

## Rep. Christian L Mitchell

## Filed: 3/14/2013

16

## 09800HB0575ham001

LRB098 03400 CEL 43045 a

1 AMENDMENT TO HOUSE BILL 575 2 AMENDMENT NO. . Amend House Bill 575 by replacing everything after the enacting clause with the following: 3 "Section 5. The Public Utilities Act is amended by changing 4 Sections 16-111.7 and 19-140 as follows: 5 6 (220 ILCS 5/16-111.7) 7 Sec. 16-111.7. On-bill financing program; electric 8 utilities. (a) The Illinois General Assembly finds that Illinois homes 9 10 and businesses have the potential to save energy through conservation and cost-effective energy efficiency measures. 11 12 Programs created pursuant to this Section will allow utility 13 customers to purchase cost-effective energy efficiency 14 measures. including measures set forth in 15 Commission-approved energy efficiency and demand-response plan

under Section 8-103 of this Act and that are cost-effective as

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

that term is defined by that Section, with no required initial upfront payment, and to pay the cost of those products and services over time on their utility bill.

(b) Notwithstanding any other provision of this Act, an electric utility serving more than 100,000 customers on January 1, 2009 shall offer a Commission-approved on-bill financing program ("program") that allows its eligible retail customers, as that term is defined in Section 16-111.5 of this Act, who own a residential single family home, duplex, or other residential building with 4 or less units, or condominium at which the electric service is being provided (i) to borrow funds from a third party lender in order to purchase electric energy efficiency measures approved under the program for 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.

Notwithstanding the provisions of the preceding paragraph,

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

- 1 an electric utility serving more than 100,000 customers on or after January 1, 2013 shall offer a Commission-approved, 2 on-bill financing program to owners of multifamily residential 3 4 or mixed-use buildings with 5 or more residential units no 5 later than December 31, 2013 under the processes described in subsection (c-5) of this Section. 6
  - (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 measures, vendor qualifications, and a methodology for 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. 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 workshop process described in subsection (b-5) of this Section, each electric utility subject to subsection (b) of this Section shall submit a proposed program to the Commission that contains the following components:
- 25 (1) A list of recommended electric energy efficiency 26 measures that will be eligible for on-bill financing. An

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

2.1

22

23

24

25

26

eligible electric energy efficiency measure ("measure") shall be a product or service for which one or more of the following is true defined by the following:

- (A) (blank); the measure would be applied to or replace electric energy using equipment; and either
- (B) the projected 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 efficiency measures and energy auditors (collectively <del>"vendors")</del>; or
- (C) the product or service measure is included in a Commission-approved energy efficiency 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

2.1

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 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.

| 2  | (4.3) The obligation created by a loan issued under the    |
|----|--|
| 3  | program shall run with the meter. For the purposes of this |
| 4  | Section, "run with the meter" means all of the following:  |
| 5  | (A) any portion of a loan issued under the program         |
| 6  | that remains outstanding prior to sale or transfer of      |
| 7  | the applicable real property, survives a change in         |
| 8  | ownership, tenancy, or meter account responsibility;       |
| 9  | (B) any portion of a loan issued under the program         |
| 10 | that remains outstanding, at all times constitutes ar      |
| 11 | obligation of the utility customer of record in respect    |
| 12 | to the premises served by the measure to repay; and        |
| 13 | (C) arrears in repayment of a loan issued under the        |
| 14 | program that are outstanding prior to sale or transfer     |
| 15 | of the applicable real property remains the                |
| 16 | responsibility of the incurring customer, unless           |
| 17 | expressly assumed by the subsequent customer or third      |
| 18 | party.   |
| 19 | (4.5) For each loan issued under the program, the          |
| 20 | utility or its agent shall record in the county recorder's |
| 21 | office of a county in which the property is located, a     |
| 22 | notice, with respect to the real property on which the     |
| 23 | premises served by the measures are located, of the        |
| 24 | existence of the loan obligation and stating the total     |
| 25 | amount of the loan obligation, the term of the loan        |
| 26 | obligation, and that the loan obligation is being repaid   |

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

2.1

22

23

24

25

26

through a charge on an electric service provided to the property. The notice shall also state that it is being filed under this Section and, unless fully satisfied prior to sale or transfer of the property, the loan obligation shall survive changes in ownership, tenancy, or meter account responsibility and, until fully satisfied, shall constitute the obligation of the person responsible for the meter account. The notice shall not constitute a mortgage or deed of trust and shall not create any security interest or lien on the property. Upon satisfaction of the loan obligation, the utility or its agent shall promptly record a notice of repayment or a termination of notice. The county recorder shall record the notices in the same book in which the deeds are recorded.

(5) A loan issued to a participant pursuant to the program shall be the sole responsibility of the utility customer of record in respect to the premises served by the measure participant, and any dispute that may arise concerning the loan's terms, conditions, or charges shall be resolved between the utility customer of record participant and lender. Upon transfer of the property title for the premises at which the participant receives electric service from the utility or the participant's request to terminate service at such premises, the participant shall its electric utility bill, amounts due under the program, provided that this

2.1

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 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 to the extent those measures are not integral to the shell of a building, 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 programs in this subsection and subsection (c-5) of this Section 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.
- (c-5) Within 60 days after the effective date of this

| amendatory Act of the 98th General Assembly, each covered      |
|--|
| electric utility shall submit a proposed program to the        |
| Commission that fully comports with the provisions of          |
| subsection (c) of this Section, with the following additional  |
| provision: an electric utility subject to this Section shall   |
| fully coordinate its program with any gas utility or utilities |
| that provide gas service to buildings within the electric      |
| utility's service territory so that is practical and feasible  |
| for the owner of a multifamily building to make a single       |
| application to access loans for both gas and electric energy   |
| efficiency measures in any individual building.                |
|  |

- (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

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

- 1 of preparing the reports required purposes under subsection (q) of this Section. 2
  - (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.
  - (q) An independent evaluation of a program shall be conducted after 3 years of the program's operation. 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

13

14

15

16

17

18

19

20

21

22

23

24

- 1 feedback from participants and interested stakeholders. The 2 evaluator shall issue a report to the Commission on its findings no later than 4 years after the date on which the 3 4 program commenced, and the Commission shall issue a report to 5 the Governor and General Assembly including a summary of the 6 information described in this Section as well its 7 recommendations as to whether the program should 8 discontinued, continued with modification or modifications or continued without modification, provided that any recommended 9 10 modifications shall only apply prospectively and to measures 11 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.
- (Source: P.A. 96-33, eff. 7-10-09; 97-616, eff. 10-26-11.) 26

(220 ILCS 5/19-140) 1

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Sec. 19-140. On-bill financing program; gas utilities.

- (a) The Illinois General Assembly finds that Illinois homes and businesses have the potential to save energy through conservation and cost-effective energy efficiency measures. Programs created pursuant to this Section will allow utility to purchase cost-effective energy efficiency measures, including measures set forth in Commission-approved energy efficiency and demand-response plan under Section 8-103 of this Act that are cost-effective as that term is defined by that Section, with no required initial upfront payment, and to pay the cost of those products and services over time on their utility bill.
- (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 ("program") that allows its retail customers who own a residential single family home, duplex, or other residential building with 4 or less units, or condominium at which the gas service is being provided (i) to borrow funds from a third party lender in order to purchase gas energy efficiency measures approved under the program for installation in such home or condominium without any required upfront payment and (ii) to pay back such funds over time through the gas utility's bill. Based upon the process described in subsection (b-5) of

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

1 this Section, small commercial retail customers, as that term 2 is defined in Section 19-105 of this Act, who own the premises 3 at which gas service is being provided may be included in such 4 program. After receiving a request from a gas utility for 5 approval of a proposed program and tariffs pursuant to this 6 Section, the Commission shall render its decision within 120 days. If no decision is rendered within 120 days, then the 7 8 request shall be deemed to be approved.

Notwithstanding the provisions of the preceding paragraph, a gas utility serving more than 100,000 customers on or after January 1, 2013 shall offer a Commission-approved on-bill financing program to owners of multifamily residential or mixed-use buildings with 5 or more residential units no later than December 31, 2013 under the processes described in subsection (c-5) of this Section.

(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 gas 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. workshop process shall be completed within 150 days after the

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

- 1 effective date of this amendatory Act of the 96th General 2 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 eliqible qas energy efficiency measure ("measure") shall be a product or service for which one or more of the following is true defined by the following:
      - (A) (blank); The measure would be applied to or replace gas energy using equipment; and
      - (B) the projected 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; and . 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").

2.1

|            | (C)                 | the        | product   | or   | ser    | vice  | is | inc        | clude | ed i | ln  | a   |  |  |
|------------|---------------------|------------|-----------|------|--------|-------|----|------------|-------|------|-----|-----|--|--|
| Com        | Commission-approved |            |           |      | energy |       |    | efficiency |       |      |     | and |  |  |
| dema       | and-                | -respor    | nse plan  | unde | er Se  | ction | 8- | 104        | of    | this | A   | ct  |  |  |
| <u>and</u> | is                  | cost-e     | effective | as   | that   | term  | is | def        | ined  | by   | tha | at  |  |  |
| Sec        | tior                | l <b>.</b> |           |      |        |       |    |            |       |      |     |     |  |  |

- ("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

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

2.1

22

23

24

25

26

approve or deny financing applications review and 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.

- (4.3) The obligation created by a loan issued under the program shall run with the meter. For the purposes of this Section, "run with the meter" means all of the following:
  - (A) any portion of a loan issued under the program that remains outstanding prior to sale or transfer of the applicable real property, survives a change in ownership, tenancy, or meter account responsibility;
  - (B) any portion of a loan issued under the program that remains outstanding, at all times constitutes an obligation of the utility customer of record in respect to the premises served by the measure to repay; and
  - (C) arrears in repayment of a loan issued under the program that are outstanding prior to sale or transfer of the applicable real property remains the responsibility of the incurring customer, unless expressly assumed by the subsequent customer or third party.
  - (4.5) For each loan issued under the program, the

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

2.1

22

23

24

25

26

utility or its agent shall record in the county recorder's office of a county in which the property is located, a notice, with respect to the real property on which the premises served by the measures are located, of the existence of the loan obligation and stating the total amount of the loan obligation, the term of the loan obligation, and that the loan obligation is being repaid through a charge on a gas service provided to the property. The notice shall also state that it is being filed under this Section and, unless fully satisfied prior to sale or transfer of the property, the loan obligation shall survive changes in ownership, tenancy, or meter account responsibility and, until fully satisfied, shall constitute the obligation of the person responsible for the meter account. The notice shall not constitute a mortgage or deed of trust and shall not create any security interest or lien on the property. Upon satisfaction of the loan obligation, the utility or its agent shall promptly record a notice of repayment or a termination of notice. The county recorder shall record the notices in the same book in which the deeds are recorded.

(5) A loan issued to a participant pursuant to the program shall be the sole responsibility of the utility customer of record in respect to the premises served by the measure participant, and any dispute that may arise concerning the loan's terms, conditions, or charges shall

2.1

be resolved between the <u>utility customer of record</u> 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 to the extent those measures are not integral to the shell of the building, 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

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

26

1 programs in this subsection and subsection (c-5) of this Section program shall not exceed \$2.5 million for a gas 2 utility or gas utilities under a single holding company, 3 4 provided that the gas utility or gas utilities may petition 5 the Commission for an increase in such amount.

- (c-5) Within 60 days after the effective date of this amendatory Act of the 98th General Assembly, each covered gas utility shall submit a proposed program to the Commission that fully comports with the provisions of subsection (c) of this Section, with the following additional provision: a gas utility subject to this Section shall fully coordinate its program with any electric utility or utilities that provide electric service to buildings within the gas utility's service territory so that is practical and feasible for the owner of a multifamily building to make a single application to access loans for both gas and electric energy efficiency measures in any individual building.
- (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;
- 24 criteria and standards for identifying (2) and 25 approving measures;
  - (3) qualifications of vendors that will market or

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

- 1 install measures, as well as a methodology for ensuring ongoing compliance with such qualifications; 2
  - (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 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 retail customer classes eligible to participate in the program through the automatic adjustment clause tariff established pursuant to Section 8-104 of this Act.
  - (g) 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

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

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 that may relate to the offering of such program, provided that nothing in this Section is intended to limit the gas 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 gas supply shall not disqualify a customer from participation in the utility's

- on-bill financing program. Customers of alternative gas 1
- suppliers may participate in the program under the same terms 2
- and conditions applicable to the utility's supply customers. 3
- (Source: P.A. 96-33, eff. 7-10-09.) 4
- Section 99. Effective date. This Act takes effect upon 5
- becoming law.". 6