Large increase in rate base not hampered by lower ROE in formula rates
 - How will the performance incentives affect the ROE?
- Substantially increased rates possible, requiring phase-in?
 - All else equal, bringing ROE for 2022 up to national average for NON-formula rate utilities would add ~\$180 m to the 2022 filing year revenue requirement
 - Measures to relieve rate shock, included limited phase-in to two steps, requires the recovery of carrying charges at the WACC §16-108.18(d)(13), (14)



Thank you & Good Luck!



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