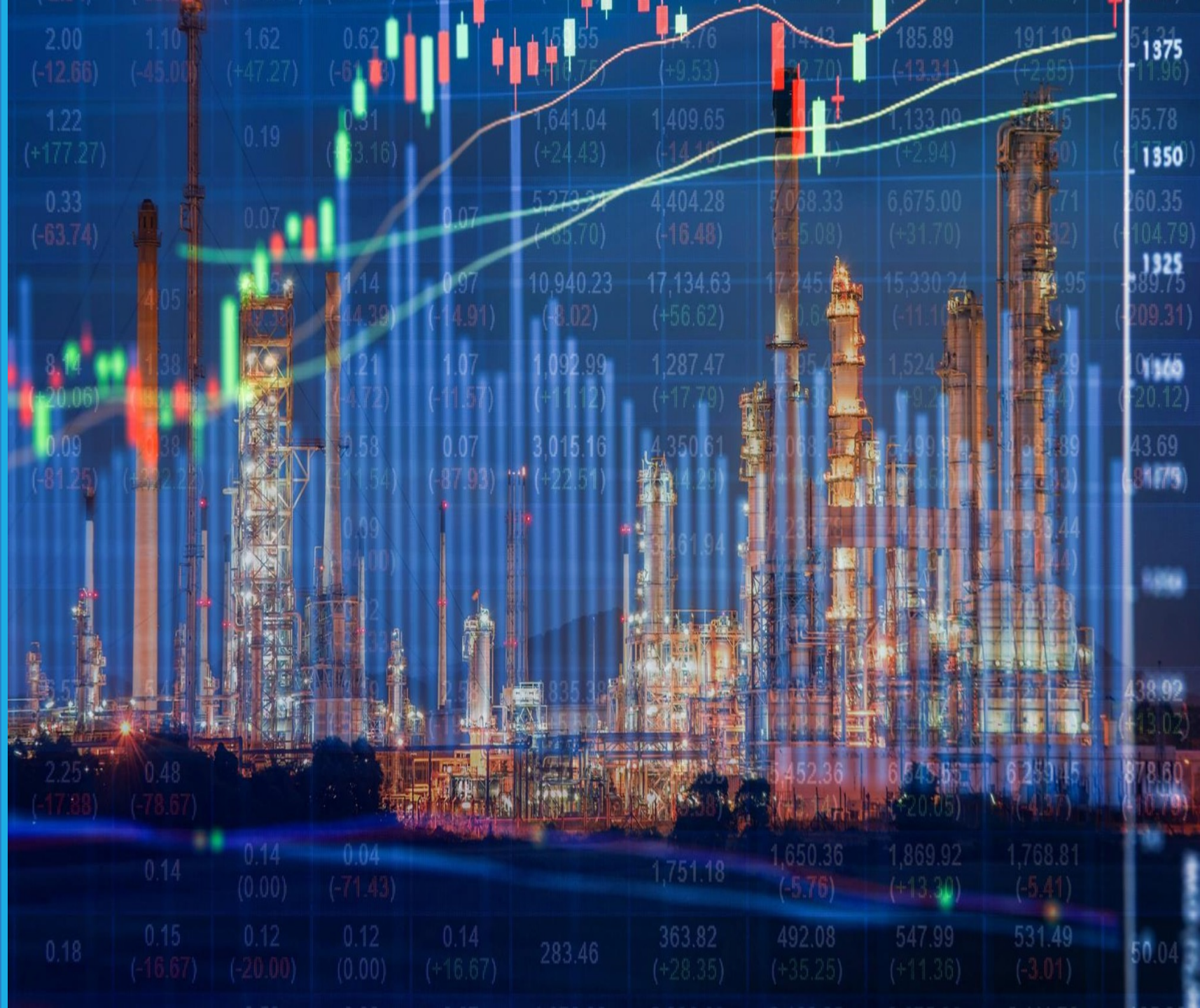


Energy Academy

Session #4: Energy Policy

Metropolitan Mayors Caucus |
The Power Bureau

March 1, 2023



AGENDA

HOUSEKEEPING

- Course-related items

RESOURCES

- Readings
- Website of the Week

LECTURE

- Policy Drivers
- State Energy Policies: PUA, Choice Law, IPA, EIMA, FEJA, CEJA
- Federal Energy Policies: IIJA, IRA

DISCUSSION

- Open



HOUSEKEEPING

HOUSEKEEPING

Announcements
from MMC

Cheryl and Edith

Requests for
Specific Course
Items

We are completing the background portion of the course, and will be moving into more specific topics in the next few sessions
Are there specific issues that the attendees would like for us to cover in the next few sessions?

Recommendations

As always, please feel free to share any ideas and recommendations for improvements to the course and its content!



RESOURCES

RESOURCES

Weekly Readings

Wholesale Energy Market Education

Link: [PJM Learning Center](#)

Source: PJM Interconnection

Description: In-depth training modules and information related to how PJM manages and balances wholesale energy markets to ensure system reliability.

Monthly Electricity Use Statistics

Link: [ICC Electric Switching Statistics](#)

Source: Illinois Commerce Commission

Description: Monthly record of utility electricity deliveries to each customer rate class (number of customers, volume of consumption, supplier type).

Electricity Supplier Complaint Data

Link: [ICC Customer Complaint Statistics](#)

Source: Illinois Commerce Commission

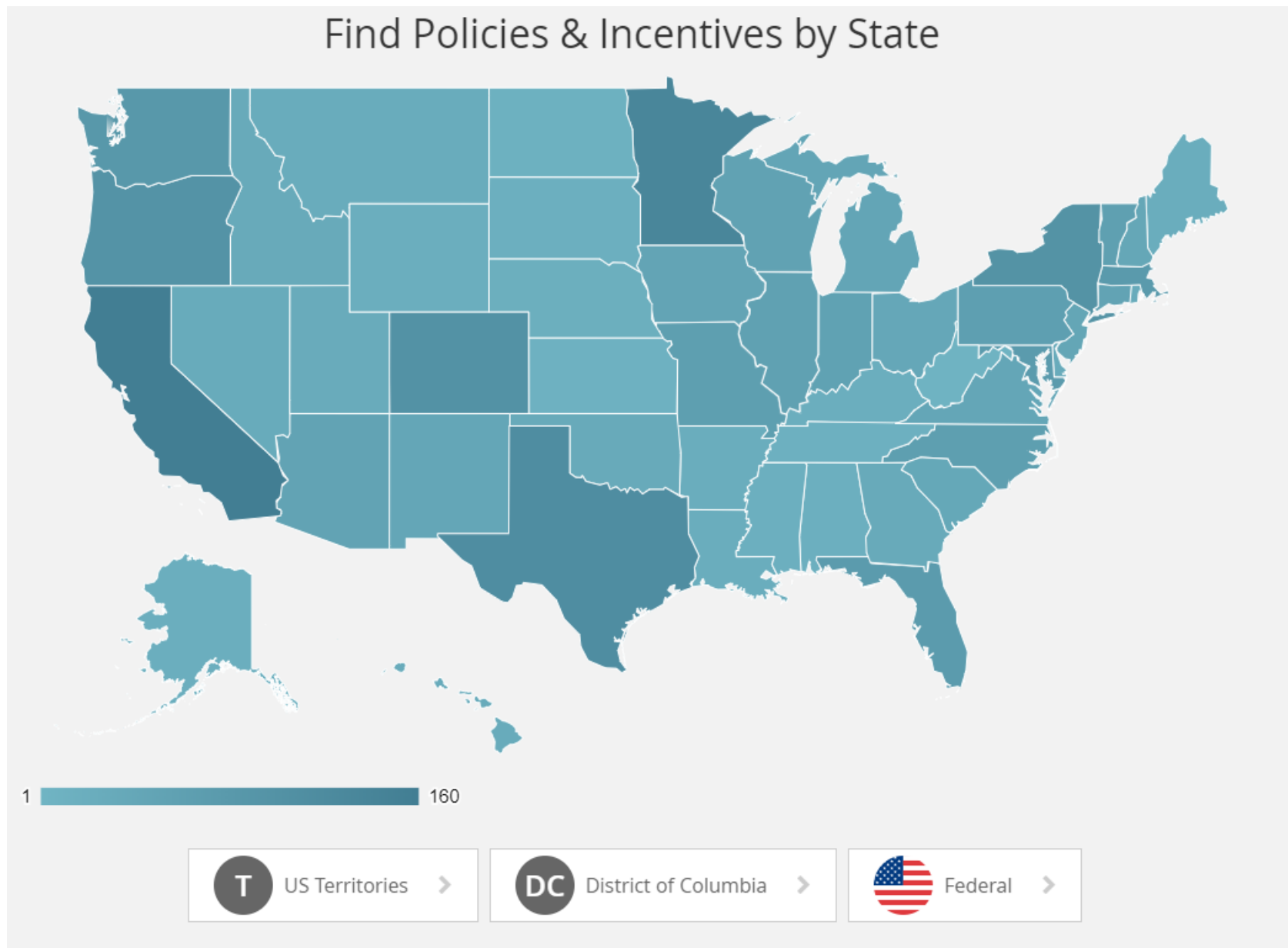
Description: A scorecard that shows how each of the retail electric suppliers' rate of complaints compares to the average rate of complaints for the entire residential market updated each month.

Easy access to state level data

WEBSITE OF THE WEEK

Database of State Incentives for
Renewables & Efficiency (North Carolina
Clean Technology Center)

<https://www.dsireusa.org/>

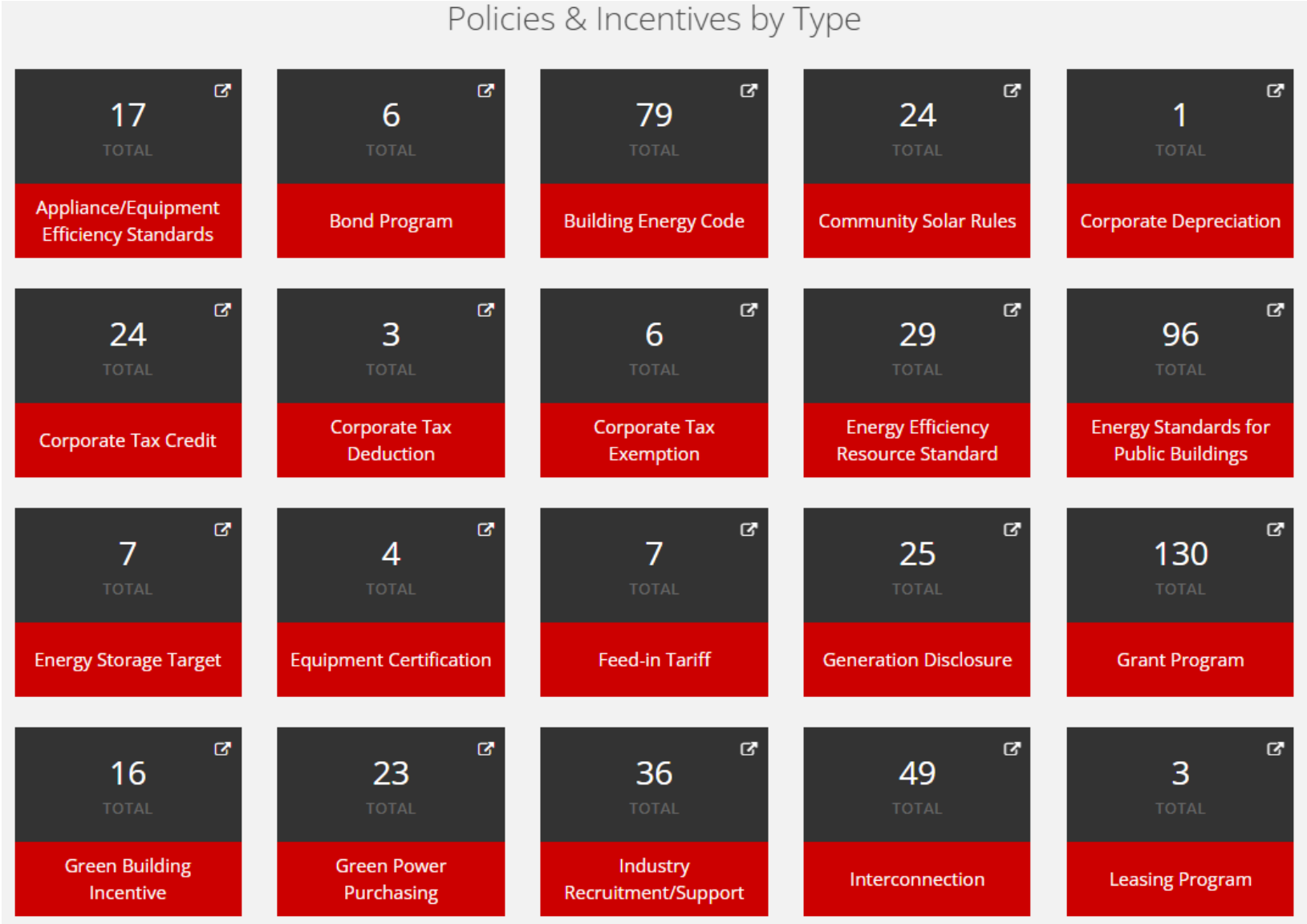


Organized by type for efficient drill-down to the program level

WEBSITE OF THE WEEK

Database of State Incentives for Renewables & Efficiency (North Carolina Clean Technology Center)

<https://www.dsireusa.org/>



Comprehensive list of links to international, national, federal, state, and regional organizations and resources

WEBSITE OF THE WEEK

Database of State Incentives for
Renewables & Efficiency (North Carolina
Clean Technology Center)

<https://www.dsireusa.org/>

Other Resources

National Organizations
Federal Resources
State Organizations
Regional Organizations
International Organizations
Energy Tools

National Organizations

- Alliance to Save Energy (ASE)
- American Council for an Energy-Efficient Economy (ACEEE)
- American Council On Renewable Energy (ACORE)
- American Public Power Association (APPA)
- American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE)
- American Solar Energy Society (ASES)
- American Wind Energy Association (AWEA)
- Biomass Energy Resource Center
- Biomass Power Association
- Biomass Thermal Energy Council (BTEC)
- Center for Resource Solutions (CRS)
- Clean Energy States Alliance (CESA)
- Combined Heat & Power Association (CHPA)
- Environmental and Energy Study Institute (EESI)



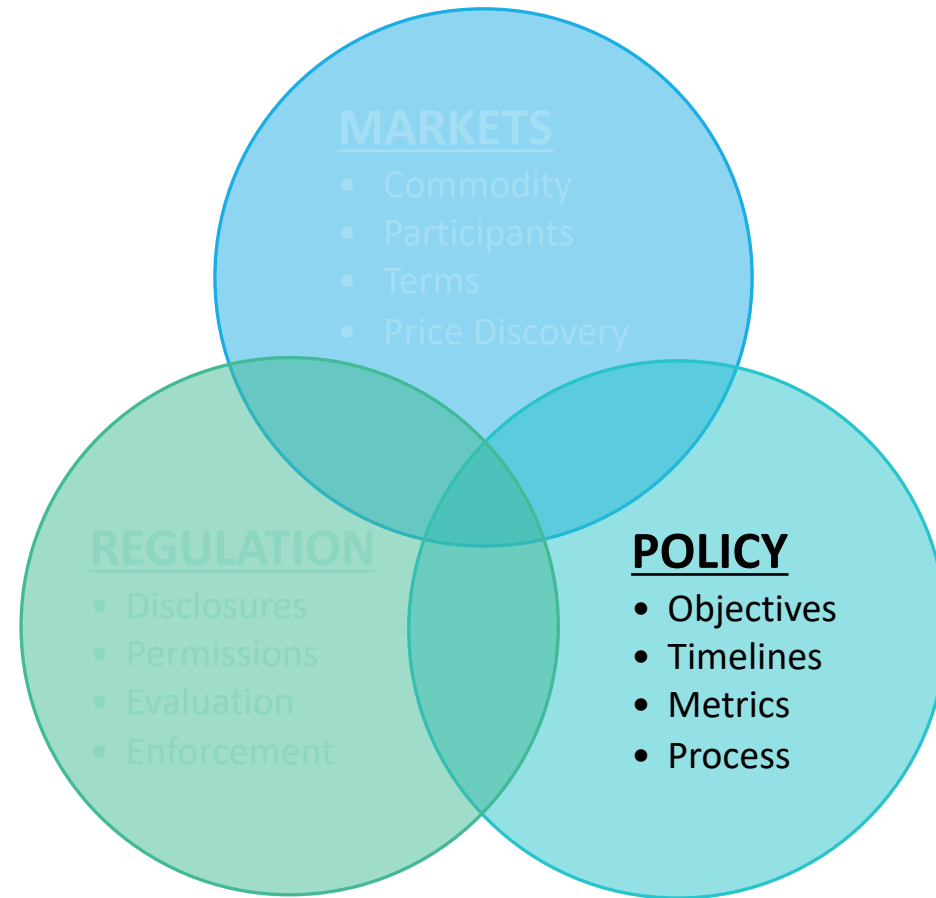
LECTURE

Energy Policy does not exist in a vacuum

ENERGY POLICY

POLICY DRIVERS

- Critical Elements
- Alignment
- Mis-alignment

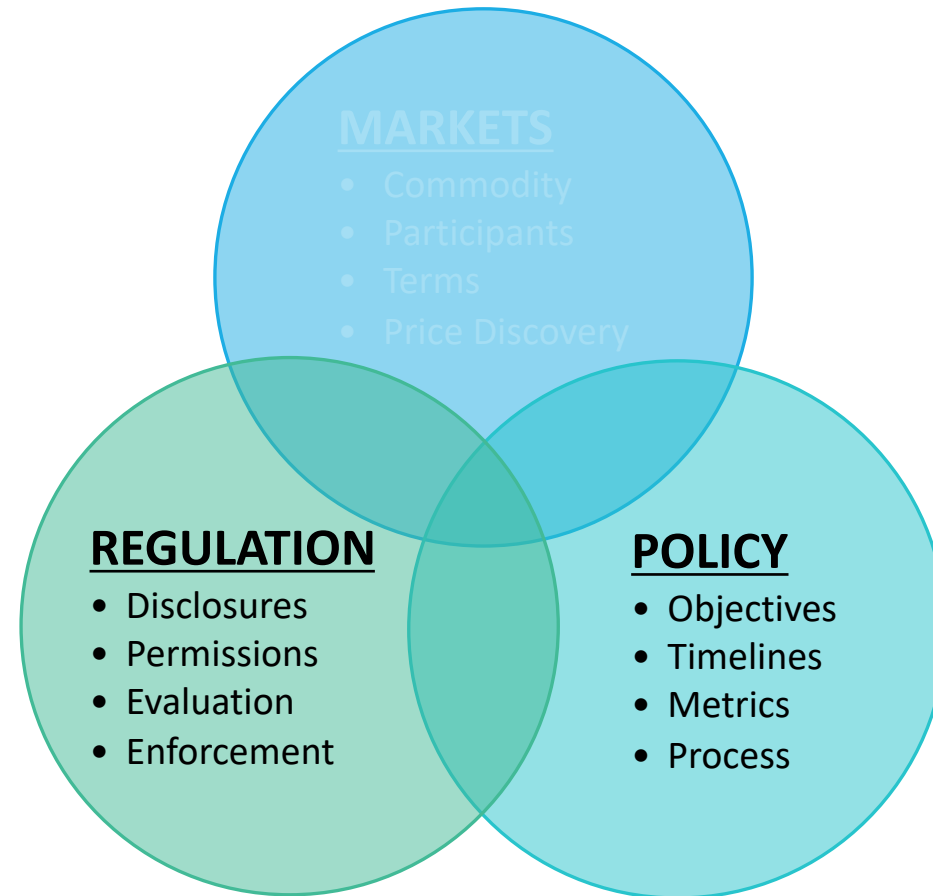


Energy Policy must allow for appropriate Regulation

ENERGY POLICY

POLICY DRIVERS

- Critical Elements
- Alignment
- Mis-alignment

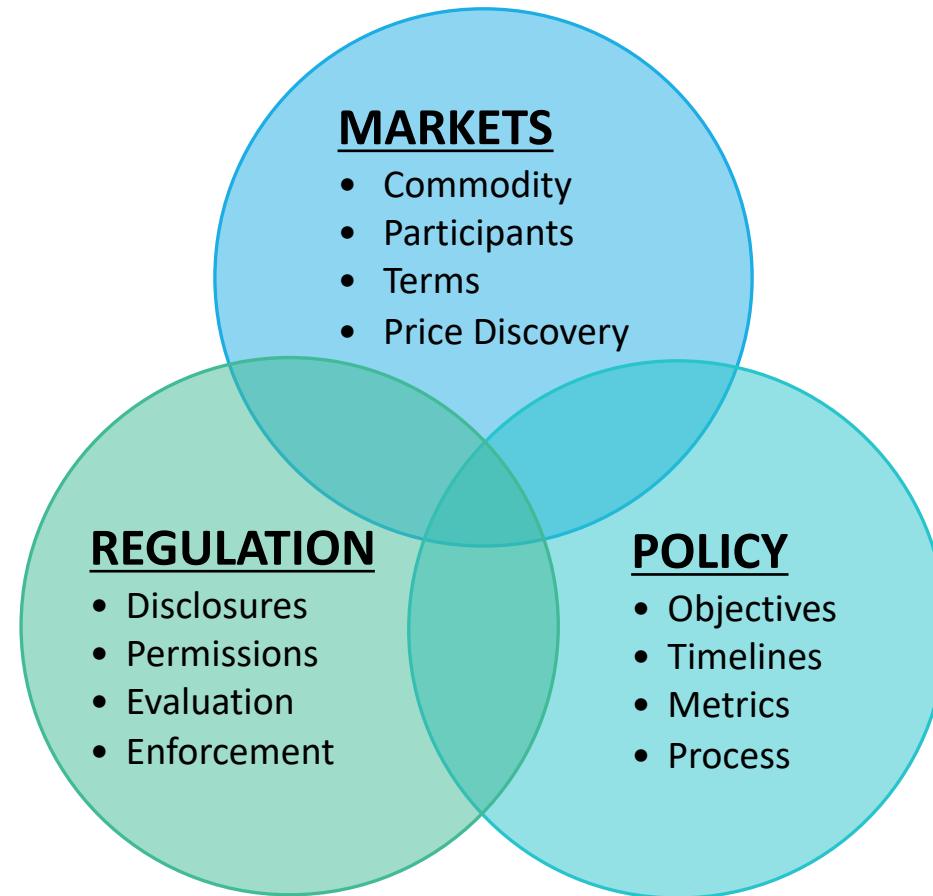


Energy Policy must also consider how Energy Markets operate

ENERGY POLICY

POLICY DRIVERS

- Critical Elements
- Alignment
- Mis-alignment

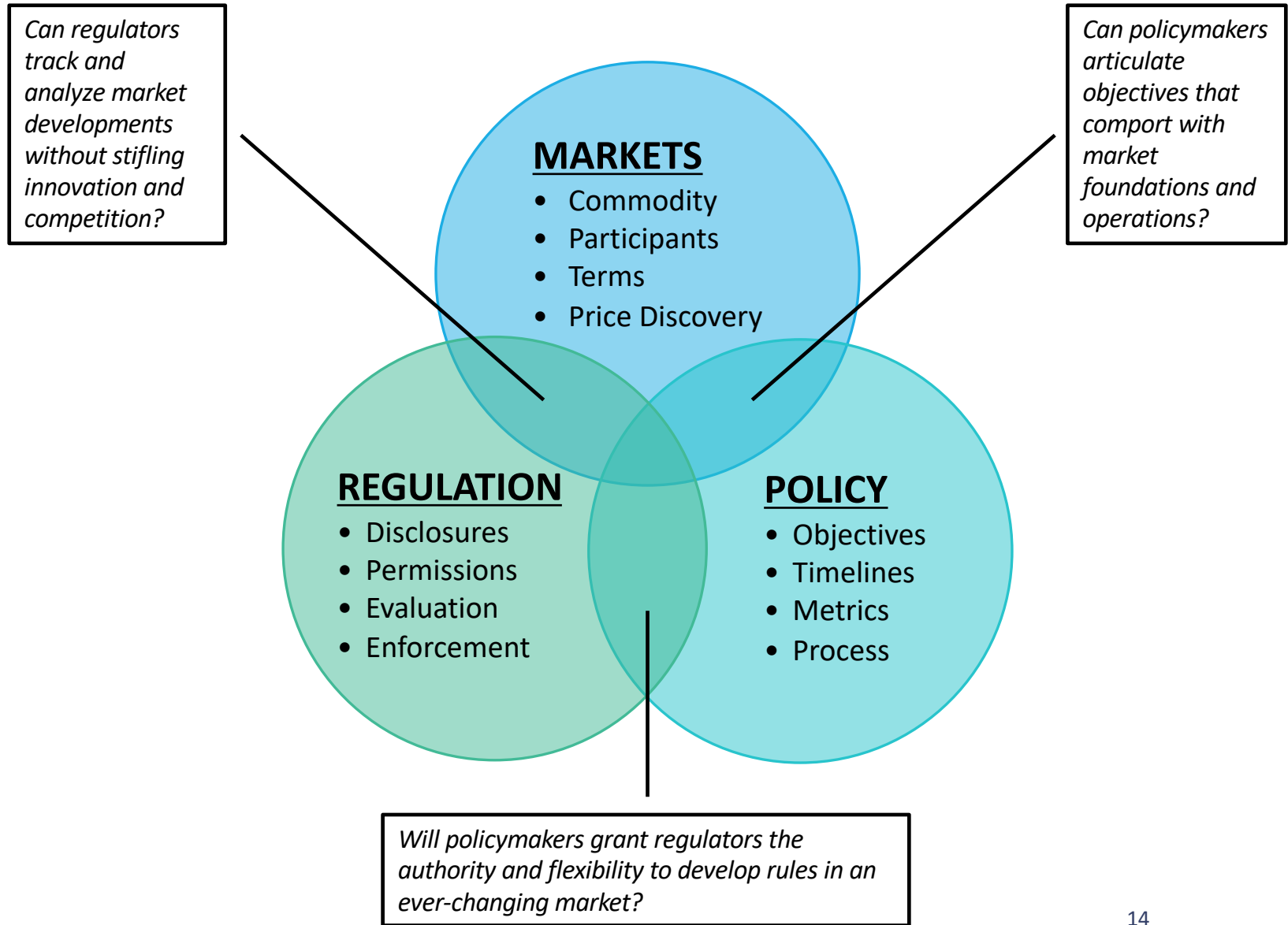


Alignment is critical – Misalignment can derail the Policy

ENERGY POLICY

POLICY DRIVERS

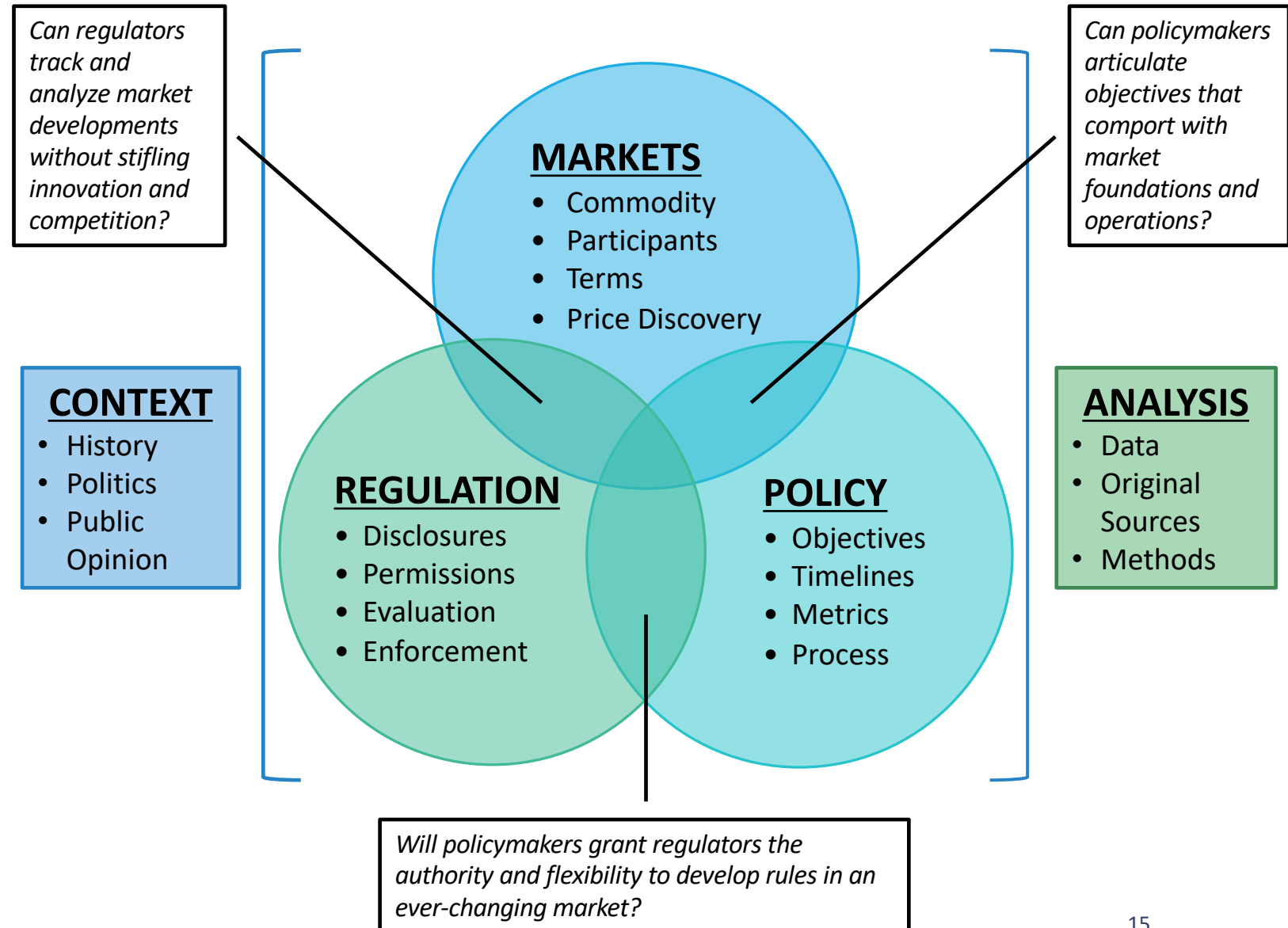
- Critical Elements
- Alignment Requirements
- Mis-alignment



ENERGY POLICY

POLICY DRIVERS

- Critical Elements
- Alignment Requirements
- Context and Analysis
- Process

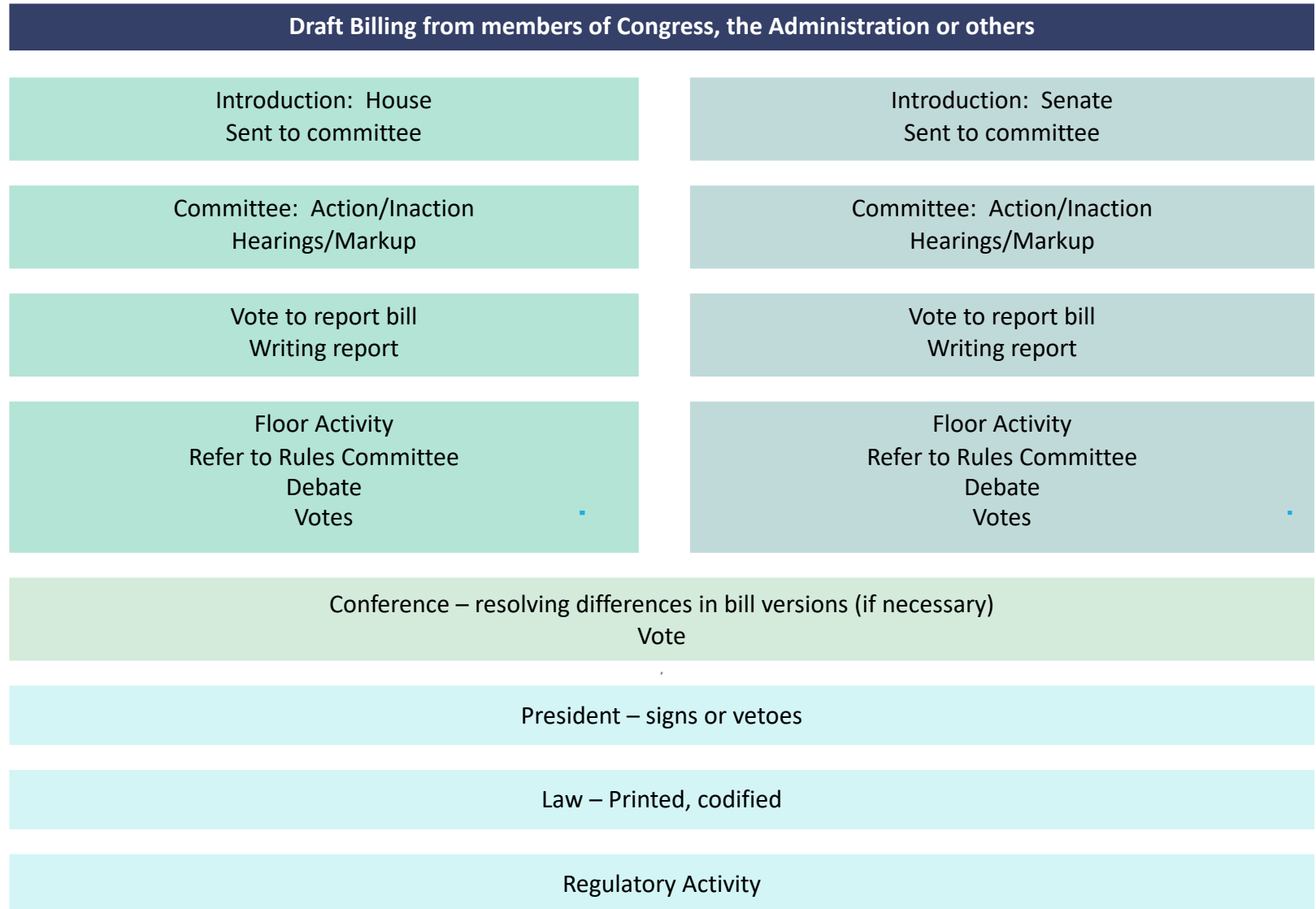


ENERGY POLICY

POLICY DRIVERS

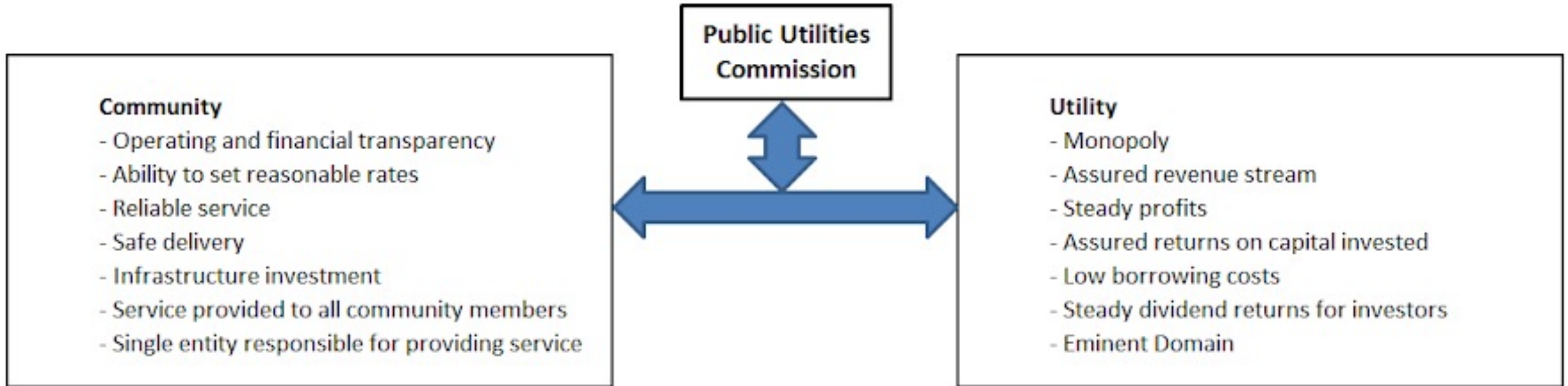
- Critical Elements
- Alignment Requirements
- Context and Analysis
- Process

Ideally, the legislative process allows for full consideration of the Policy, Regulation and Markets analysis



ENERGY POLICY

STATE POLICIES: Public Utility Act (PUA)

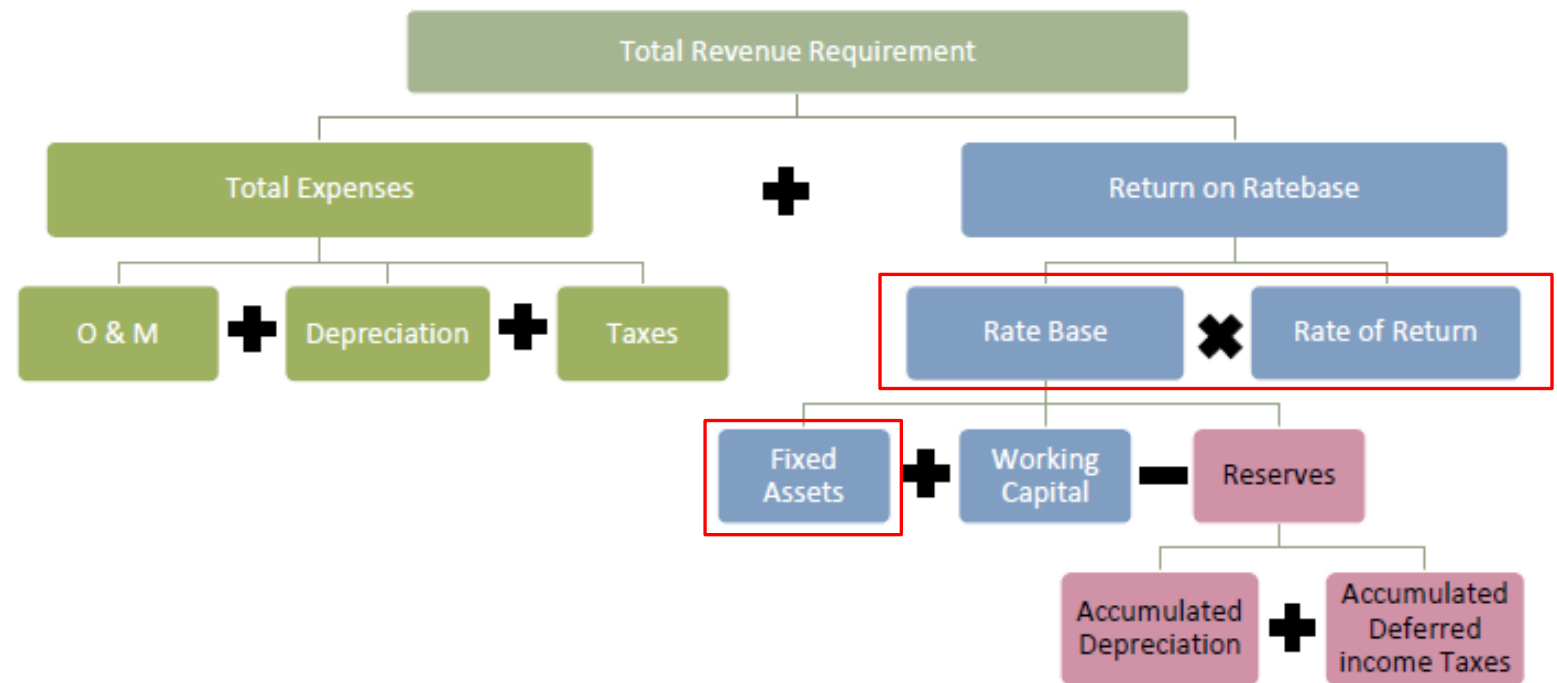


Rate of Return Ratemaking compensates utilities for operating expenses (pass-through basis and capital expenses (return of and return on ratebase)

ENERGY POLICY

STATE POLICIES

- [Public Utility Act \(PUA\)](#)
- [Illinois Electric Service Customer Choice and Rate Relief Law of 1997 \(Choice Act\)](#)
- [Illinois Power Agency Act \(IPA\)](#)
- [Electric Infrastructure and Modernization Act \(EIMA\)](#)
- [Future Energy Jobs Act \(FEJA\)](#)
- [Climate and Equitable Jobs Act \(CEJA\)](#)



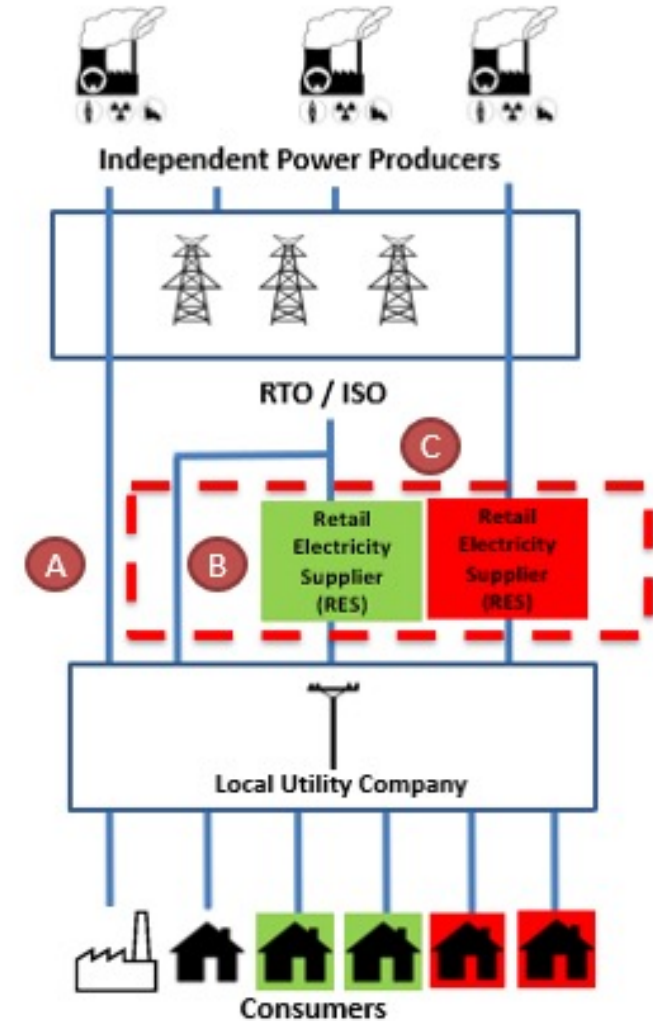
“Deregulation” replaced utility-owned power plants with “Independent Power Producers (Exelon, NRG, Calpine), and introduced Retail Energy Suppliers to set energy supply prices for consumers

ENERGY POLICY

STATE POLICIES

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- A** Industrial consumers could contract directly with an IPP and arrange for delivery through the regional transmission system and local utility
- B** Some consumers (residential and small commercial) can still secure electricity supply through the local utility which would source that supply through the RTO/ISO
- C** Any consumer could purchase electricity through a retail electricity supplier which will secure supply through the RTO/ISO or directly with an IPP

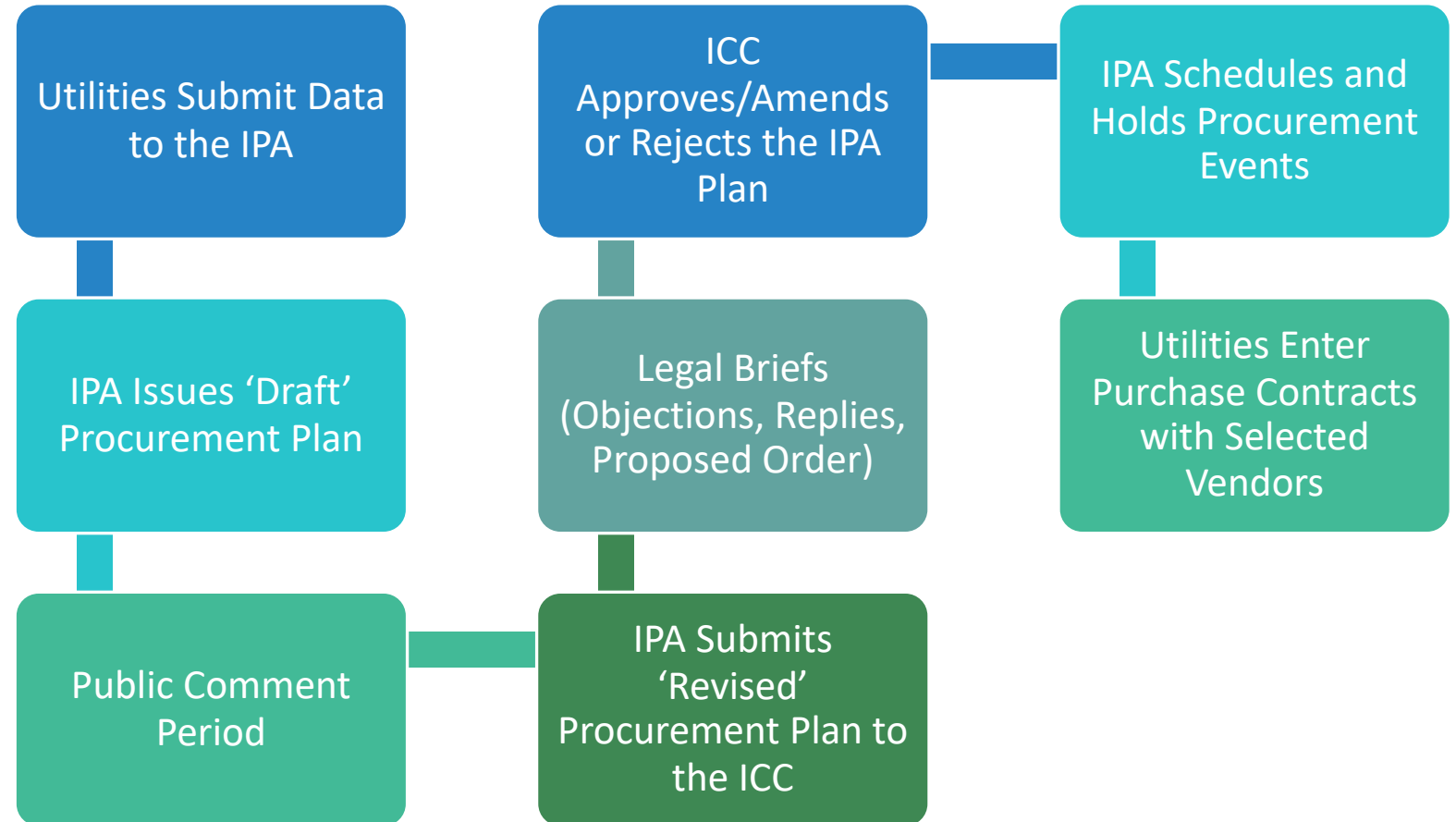


The IPA was created to force arms length transactions for energy supply and renewable energy resources between utilities and suppliers

ENERGY POLICY

STATE POLICIES

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Formula ratemaking was supposed to streamline and improve ratemaking and ensure utility investment in infrastructure...

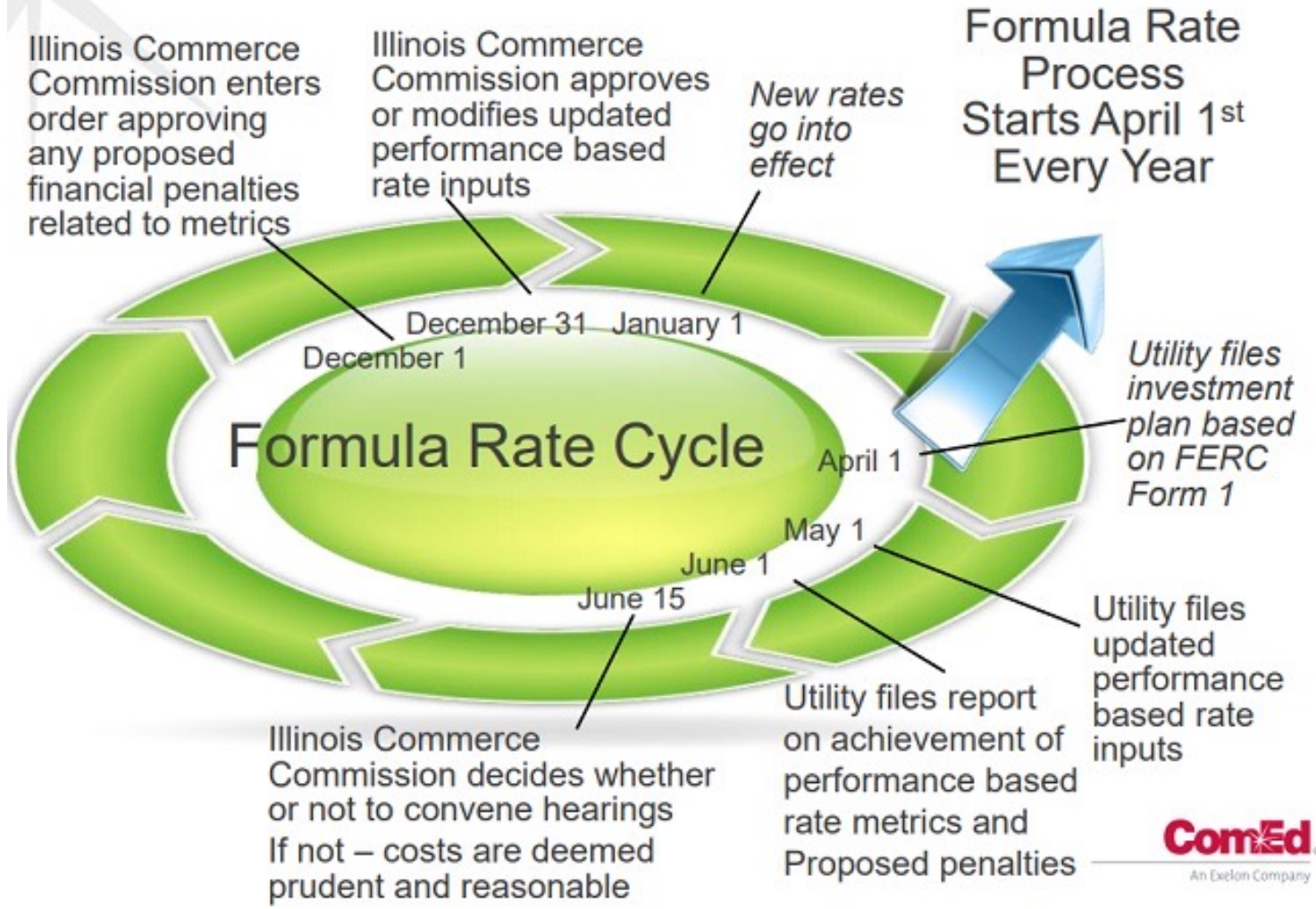
ENERGY POLICY

STATE POLICIES

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Performance Based Formula Rate

7



Source: Presentation by Anil Dhawan, ComEd Sr. Electrical Engineer June 2014

ENERGY POLICY

STATE POLICIES

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- [Climate and Equitable Jobs Act \(CEJA\)](#)

...but it led to massive profits for the utilities while preventing ICC oversight of expenses (Illinois Public Interest Research Group)...

The report found that concerning customer rates and ComEd profits:

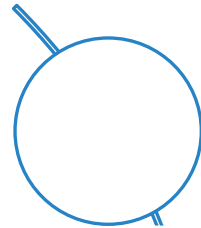
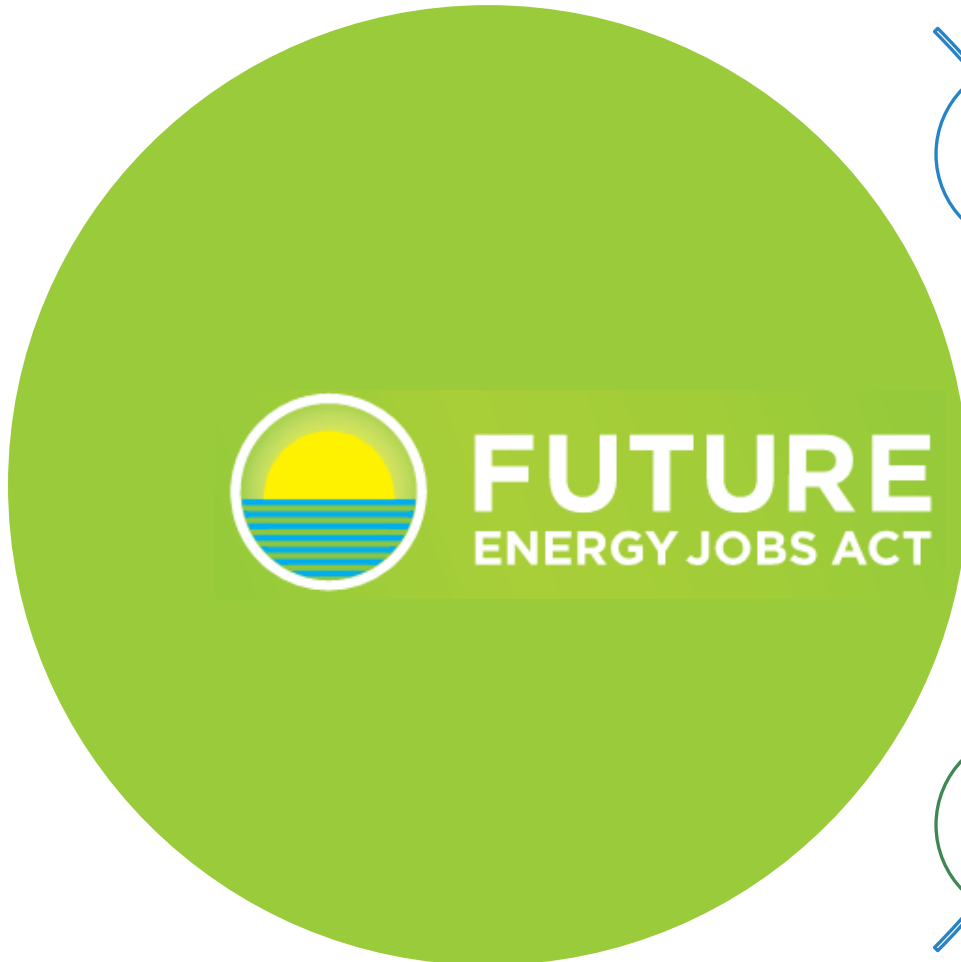
- In 2019, ComEd customers paid 37 percent more for delivery service than they did in 2011;
- Since 2012, ComEd customers have paid \$4.7 billion more than they would have had the formula created by EIMA not increased delivery rates over the level in 2012;
- Over the past six years, ComEd has earned more than \$1 billion more in profits than it earned over either of the previous six-year periods while it has been an Exelon subsidiary.

...and the US Attorney also found some problems with the EIMA

Commonwealth Edison Agrees to Pay \$200 Million to Resolve Federal Criminal Investigation Into Bribery Scheme

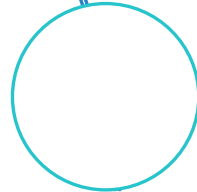
ENERGY POLICY

STATE POLICIES: Future Energy Jobs Act (FEJA)



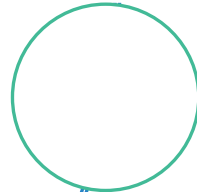
Energy Efficiency

- Increased funding levels for utility programs
- Allowed utilities to profit from efficiency programs



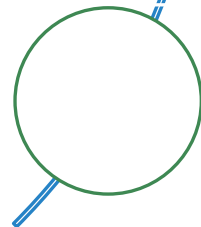
Renewable Energy

- Required RPS compliance with in-state renewable assets
- Carve-outs for rooftop, community and brownfield solar
- New low-income programs (Solar for All)



Nuclear

- Subsidies for “unprofitable” nuclear assets
- Sale of zero emissions credits to utilities for 10 years



Jobs and Consumer Assistance

- \$750 million in job training program support
- On-bill financing of for energy efficiency upgrades

ENERGY POLICY

STATE POLICIES

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- [Future Energy Jobs Act \(FEJA\)](#)
- [Climate and Equitable Jobs Act \(CEJA\)](#)

CEJA builds on and increases funding for initiatives set out in FEJA

EQUITY

- Job training programs
- Business start-up support
- Environmental justice and economically disadvantaged communities.

TRANSITION

- Financial and transition planning support for communities losing local power plants and coal mines.
- Job placement and training for displaced workers

ETHICS

- Economic disclosures by policymakers.
- Ex parte reporting for Illinois Power Agency.
- Ethics reporting requirements for utilities.
- Investigations of ComEd (Deferred Prosecution Agreement)
- Accelerated rebating of tax benefits by utilities

ENERGY EFFICIENCY

- Extension of current utility EE programs to 2040
- Increase utility EE programs by 10%
- Consumer with >10MW demand are now back in the EE programs plus self-direct
- Local governments can adopt more aggressive EE standards
- Funding for support conversion from natural gas to electric

UTILITY RATES

- Performance based rates for distribution charges
- Public input for distribution system planning

RENEWABLES

- Rollover funds to remain with utilities (no rebates)
- Increase in annual RPS funding
- New labor requirements for projects receiving RPS funds
- New carve outs for low income, schools, and others
- Working group to solve interconnection issues

POWER PLANTS

- Phase out of oil, natural gas, and coal generation in Illinois by 2045
- \$770 million in subsidies for Dresden and Byron nuclear plants

ELECTRIC VEHICLES

- Incentives to support purchases of 1 million EV's and charging infrastructure
- IDOT staff to administer EV expansion planning
- IDOT study to consider impact of loss of road tax payments due to EV adoption

ENERGY POLICY

FEDERAL POLICIES

INCLUSION	INFRASTRUCTURE AND INVESTMENT JOBS ACT	INFLATION REDUCTION ACT
Electric Vehicles	Domestic manufacturing grants (\$2 billion)	Charging infrastructure (\$7.5 billion)
Ships and Buses	Zero emissions equipment and climate action plans for ports (\$3 billion)	Clean and zero emissions school buses (\$5 billion)
Transit	Neighborhood Access and Equity Grants to improve transportation access (\$3 billion)	Passenger and freight rail (\$66 billion)
Electric Grid	Reliability and resilience in rural areas (\$9.7 billion)	Transmission grid expansion and modernization (\$65 billion)
Homes	Energy efficiency (\$8.6 billion)	Weatherization Assistance Program (\$3.5 billion)
Pollution & Justice	National climate bank to finance projects in underserved communities (\$27 billion)	Environmental remediation funds (\$21 billion)
Agriculture & Forestry	climate-smart agricultural practices (\$19.5 billion)	Wildfire risk reduction (\$3.3 billion)

Tax Credits can finance ~ 30% renewable energy and storage projects

ENERGY POLICY

FEDERAL POLICIES

- Important issues for municipalities

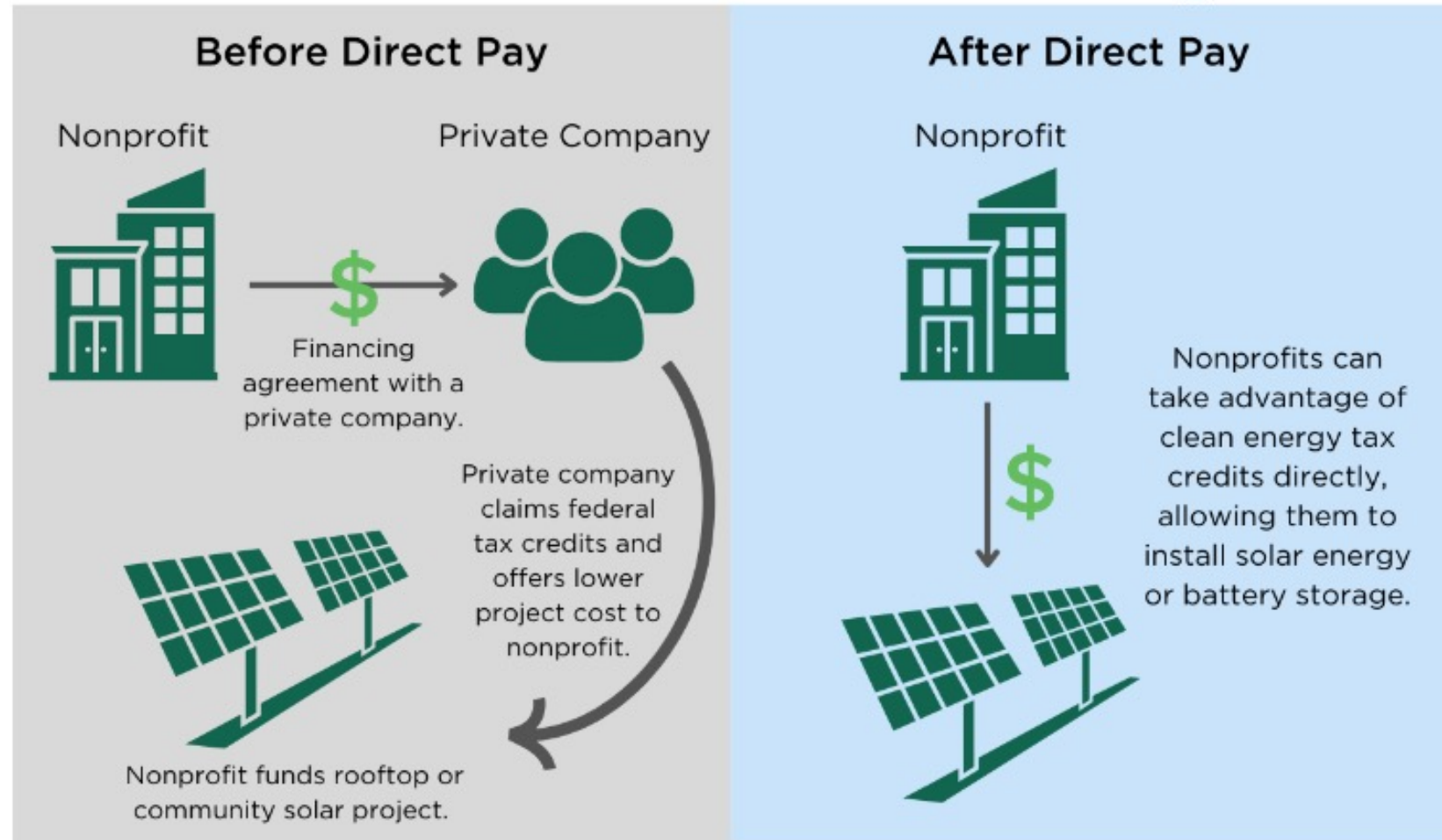
Item	Discount Type	Discount	Start Date
Solar Rooftop Installation	Tax Credit (ITC)	30%	Now
Small-Scale Wind Energy	Tax Credit (PTC)	30%	Now
Battery Storage	Tax Credit	30%	2023
Rooftop or Community Solar for Nonprofits	Rebate	30%	2023
Battery Storage for Nonprofits	Rebate	30%	2023

Now, municipalities and non-profits can receive the equivalent of the ITC or PTC through Direct Pay...no longer so reliant on third-party ownership

ENERGY POLICY

FEDERAL POLICIES

- Important issues for municipalities



Tax Credits can finance ~ 30% renewable energy projects

ENERGY POLICY

FEDERAL POLICIES

- Important issues for municipalities

			Start of Construction						
			2006 to 2019	2020 to 2021	2022	2023 to 2033	The later of 2034 (or two years after applicable year ^a)	The later of 2035 (or three years after applicable year ^a)	The later of 2036 (or four years after applicable year ^a)
ITC	Full rate (if project meets labor requirements ^b)	Base Credit	30%	26%	30%	30%	22.5%	15%	0%
		Domestic Content Bonus				10%	7.5%	5%	0%
		Energy Community Bonus				10%	7.5%	5%	0%
	Base rate (if project does not meet labor requirements ^b)	Base Credit	30%	26%	6%	6%	4.5%	3%	0%
		Domestic Content Bonus				2%	1.5%	1%	0%
		Energy Community Bonus				2%	1.5%	1%	0%
	Low-income bonus (1.8 GW/yr cap)	<5 MW projects in LMI communities or Indian land				10%	10%	10%	10%
		Qualified low-income residential building project / Qualified low-income economic benefit project				20%	20%	20%	20%
	PTC for 10 years (\$2022)	Full rate (if project meets labor requirements ^b)	Base Credit			2.6 ¢	2.6 ¢	2.0 ¢	1.3 ¢
Domestic Content Bonus						0.3 ¢	0.2 ¢	0.1 ¢	0.0 ¢
Energy Community Bonus						0.3 ¢	0.2 ¢	0.1 ¢	0.0 ¢
Base rate (if project does not meet labor requirements ^b)		Base Credit			0.5 ¢	0.5 ¢	0.4 ¢	0.3 ¢	0.0 ¢
		Domestic Content Bonus				0.1 ¢	0.0 ¢	0.0 ¢	0.0 ¢
		Energy Community Bonus				0.1 ¢	0.0 ¢	0.1 ¢	0.0 ¢

^a "Applicable year" is defined as the later of (i) 2032 or (ii) the year the Treasury Secretary determines that there has been a 25% or more reduction in annual greenhouse gas emissions from the production of electricity in the United States as compared to the calendar year 2022.

^b "Labor requirements" entail certain prevailing wage and apprenticeship conditions being met.



DISCUSSION

DISCUSSION AND QUESTIONS

Open to the class

THANK YOU

Mark Pruitt

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