

97TH GENERAL ASSEMBLY State of Illinois 2011 and 2012 HB6187

by Rep. Jerry F. Costello, II

SYNOPSIS AS INTRODUCED:

220 ILCS 5/8-104.5 new

220 ILCS 5/16-111.5B

220 ILCS 5/16-111.7

220 ILCS 5/19-140

220 ILCS 5/8-103 rep.

220 ILCS 5/8-103A rep.

220 ILCS 5/8-104 rep.

Amends the Public Utilities Act. Deletes provisions concerning electric utilities that are required to use cost-effective energy efficiency and demand-response measures to reduce delivery load, energy efficiency analysis, and natural gas energy efficiency programs. Creates a provision that provides after all current obligations and contracts are met, the Illinois Commerce Commission shall refund any remaining funds collected under the electric utilities and natural gas utilities energy efficiency program to the public utilities respective consumers in a proportional manner. Makes corresponding changes in provisions concerning energy efficiency procurement and on-bill financing program for electric utilities and gas utilities. Effective immediately.

LRB097 21681 CEL 70048 b

FISCAL NOTE ACT MAY APPLY

1 AN ACT concerning utilities.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

- Section 5. The Public Utilities Act is amended by changing Sections 16-111.5B, 16-111.7, and 19-140 and by adding Section
- 6 8-104.5 as follows:
- 7 (220 ILCS 5/8-104.5 new)
- 8 Sec. 8-104.5. Energy efficiency fund reimbursement. On the
- 9 <u>effective date of this amendatory Act of the 97th General</u>
- 10 Assembly, after all current obligations and contracts are met,
- 11 the Commission shall refund any remaining funds collected under
- 12 the electric utilities and natural gas utilities energy
- efficiency programs under Sections 8-103 and 8-104 of this Act
- 14 <u>to the public utilities respective consumers in a proportional</u>
- manner.
- 16 (220 ILCS 5/16-111.5B)
- Sec. 16-111.5B. Provisions relating to energy efficiency
- 18 procurement.
- 19 (a) Beginning in 2012, procurement plans prepared pursuant
- 20 to Section 16-111.5 of this Act shall be subject to the
- 21 following additional requirements:
- 22 (1) The analysis included pursuant to paragraph (2) of

subsection (b) of Section 16-111.5 shall also include the impact of energy efficiency building codes or appliance standards, both current and projected.

- (2) (Blank). The procurement plan components described in subsection (b) of Section 16 111.5 shall also include an assessment of opportunities to expand the programs promoting energy efficiency measures that have been offered under plans approved pursuant to Section 8 103 of this Act or to implement additional cost effective energy efficiency programs or measures.
- (3) In addition to the information provided pursuant to paragraph (1) of subsection (d) of Section 16-111.5 of this Act, each Illinois utility procuring power pursuant to that Section shall annually provide to the Illinois Power Agency by July 15 of each year, or such other date as may be required by the Commission or Agency, an assessment of cost-effective energy efficiency programs or measures that could be included in the procurement plan. The assessment shall include the following:
 - (A) A comprehensive energy efficiency potential study for the utility's service territory that was completed within the past 3 years.
 - (B) (Blank). Beginning in 2014, the most recent analysis submitted pursuant to Section 8-103A of this Act and approved by the Commission under subsection (f) of Section 8 103 of this Act.

(C)	Iden	tificat	ion	of	new	or	expa	nded
cost-eff	ective	energy	effi	ciency	progi	cams or	meas	ures
that ar	e incr	emental	to	those	e incl	uded :	in en	ergy
efficien	cy and	demand	-resp	onse]	plans	approv	ed by	-the
Commissi	on pur	suant t	o Sec	etion (8 103	of thi	s Act	and
that wou	ld be c	ffered	to el:	iaible	retai	l custo	mers .	

- (D) Analysis showing that the new or expanded cost-effective energy efficiency programs or measures would lead to a reduction in the overall cost of electric service.
- (E) Analysis of how the cost of procuring additional cost-effective energy efficiency measures compares over the life of the measures to the prevailing cost of comparable supply.
- (F) An energy savings goal, expressed in megawatt-hours, for the year in which the measures will be implemented.

In preparing such assessments, a utility shall conduct an annual solicitation process for purposes of requesting proposals from third-party vendors, the results of which shall be provided to the Agency as part of the assessment, including documentation of all bids received. The utility shall develop requests for proposals consistent with the manner in which it develops requests for proposals under plans approved pursuant to Section 8-103 of this Act, which considers input from the Agency and interested

stakeholders.

- (4) The Illinois Power Agency shall include in the procurement plan prepared pursuant to paragraph (2) of subsection (d) of Section 16-111.5 of this Act energy efficiency programs and measures it determines are cost-effective and the associated annual energy savings goal included in the annual solicitation process and assessment submitted pursuant to paragraph (3) of this subsection (a).
- (5) Pursuant to paragraph (4) of subsection (d) of Section 16-111.5 of this Act, the Commission shall also approve the energy efficiency programs and measures included in the procurement plan, including the annual energy savings goal, if the Commission determines they fully capture the potential for all achievable cost-effective savings, to the extent practicable, and otherwise satisfy the requirements of Section 8 103 of this Act.

In the event the Commission approves the procurement of additional energy efficiency, it shall reduce the amount of power to be procured under the procurement plan to reflect the additional energy efficiency and shall direct the utility to undertake the procurement of such energy efficiency, which shall not be subject to the requirements of subsection (e) of Section 16-111.5 of this Act. The utility shall consider input from the Agency and interested

stakeholders on the procurement and administration process.

- (6) An electric utility shall recover its costs incurred under this Section related to the implementation of energy efficiency programs and measures approved by the Commission in its order approving the procurement plan under Section 16-111.5 of this Act, including, but not limited to, all costs associated with complying with this Section and all start-up and administrative costs and the costs for any evaluation, measurement, and verification of the measures, from eligible retail customers through the automatic adjustment clause tariff established pursuant to Section 8-103 of this Act, provided, however, that the limitations described in subsection (d) of that Section shall not apply to the costs incurred pursuant to this Section or Section 16-111.7 of this Act.
- (b) For purposes of this Section, the term "energy efficiency" shall have the meaning set forth in Section 1-10 of the Illinois Power Agency Act, and the term "cost effective" shall have the meaning set forth in subsection (a) of Section 8-103 of this Act. In addition, the estimated costs to acquire an additional energy efficiency measure, when divided by the number of kilowatt-hours expected to be saved over the life of the measure, shall be less than or equal to the electricity costs that would be avoided as a result of the energy efficiency measure.

- 1 (Source: P.A. 97-616, eff. 10-26-11.)
- 2 (220 ILCS 5/16-111.7)
- 3 Sec. 16-111.7. On-bill financing program; electric
- 4 utilities.
- 5 (a) The Illinois General Assembly finds that Illinois homes
- 6 and businesses have the potential to save energy through
- 7 conservation and cost-effective energy efficiency measures.
- 8 Programs created pursuant to this Section will allow utility
- 9 customers to purchase cost-effective energy efficiency
- 10 measures, including measures set forth in a
- 11 Commission-approved energy efficiency and demand-response plan
- 12 under Section 8-103 of this Act and that are cost-effective as
- 13 that term is defined by that Section, with no required initial
- 14 upfront payment, and to pay the cost of those products and
- services over time on their utility bill.
- 16 (b) Notwithstanding any other provision of this Act, an
- 17 electric utility serving more than 100,000 customers on January
- 18 1, 2009 shall offer a Commission-approved on-bill financing
- 19 program ("program") that allows its eligible retail customers,
- 20 as that term is defined in Section 16-111.5 of this Act, who
- 21 own a residential single family home, duplex, or other
- residential building with 4 or less units, or condominium at
- 23 which the electric service is being provided (i) to borrow
- 24 funds from a third party lender in order to purchase electric
- 25 energy efficiency measures approved under the program for

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installation in such home or condominium without any required upfront payment and (ii) to pay back such funds over time through the electric utility's bill. Based upon the process described in subsection (b-5) of this Section, small commercial retail customers, as that term is defined in Section 16-102 of this Act, who own the premises at which electric service is being provided may be included in such program. After receiving a request from an electric utility for approval of a proposed program and tariffs pursuant to this Section, the Commission shall render its decision within 120 days. If no decision is rendered within 120 days, then the request shall be deemed to be approved.

(b-5) Within 30 days after the effective date of this amendatory Act of the 96th General Assembly, the Commission shall convene a workshop process during which interested participants may discuss issues related to the program, including program design, eligible electric energy efficiency vendor qualifications, and a methodology for measures, ensuring ongoing compliance with such qualifications, financing, sample documents such as request for proposals, contracts and agreements, dispute resolution, pre-installment post-installment verification, and evaluation. The workshop process shall be completed within 150 days after the effective date of this amendatory Act of the 96th General Assembly.

(c) Not later than 60 days following completion of the

1	workshop process described in subsection (b-5) of this Section,
2	each electric utility subject to subsection (b) of this Section
3	shall submit a proposed program to the Commission that contains
4	the following components:

- (1) A list of recommended electric energy efficiency measures that will be eligible for on-bill financing. An eligible electric energy efficiency measure ("measure") shall be defined by the following:
 - (A) the measure would be applied to or replace electric energy-using equipment; and either
 - (B) application of the measure to equipment and systems will have estimated electricity savings (determined by rates in effect at the time of purchase), that are sufficient to cover the costs of implementing the measures, including finance charges and any program fees not recovered pursuant to subsection (f) of this Section; to assist the electric utility in identifying or approving measures, the utility may consult with the Department of Commerce and Economic Opportunity, as well as with retailers, technicians, and installers of electric energy efficiency measures and energy auditors (collectively "vendors"); or
 - (C) (Blank) the measure is included in a Commission-approved energy efficiency and demand response plan under Section 8 103 of this Act

and is cost-effective as that term is defined by that Section.

- (2) The electric utility shall issue a request for proposals ("RFP") to lenders for purposes of providing financing to participants to pay for approved measures. The RFP criteria shall include, but not be limited to, the interest rate, origination fees, and credit terms. The utility shall select the winning bidders based on its evaluation of these criteria, with a preference for those bids containing the rates, fees, and terms most favorable to participants;
- (3) The utility shall work with the lenders selected pursuant to the RFP process, and with vendors, to establish the terms and processes pursuant to which a participant can purchase eligible electric energy efficiency measures using the financing obtained from the lender. The vendor shall explain and offer the approved financing packaging to those customers identified in subsection (b) of this Section and shall assist customers in applying for financing. As part of the process, vendors shall also provide to participants information about any other incentives that may be available for the measures.
- (4) 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 identified in subsection (b) of this

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Section. Following the lender's approval of financing and the participant's purchase of the measure or measures, the lender shall forward payment information to the electric utility, and the utility shall add as a separate line item on the participant's utility bill a charge showing the amount due under the program each month.

- (5) A loan issued to a participant pursuant to the the sole responsibility of program shall be the participant, and any dispute that may arise concerning the loan's terms, conditions, or charges shall be resolved between the participant and lender. Upon transfer of the property title for the premises at which the participant electric service receives from the utility participant's request to terminate service at premises, the participant shall pay in full its electric utility bill, including all amounts due under the program, provided that this obligation may be modified as provided in subsection (q) of this Section. Amounts due under the program shall be deemed amounts owed for residential and, as appropriate, small commercial electric service.
- (6) The electric utility shall remit payment in full to the lender each month on behalf of the participant. In the event a participant defaults on payment of its electric utility bill, the electric utility shall continue to remit all payments due under the program to the lender, and the utility shall be entitled to recover all costs related to a

participant's nonpayment through the automatic adjustment clause tariff established pursuant to Section 16-111.8 of this Act. In addition, the electric utility shall retain a security interest in the measure or measures purchased under the program, and the utility retains its right to disconnect a participant that defaults on the payment of its utility bill.

- (7) The total outstanding amount financed under the program shall not exceed \$2.5 million for an electric utility or electric utilities under a single holding company, provided that the electric utility or electric utilities may petition the Commission for an increase in such amount.
- (d) A program approved by the Commission shall also include the following criteria and guidelines for such program:
 - (1) guidelines for financing of measures installed under a program, including, but not limited to, RFP criteria and limits on both individual loan amounts and the duration of the loans;
 - (2) criteria and standards for identifying and approving measures;
 - (3) qualifications of vendors that will market or install measures, as well as a methodology for ensuring ongoing compliance with such qualifications;
 - (4) sample contracts and agreements necessary to implement the measures and program; and

- (5) the types of data and information that utilities and vendors participating in the program shall collect for purposes of preparing the reports required under subsection (g) of this Section.
 - (e) The proposed program submitted by each electric utility shall be consistent with the provisions of this Section that define operational, financial and billing arrangements between and among program participants, vendors, lenders, and the electric utility.
 - (f) An electric utility shall recover all of the prudently incurred costs of offering a program approved by the Commission pursuant to this Section, including, but not limited to, all start-up and administrative costs and the costs for program evaluation. All prudently incurred costs under this Section shall be recovered from the residential and small commercial retail customer classes eligible to participate in the program through the automatic adjustment clause tariff established pursuant to Section 8 103 of this Act.
 - (g) An independent evaluation of a program shall be conducted after 3 years of the program's operation. The electric utility shall retain an independent evaluator who shall evaluate the effects of the measures installed under the program and the overall operation of the program, including but not limited to customer eligibility criteria and whether the payment obligation for permanent electric energy efficiency measures that will continue to provide benefits of energy

savings should attach to the meter location. As part of the evaluation process, the evaluator shall also solicit feedback from participants and interested stakeholders. The evaluator shall issue a report to the Commission on its findings no later than 4 years after the date on which the program commenced, and the Commission shall issue a report to the Governor and General Assembly including a summary of the information described in this Section as well as its recommendations as to whether the program should be discontinued, continued with modification or modifications or continued without modification, provided that any recommended modifications shall only apply prospectively and to measures not yet installed or financed.

- (h) An electric utility offering a Commission-approved program pursuant to this Section shall not be required to comply with any other statute, order, rule, or regulation of this State that may relate to the offering of such program, provided that nothing in this Section is intended to limit the electric utility's obligation to comply with this Act and the Commission's orders, rules, and regulations, including Part 280 of Title 83 of the Illinois Administrative Code.
- (i) The source of a utility customer's electric supply shall not disqualify a customer from participation in the utility's on-bill financing program. Customers of alternative retail electric suppliers may participate in the program under the same terms and conditions applicable to the utility's supply customers.

1 (Source: P.A. 96-33, eff. 7-10-09; 97-616, eff. 10-26-11.)

- 2 (220 ILCS 5/19-140)
- 3 Sec. 19-140. On-bill financing program; gas utilities.
- 4 (a) The Illinois General Assembly finds that Illinois homes
- 5 and businesses have the potential to save energy through
- 6 conservation and cost-effective energy efficiency measures.
- 7 Programs created pursuant to this Section will allow utility
- 8 customers to purchase cost-effective energy efficiency
- 9 measures with no required initial upfront payment, and to pay
- 10 the cost of those products and services over time on their
- 11 utility bill.
- 12 (b) Notwithstanding any other provision of this Act, a gas
- utility serving more than 100,000 customers on January 1, 2009
- shall offer a Commission-approved on-bill financing program
- 15 ("program") that allows its retail customers who own a
- 16 residential single family home, duplex, or other residential
- 17 building with 4 or less units, or condominium at which the gas
- 18 service is being provided (i) to borrow funds from a third
- 19 party lender in order to purchase gas energy efficiency
- 20 measures approved under the program for installation in such
- 21 home or condominium without any required upfront payment and
- 22 (ii) to pay back such funds over time through the gas utility's
- 23 bill. Based upon the process described in subsection (b-5) of
- 24 this Section, small commercial retail customers, as that term
- is defined in Section 19-105 of this Act, who own the premises

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- at which gas service is being provided may be included in such program. After receiving a request from a gas utility for approval of a proposed program and tariffs pursuant to this Section, the Commission shall render its decision within 120 days. If no decision is rendered within 120 days, then the request shall be deemed to be approved.
- (b-5) Within 30 days after the effective date of this 7 amendatory Act of the 96th General Assembly, the Commission 8 9 shall convene a workshop process during which interested 10 participants may discuss issues related to the program, 11 including program design, eligible gas energy efficiency 12 vendor qualifications, and a methodology for measures, such 13 compliance with ensuring ongoing qualifications, 14 financing, sample documents such as request for proposals, contracts and agreements, dispute resolution, pre-installment 15 16 post-installment verification, and evaluation. The 17 workshop process shall be completed within 150 days after the effective date of this amendatory Act of the 96th General 18 19 Assembly.
 - (c) Not later than 60 days following completion of the workshop process described in subsection (b-5) of this Section, each gas utility subject to subsection (b) of this Section shall submit a proposed program to the Commission that contains the following components:
 - (1) A list of recommended gas energy efficiency measures that will be eligible for on-bill financing. An

eligible gas energy efficiency measure ("measure") shall be defined by the following:

- (A) The measure would be applied to or replace gas energy-using equipment; and
- (B) Application of the measure to equipment and systems will have estimated gas savings (determined by rates in effect at the time of purchase), that are sufficient to cover the costs of implementing the measures, including finance charges and any program fees not recovered pursuant to subsection (f) of this Section. To assist the gas utility in identifying or approving measures, the utility may consult with the Department of Commerce and Economic Opportunity, as well as with retailers, technicians and installers of gas energy efficiency measures and energy auditors (collectively "vendors").
- ("RFP") to lenders for purposes of providing financing to participants to pay for approved measures. The RFP criteria shall include, but not be limited to, the interest rate, origination fees, and credit terms. The utility shall select the winning bidders based on its evaluation of these criteria, with a preference for those bids containing the rates, fees, and terms most favorable to participants.
- (3) The utility shall work with the lenders selected pursuant to the RFP process, and with vendors, to establish

the terms and processes pursuant to which a participant can purchase eligible gas energy efficiency measures using the financing obtained from the lender. The vendor shall explain and offer the approved financing packaging to those customers identified in subsection (b) of this Section and shall assist customers in applying for financing. As part of such process, vendors shall also provide to participants information about any other incentives that may be available for the measures.

- (4) 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 identified in subsection (b) of this Section. Following the lender's approval of financing and the participant's purchase of the measure or measures, the lender shall forward payment information to the gas utility, and the utility shall add as a separate line item on the participant's utility bill a charge showing the amount due under the program each month.
- (5) A loan issued to a participant pursuant to the program shall be the sole responsibility of the participant, and any dispute that may arise concerning the loan's terms, conditions, or charges shall be resolved between the participant and lender. Upon transfer of the property title for the premises at which the participant receives gas service from the utility or the participant's

request to terminate service at such premises, the participant shall pay in full its gas utility bill, including all amounts due under the program, provided that this obligation may be modified as provided in subsection (g) of this Section. Amounts due under the program shall be deemed amounts owed for residential and, as appropriate, small commercial gas service.

- (6) The gas utility shall remit payment in full to the lender each month on behalf of the participant. In the event a participant defaults on payment of its gas utility bill, the gas utility shall continue to remit all payments due under the program to the lender, and the utility shall be entitled to recover all costs related to a participant's nonpayment through the automatic adjustment clause tariff established pursuant to Section 19-145 of this Act. In addition, the gas utility shall retain a security interest in the measure or measures purchased under the program, and the utility retains its right to disconnect a participant that defaults on the payment of its utility bill.
- (7) The total outstanding amount financed under the program shall not exceed \$2.5 million for a gas utility or gas utilities under a single holding company, provided that the gas utility or gas utilities may petition the Commission for an increase in such amount.
- (d) A program approved by the Commission shall also include the following criteria and guidelines for such program:

(1)	guidelines	for	financ	cing	of r	measures	instal	lled
under a	program,	inclu	ıding,	but	not	limited	to,	RFP
criteria	and limits	on bo	th ind	ividu	al lo	oan amoun	ts and	the
duration	of the loar	ns;						

- (2) criteria and standards for identifying and approving measures;
- (3) qualifications of vendors that will market or install measures, as well as a methodology for ensuring ongoing compliance with such qualifications;
- (4) sample contracts and agreements necessary to implement the measures and program; and
- (5) the types of data and information that utilities and vendors participating in the program shall collect for purposes of preparing the reports required under subsection (g) of this Section.
- (e) The proposed program submitted by each gas utility shall be consistent with the provisions of this Section that define operational, financial, and billing arrangements between and among program participants, vendors, lenders, and the gas utility.
- (f) A gas utility shall recover all of the prudently incurred costs of offering a program approved by the Commission pursuant to this Section, including, but not limited to, all start-up and administrative costs and the costs for program evaluation. All prudently incurred costs under this Section shall be recovered from the residential and small commercial

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retail customer classes eligible to participate in the program through the automatic adjustment clause tariff established pursuant to Section 8-104 of this Act.

- (q) An independent evaluation of a program shall be conducted after 3 years of the program's operation. The gas utility shall retain an independent evaluator who shall evaluate the effects of the measures installed under the program and the overall operation of the program, including, but not limited to, customer eligibility criteria and whether the payment obligation for permanent gas energy efficiency measures that will continue to provide benefits of energy savings should attach to the meter location. As part of the evaluation process, the evaluator shall also solicit feedback from participants and interested stakeholders. The evaluator shall issue a report to the Commission on its findings no later than 4 years after the date on which the program commenced, and the Commission shall issue a report to the Governor and General Assembly including a summary of the information described in this Section as well as its recommendations as to whether the program should be discontinued, continued with modification or modifications or continued without modification, provided that any recommended modifications shall only apply prospectively and to measures not yet installed or financed.
- (h) A gas utility offering a Commission-approved program pursuant to this Section shall not be required to comply with any other statute, order, rule, or regulation of this State

- 1 that may relate to the offering of such program, provided that
- 2 nothing in this Section is intended to limit the gas utility's
- 3 obligation to comply with this Act and the Commission's orders,
- 4 rules, and regulations, including Part 280 of Title 83 of the
- 5 Illinois Administrative Code.
- 6 (i) The source of a utility customer's gas supply shall not
- 7 disqualify a customer from participation in the utility's
- 8 on-bill financing program. Customers of alternative gas
- 9 suppliers may participate in the program under the same terms
- 10 and conditions applicable to the utility's supply customers.
- 11 (Source: P.A. 96-33, eff. 7-10-09.)
- 12 (220 ILCS 5/8-103 rep.)
- 13 (220 ILCS 5/8-103A rep.)
- 14 (220 ILCS 5/8-104 rep.)
- 15 Section 10. The Public Utilities Act is amended by
- 16 repealing Sections 8-103, 8-103A, and 8-104.
- 17 Section 99. Effective date. This Act takes effect upon
- 18 becoming law.