

Rep. Ann Williams

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Filed: 4/13/2011

09700HB1943ham001

LRB097 08923 ASK 54450 a

1 AMENDMENT TO HOUSE BILL 1943 2 AMENDMENT NO. . Amend House Bill 1943 by replacing 3 everything after the enacting clause with the following: "Section 5. The Illinois Power Agency Act is amended by 4 changing Sections 1-10, 1-56, and 1-75 as follows: 5 6 (20 ILCS 3855/1-10) 7 Sec. 1-10. Definitions. "Agency" means the Illinois Power Agency. 8 "Agency loan agreement" means any agreement pursuant to 9 10 which the Illinois Finance Authority agrees to loan the proceeds of revenue bonds issued with respect to a project to 11 12 the Agency upon terms providing for loan repayment installments

at least sufficient to pay when due all principal of, interest

and premium, if any, on those revenue bonds, and providing for

maintenance, insurance, and other matters in respect of the

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1 "Authority" means the Illinois Finance Authority.

"Clean coal facility" means an electric generating facility that uses primarily coal as a feedstock and that captures and sequesters carbon emissions at the following levels: at least 50% of the total carbon emissions that the facility would otherwise emit if, at the time construction commences, the facility is scheduled to commence operation before 2016, at least 70% of the total carbon emissions that the facility would otherwise emit if, at the time construction commences, the facility is scheduled to commence operation during 2016 or 2017, and at least 90% of the total carbon emissions that the facility would otherwise emit if, at the time construction commences, the facility is scheduled to commence operation after 2017. The power block of the clean coal facility shall not exceed allowable emission rates for sulfur dioxide, nitrogen oxides, carbon monoxide, particulates and mercury for a natural gas-fired combined-cycle facility the same size as and in the same location as the clean coal facility at the time the clean coal facility obtains an approved air permit. All coal used by a clean coal facility shall have high volatile bituminous rank and greater than 1.7 pounds of sulfur per million btu content, unless the clean coal facility does not use gasification technology and was operating as a conventional coal-fired electric generating facility on June 1, 2009 (the effective date of Public Act 95-1027).

"Clean coal SNG facility" means a facility that uses a

- 1 gasification process to produce substitute natural gas, that
- sequesters at least 90% of the total carbon emissions that the 2
- facility would otherwise emit and that uses petroleum coke or 3
- 4 coal as a feedstock, with all such coal having a high
- 5 bituminous rank and greater than 1.7 pounds of sulfur per
- million btu content. 6

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- "Commission" means the Illinois Commerce Commission. 7
- 8 "Costs incurred in connection with the development and 9 construction of a facility" means:
 - (1) the cost of acquisition of all real property and improvements in connection therewith and equipment and other property, rights, and easements acquired that are deemed necessary for the operation and maintenance of the facility;
 - (2) financing costs with respect to bonds, notes, and other evidences of indebtedness of the Agency;
 - origination, commitment, utilization, (3) all facility, placement, underwriting, syndication, credit enhancement, and rating agency fees;
 - (4) engineering, design, procurement, consulting, legal, accounting, title insurance, survey, appraisal, escrow, trustee, collateral agency, interest rate hedging, interest rate swap, capitalized interest and other financing costs, and other expenses for professional services; and
 - (5) the costs of plans, specifications, site study and

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investigation, installation, surveys, other Agency costs and estimates of costs, and other expenses necessary or incidental to determining the feasibility of any project, together with such other expenses as may be necessary or incidental to the financing, insuring, acquisition, and construction of a specific project and placing that project in operation.

"Department" means the Department of Commerce and Economic Opportunity.

"Director" means the Director of the Illinois Power Agency.

"Demand-response" means measures that decrease peak electricity demand or shift demand from peak to off-peak periods.

"Distributed renewable energy generation device" means a device that is:

- (1) powered by wind, solar thermal energy, photovoltaic cells and panels, biodiesel, crops and untreated and unadulterated organic waste biomass, tree waste, and hydropower that does not involve new construction or significant expansion of hydropower dams;
- (2) interconnected at the distribution system level of either an electric utility as defined in this Section, an alternative retail electric supplier as defined in Section 16-102 of the Public Utilities Act, a municipal utility as defined in Section 3-105 of the Public Utilities Act, or a rural electric cooperative as defined in Section 3-119 of

1 the Public Utilities Act; and

- (3) located on the customer side of the customer's 2
- electric meter and is generally used to offset that 3
- 4 customer's electricity load.
- 5 "Energy efficiency" means measures that reduce the amount
- of electricity or natural gas required to achieve a given end 6
- 7 use.
- "Electric utility" has the same definition as found in 8
- 9 Section 16-102 of the Public Utilities Act.
- 10 "Facility" means an electric generating unit or a
- 11 co-generating unit that produces electricity along with
- related equipment necessary to connect the facility to an 12
- 13 electric transmission or distribution system.
- 14 "Governmental aggregator" means one or more units of local
- 15 that individually or collectively procure government
- 16 electricity to serve residential retail electrical loads
- located within its or their jurisdiction. 17
- "Local government" means a unit of local government as 18
- defined in Article VII of Section 1 of the Illinois 19
- 20 Constitution.
- "Municipality" means a city, village, or incorporated 2.1
- 22 town.
- "Person" means any natural person, firm, partnership, 23
- 24 corporation, either domestic or foreign, company, association,
- 25 limited liability company, joint stock company, or association
- and includes any trustee, receiver, assignee, or personal 26

- 1 representative thereof.
- 2 "Project" means the planning, bidding, and construction of
- 3 a facility.
- 4 "Public utility" has the same definition as found in
- 5 Section 3-105 of the Public Utilities Act.
- 6 "Real property" means any interest in land together with
- 7 all structures, fixtures, and improvements thereon, including
- 8 lands under water and riparian rights, any easements,
- 9 covenants, licenses, leases, rights-of-way, uses, and other
- 10 interests, together with any liens, judgments, mortgages, or
- other claims or security interests related to real property.
- "Renewable energy credit" means a tradable credit that
- 13 represents the environmental attributes of a certain amount of
- energy produced from a renewable energy resource.
- "Renewable energy resources" includes energy and its
- associated renewable energy credit or renewable energy credits
- from wind, solar thermal energy, photovoltaic cells and panels,
- 18 biodiesel, crops and untreated and unadulterated organic waste
- 19 biomass, tree waste, hydropower that does not involve new
- 20 construction or significant expansion of hydropower dams, and
- 21 other alternative sources of environmentally preferable
- 22 energy. For purposes of this Act, landfill gas produced in the
- 23 State is considered a renewable energy resource. "Renewable
- 24 energy resources" does not include the incineration or burning
- of tires, garbage, general household, institutional, and
- 26 commercial waste, industrial lunchroom or office waste,

- 1 landscape waste other than tree waste, railroad crossties,
- 2 utility poles, or construction or demolition debris, other than
- 3 untreated and unadulterated waste wood.
- 4 "Revenue bond" means any bond, note, or other evidence of
- 5 indebtedness issued by the Authority, the principal and
- interest of which is payable solely from revenues or income 6
- derived from any project or activity of the Agency. 7
- 8 "Sequester" means permanent storage of carbon dioxide by
- 9 injecting it into a saline aquifer, a depleted gas reservoir,
- 10 or an oil reservoir, directly or through an enhanced oil
- 11 recovery process that may involve intermediate storage in a
- salt dome. 12
- "Servicing agreement" means (i) in the case of an electric 13
- 14 utility, an agreement between the owner of a clean coal
- 15 facility and such electric utility, which agreement shall have
- 16 terms and conditions meeting the requirements of paragraph (3)
- of subsection (d) of Section 1-75, and (ii) in the case of an 17
- alternative retail electric supplier, an agreement between the 18
- 19 owner of a clean coal facility and such alternative retail
- 20 electric supplier, which agreement shall have terms and
- 21 conditions meeting the requirements of Section 16-115(d)(5) of
- the Public Utilities Act. 22
- "Substitute natural gas" or "SNG" means a gas manufactured 23
- 24 gasification of hydrocarbon feedstock, which
- 25 substantially interchangeable in use and distribution with
- 26 conventional natural gas.

1 "Total resource cost test" or "TRC test" means a standard 2 that is met if, for an investment in energy efficiency or demand-response measures, the benefit-cost ratio is greater 3 4 than one. The benefit-cost ratio is the ratio of the net 5 present value of the total benefits of the program to the net 6 present value of the total costs as calculated over the lifetime of the measures. A total resource cost test compares 7 8 the sum of avoided electric utility costs, representing the 9 benefits that accrue to the system and the participant in the 10 delivery of those efficiency measures, as well as other quantifiable societal benefits, including avoided natural gas 11 utility costs, to the sum of all incremental costs of end-use 12 13 measures that are implemented due to the program (including 14 both utility and participant contributions), plus costs to 15 administer, deliver, and evaluate each demand-side program, to 16 quantify the net savings obtained by substituting the demand-side program for supply resources. In calculating 17 18 avoided costs of power and energy that an electric utility would otherwise have had to acquire, reasonable estimates shall 19 20 be included of financial costs likely to be imposed by future regulations and legislation on emissions of greenhouse gases. 21 (Source: P.A. 95-481, eff. 8-28-07; 95-913, eff. 1-1-09; 22 95-1027, eff. 6-1-09; 96-33, eff. 7-10-09; 23 96-159, eff. 8-10-09; 96-784, eff. 8-28-09; 96-1000, eff. 7-2-10.) 24

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- 1 Sec. 1-56. Illinois Agency Renewable Power Energy 2 Resources Fund.
- (a) The Illinois Power Agency Renewable Energy Resources 3 4 Fund is created as a special fund in the State treasury.
- 5 (b) The Illinois Power Agency Renewable Energy Resources 6 Fund shall be administered by the Agency to procure renewable energy resources. Prior to June 1, 2011, resources procured 7 8 pursuant to this Section shall be procured from facilities 9 located in Illinois, provided the resources are available from those facilities. If resources are not available in Illinois, 10 11 then they shall be procured in states that adjoin Illinois. If resources are not available in Illinois or in states that 12 13 adjoin Illinois, then they may be purchased elsewhere. Beginning June 1, 2011, resources procured pursuant to this 14 15 Section shall be procured from facilities located in Illinois 16 or states that adjoin Illinois. If resources are not available in Illinois or in states that adjoin Illinois, then they may be 17 procured elsewhere. To the extent available, at least 75% of 18 19 these renewable energy resources shall come from wind 20 generation. Of the renewable energy resources procured 21 pursuant to this Section at least the following specified 22 percentages shall come from photovoltaics on the following schedule: 0.5% by June 1, 2012; 1.5% by June 1, 2013; 3% by 23 24 June 1, 2014; and 6% by June 1, 2015 and thereafter. Of the 25 renewable energy resources procured pursuant to this Section at least the following percentages shall come from distributed 26

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renewable energy generation devices: 0.5% by June 1, 2013, 0.75% by June 1, 2014, and 1% by June 1, 2015 and thereafter. To the extent available, half of the renewable energy resources procured from distributed renewable energy generation shall come from devices of less than 25 kilowatts in nameplate capacity. Renewable energy resources procured from distributed generation devices may also count towards the required percentages for wind and solar photovoltaics. Procurement of renewable energy resources from distributed renewable energy generation devices shall be done on an annual basis through multi-year contracts of no less than 5 years.

The Agency shall create credit requirements for suppliers of distributed renewable energy. In order to minimize the administrative burden on contracting entities, the Agency shall solicit the use of third-party organizations to aggregate distributed renewable energy into groups of no less than one megawatt in installed capacity. These third-party organizations shall administer contracts with individual distributed renewable energy generation device owners. An individual distributed renewable energy generation device owner shall have the ability to measure the output of his or her distributed renewable energy generation device.

(c) The Agency shall procure renewable energy resources at least once each year in conjunction with a procurement event for electric utilities required to comply with Section 1-75 of the Act and shall, whenever possible, enter into long-term

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1 contracts on an annual basis for a portion of the incremental requirement for the given procurement year. 2

- (d) The price paid to procure renewable energy credits using monies from the Illinois Power Agency Renewable Energy Resources Fund shall not exceed the winning bid prices paid for like resources procured for electric utilities required to comply with Section 1-75 of this Act.
- (e) All renewable energy credits procured using monies from the Illinois Power Agency Renewable Energy Resources Fund shall be permanently retired.
 - (f) The procurement process described in this Section is exempt from the requirements of the Illinois Procurement Code, pursuant to Section 20-10 of that Code.
 - (g) All disbursements from the Illinois Power Agency Renewable Energy Resources Fund shall be made only upon warrants of the Comptroller drawn upon the Treasurer as custodian of the Fund upon vouchers signed by the Director or by the person or persons designated by the Director for that purpose. The Comptroller is authorized to draw the warrant upon vouchers so signed. The Treasurer shall accept all warrants so signed and shall be released from liability for all payments made on those warrants.
 - (h) The Illinois Power Agency Renewable Energy Resources Fund shall not be subject to sweeps, administrative charges, or chargebacks, including, but not limited to, those authorized under Section 8h of the State Finance Act, that would in any

- 1 way result in the transfer of any funds from this Fund to any
- other fund of this State or in having any such funds utilized 2
- 3 for any purpose other than the express purposes set forth in
- 4 this Section.
- 5 (Source: P.A. 96-159, eff. 8-10-09; 96-1000, eff. 7-2-10;
- 96-1437, eff. 8-17-10.) 6
- 7 (20 ILCS 3855/1-75)
- 8 Sec. 1-75. Planning and Procurement Bureau. The Planning
- 9 and Procurement Bureau has the following duties and
- 10 responsibilities:
- (a) The Planning and Procurement Bureau shall each 11
- 12 year, beginning in 2008, develop procurement plans and
- 13 conduct competitive procurement processes in accordance
- 14 with the requirements of Section 16-111.5 of the Public
- 15 Utilities Act for the eligible retail customers of electric
- utilities that on December 31, 2005 provided electric 16
- 17 service to at least 100,000 customers in Illinois. For the
- 18 purposes of this Section, the term "eligible retail
- 19 customers" has the same definition as found in Section
- 16-111.5(a) of the Public Utilities Act. 20
- 21 (1) The Agency shall each year, beginning in 2008,
- 22 as needed, issue a request for qualifications for
- 23 experts or expert consulting firms to develop the
- 24 procurement plans in accordance with Section 16-111.5
- 25 of the Public Utilities Act. In order to qualify an

1	expert or expert consulting firm must have:
2	(A) direct previous experience assembling
3	large-scale power supply plans or portfolios for
4	end-use customers;
5	(B) an advanced degree in economics,
6	mathematics, engineering, risk management, or a
7	related area of study;
8	(C) 10 years of experience in the electricity
9	sector, including managing supply risk;
10	(D) expertise in wholesale electricity market
11	rules, including those established by the Federal
12	Energy Regulatory Commission and regional
13	transmission organizations;
14	(E) expertise in credit protocols and
15	familiarity with contract protocols;
16	(F) adequate resources to perform and fulfill
17	the required functions and responsibilities; and
18	(G) the absence of a conflict of interest and
19	inappropriate bias for or against potential
20	bidders or the affected electric utilities.
21	(2) The Agency shall each year, as needed, issue a
22	request for qualifications for a procurement
23	administrator to conduct the competitive procurement
24	processes in accordance with Section 16-111.5 of the
25	Public Utilities Act. In order to qualify an expert or
26	expert consulting firm must have:

(A) direct previous experience administering a

2	large-scale competitive procurement process;
3	(B) an advanced degree in economics,
4	mathematics, engineering, or a related area of
5	study;
6	(C) 10 years of experience in the electricity
7	sector, including risk management experience;
8	(D) expertise in wholesale electricity market
9	rules, including those established by the Federal
10	Energy Regulatory Commission and regional
11	transmission organizations;
12	(E) expertise in credit and contract
13	protocols;
14	(F) adequate resources to perform and fulfill
15	the required functions and responsibilities; and
16	(G) the absence of a conflict of interest and
17	inappropriate bias for or against potential
18	bidders or the affected electric utilities.
19	(3) The Agency shall provide affected utilities
20	and other interested parties with the lists of
21	qualified experts or expert consulting firms
22	identified through the request for qualifications
23	processes that are under consideration to develop the
24	procurement plans and to serve as the procurement
25	administrator. The Agency shall also provide each
26	qualified expert's or expert consulting firm's

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response to the request for qualifications. All information provided under this subparagraph shall also be provided to the Commission. The Agency may provide by rule for fees associated with supplying the information to utilities and other interested parties. These parties shall, within 5 business days, notify the Agency in writing if they object to any experts or expert consulting firms on the lists. Objections shall be based on:

- (A) failure to satisfy qualification criteria;
- (B) identification of a conflict of interest;
- (C) evidence of inappropriate bias for or against potential bidders or the affected utilities.

Agency shall remove experts or expert consulting firms from the lists within 10 days if there is a reasonable basis for an objection and provide the updated lists to the affected utilities and other interested parties. If the Agency fails to remove an expert or expert consulting firm from a list, an objecting party may seek review by the Commission within 5 days thereafter by filing a petition, and the Commission shall render a ruling on the petition within 10 days. There is no right of appeal of the Commission's ruling.

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- (4) The Agency shall issue requests for proposals to the qualified experts or expert consulting firms to develop a procurement plan for the affected utilities and to serve as procurement administrator.
 - (5) The Agency shall select an expert or expert consulting firm to develop procurement plans based on the proposals submitted and shall award one-year contracts to those selected with an option for the Agency for a one-year renewal.
 - (6) The Agency shall select an expert or expert consulting firm, with approval of the Commission, to serve as procurement administrator based on the proposals submitted. If the Commission rejects, within 5 days, the Agency's selection, the Agency shall submit another recommendation within 3 days based on the proposals submitted. The Agency shall award a one-year contract to the expert or expert consulting firm so selected with Commission approval with an option for the Agency for a one-year renewal.
- (b) The experts or expert consulting firms retained by the Agency shall, as appropriate, prepare procurement plans, and conduct a competitive procurement process as prescribed in Section 16-111.5 of the Public Utilities Act, to ensure adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest total cost over time, taking into account any benefits of

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price stability, for eligible retail customers of electric utilities that on December 31, 2005 provided electric service to at least 100,000 customers in the State of Illinois.

(c) Renewable portfolio standard.

(1)procurement plans shall cost-effective renewable energy resources. A minimum percentage of each utility's total supply to serve the load of eligible retail customers, as defined in Section 16-111.5(a) of the Public Utilities Act, procured for each of the following years shall be generated from cost-effective renewable resources: at least 2% by June 1, 2008; at least 4% by June 1, 2009; at least 5% by June 1, 2010; at least 6% by June 1, 2011; at least 7% by June 1, 2012; at least 8% by June 1, 2013; at least 9% by June 1, 2014; at least 10% by June 1, 2015; and increasing by at least 1.5% each year thereafter to at least 25% by June 1, 2025. To the extent that it is available, at least 75% of the renewable energy resources used to meet these standards shall come from wind generation and, beginning on June 1, 2011, at least the following percentages of the renewable energy resources used to meet these standards shall come from photovoltaics on the following schedule: 0.5% by June 1, 2012, 1.5% by June 1, 2013; 3% by June 1, 2014; and 6% by June 1,

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2015 and thereafter. Of the renewable energy resources procured pursuant to this Section at least the following percentages shall come from distributed renewable energy generation devices: 0.5% by June 1, 2013, 0.75% by June 1, 2014, and 1% by June 1, 2015 and thereafter. To the extent available, half of the renewable energy resources procured from distributed renewable energy generation shall come from devices of less than 25 kilowatts in nameplate capacity. Renewable energy resources procured from distributed generation devices may also count towards the required percentages for wind and solar photovoltaics. Procurement of renewable energy resources from distributed renewable energy generation devices shall be done on an annual basis through multi-year contracts of no less than 5 years.

The Agency shall create credit requirements for suppliers of distributed renewable energy. In order to minimize the administrative burden on contracting entities, the Agency shall solicit the use of third-party organizations to aggregate distributed renewable energy into groups of no less than one megawatt in installed capacity. These third-party organizations shall administer contracts with individual distributed renewable energy generation device owners. An individual distributed renewable

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energy generation device owner shall have the ability to measure the output of his or her distributed renewable energy generation device. For purposes of this subsection (c), "cost-effective" means that the costs of procuring renewable energy resources do not cause the limit stated in paragraph (2) of this subsection (c) to be exceeded and do not exceed benchmarks based on market prices for renewable energy resources in the region, which shall be developed by the procurement administrator, in consultation with Commission staff, Agency staff, the and the procurement monitor and shall be subject to Commission review and approval.

(2) For purposes of this subsection (c), the required procurement of cost-effective renewable energy resources for a particular year shall be measured as a percentage of the actual amount of electricity (megawatt-hours) supplied by the electric utility to eligible retail customers in the planning year ending immediately prior to the procurement. For purposes of this subsection (c), the amount paid per kilowatthour means the total amount paid for electric service expressed on a per kilowatthour basis. For purposes of this subsection (c), the total amount paid for electric service includes without limitation amounts paid for supply, transmission, distribution,

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surcharges, and add-on taxes. 1

> Notwithstanding the requirements of this subsection (c), the total of renewable resources procured pursuant to the procurement plan for any single year shall be reduced by an amount necessary to limit the annual estimated average net increase due to the costs of these resources included in the amounts paid by eligible retail customers in connection with electric service to:

- (A) in 2008, no more than 0.5% of the amount paid per kilowatthour by those customers during the year ending May 31, 2007;
- (B) in 2009, the greater of an additional 0.5% the amount paid per kilowatthour by those customers during the year ending May 31, 2008 or 1% the amount paid per kilowatthour by those customers during the year ending May 31, 2007;
- (C) in 2010, the greater of an additional 0.5% the amount paid per kilowatthour by those customers during the year ending May 31, 2009 or 1.5% of the amount paid per kilowatthour by those customers during the year ending May 31, 2007;
- (D) in 2011, the greater of an additional 0.5% the amount paid per kilowatthour by those customers during the year ending May 31, 2010 or 2% of the amount paid per kilowatthour by those

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customers during the year ending May 31, 2007; and

(E) thereafter, the amount of renewable energy resources procured pursuant to the procurement plan for any single year shall be reduced by an amount necessary to limit the estimated average net increase due to the cost of these resources included in the amounts paid by eligible retail customers in connection with electric service to no more than the greater of 2.015% of the amount paid per kilowatthour by those customers during the year ending May 31, 2007 or the incremental amount per kilowatthour paid for these resources in 2011.

No later than June 30, 2011, the Commission shall review the limitation on the amount of renewable energy resources procured pursuant to this subsection (c) and report to the General Assembly its findings as to whether that limitation unduly constrains procurement of cost-effective renewable energy resources.

(3) Through June 1, 2011, renewable energy resources shall be counted for the purpose of meeting the renewable energy standards set forth in paragraph (1) of this subsection (c) only if they are generated from facilities located in the State, provided that cost-effective renewable energy resources are

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available from those facilities. Τf those cost-effective resources are not available in Illinois, they shall be procured in states that adjoin Illinois and may be counted towards compliance. If those cost-effective resources are not available in Illinois or in states that adjoin Illinois, they shall be purchased elsewhere and shall be counted towards 1, 2011, cost-effective compliance. After June renewable energy resources located in Illinois and in states that adjoin Illinois may be counted towards compliance with the standards set forth in paragraph (1) of this subsection (c). If those cost-effective resources are not available in Illinois or in states that adjoin Illinois, they shall be purchased elsewhere and shall be counted towards compliance.

- electric utility shall retire The all renewable energy credits used to comply with the standard.
- (5) Beginning with the year commencing June 1, 2010, an electric utility subject to this subsection (c) shall apply the lesser of the maximum alternative compliance payment rate or the most recent estimated alternative compliance payment rate for its service territory for the corresponding compliance period, established pursuant to subsection (d) of Section 16-115D of the Public Utilities Act to its retail

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customers that take service pursuant to the electric utility's hourly pricing tariff or tariffs. electric utility shall retain all amounts collected as result of the application of the alternative compliance payment rate or rates to such customers, and, beginning in 2011, the utility shall include in the information provided under item (1) of subsection (d) of Section 16-111.5 of the Public Utilities Act the amounts collected under the alternative compliance payment rate or rates for the prior year ending May 31. Notwithstanding any limitation on the procurement of renewable energy resources imposed by item (2) of this subsection (c), the Agency shall increase its spending on the purchase of renewable energy resources to be procured by the electric utility for the next plan year by an amount equal to the amounts collected by the utility under the alternative compliance payment rate or rates in the prior year ending May 31.

- (d) Clean coal portfolio standard.
- (1) The procurement plans shall include electricity generated using clean coal. Each utility shall enter into one or more sourcing agreements with the initial clean coal facility, as provided in paragraph (3) of this subsection (d), covering electricity generated by the initial clean coal facility representing at least 5% of each utility's total supply to serve the load of eligible retail customers

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in 2015 and each year thereafter, as described in paragraph (3) of this subsection (d), subject to the limits specified in paragraph (2) of this subsection (d). It is the goal of the State that by January 1, 2025, 25% of the electricity used in the State shall be generated by cost-effective clean coal facilities. For purposes of this subsection (d), "cost-effective" means that the expenditures pursuant to such sourcing agreements do not cause the limit stated in paragraph (2) of this subsection (d) to be exceeded and do not exceed cost-based benchmarks, which shall be developed to assess all expenditures pursuant to such sourcing agreements covering electricity generated by clean coal facilities, other than the initial clean coal facility, by the procurement administrator, in consultation with the Commission staff, Agency staff, and the procurement monitor and shall be subject to Commission review and approval.

- (A) A utility party to a sourcing agreement shall immediately retire any emission credits that receives in connection with the electricity covered by such agreement.
- Utilities shall maintain adequate records documenting the purchases under the sourcing agreement to comply with this subsection (d) and shall file an accounting with the load forecast that must be filed with the Agency by July 15 of each year, in accordance

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with subsection (d) of Section 16-111.5 of the Public 1 Utilities Act. 2

- (C) A utility shall be deemed to have complied with the clean coal portfolio standard specified in this subsection (d) if the utility enters into a sourcing agreement as required by this subsection (d).
- (2) For purposes of this subsection (d), the required execution of sourcing agreements with the initial clean coal facility for a particular year shall be measured as a actual of percentage of the amount electricity supplied by the electric utility to (megawatt-hours) eligible retail customers in the planning year ending immediately prior to the agreement's execution. purposes of this subsection (d), the amount paid per kilowatthour means the total amount paid for electric service expressed on a per kilowatthour basis. For purposes of this subsection (d), the total amount paid for electric service includes without limitation amounts paid for supply, transmission, distribution, surcharges and add-on taxes.

Notwithstanding the requirements of this subsection (d), the total amount paid under sourcing agreements with clean coal facilities pursuant to the procurement plan for any given year shall be reduced by an amount necessary to limit the annual estimated average net increase due to the costs of these resources included in the amounts paid by

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1	eligible retail customers in connection with electric
2	service to:
3	(A) in 2010, no more than 0.5% of the amount
4	paid per kilowatthour by those customers during
5	the year ending May 31, 2009;
6	(B) in 2011, the greater of an additional 0.5%
7	of the amount paid per kilowatthour by those
8	customers during the year ending May 31, 2010 or 1%
9	of the amount paid per kilowatthour by those
10	customers during the year ending May 31, 2009;
11	(C) in 2012, the greater of an additional 0.5%
12	of the amount paid per kilowatthour by those
13	customers during the year ending May 31, 2011 or
14	1.5% of the amount paid per kilowatthour by those
15	customers during the year ending May 31, 2009;
16	(D) in 2013, the greater of an additional 0.5%
17	of the amount paid per kilowatthour by those
18	customers during the year ending May 31, 2012 or 2%
19	of the amount paid per kilowatthour by those
20	customers during the year ending May 31, 2009; and
21	(E) thereafter, the total amount paid under
22	sourcing agreements with clean coal facilities
23	pursuant to the procurement plan for any single
24	year shall be reduced by an amount necessary to

limit the estimated average net increase due to the

cost of these resources included in the amounts

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paid by eligible retail customers in connection with electric service to no more than the greater of (i) 2.015% of the amount paid per kilowatthour by those customers during the year ending May 31, (ii) the incremental or amount kilowatthour paid for these resources in 2013. These requirements may be altered only as provided by statute. No later than June 30, 2015, Commission shall review the limitation on total amount paid under sourcing agreements, if any, with clean coal facilities pursuant to this subsection (d) and report to the General Assembly its findings as to whether that limitation unduly constrains the amount of electricity generated by cost-effective clean coal facilities that is covered by sourcing agreements.

(3) Initial clean coal facility. In order to promote development of clean coal facilities in Illinois, each electric utility subject to this Section shall execute a sourcing agreement to source electricity from a proposed clean coal facility in Illinois (the "initial clean coal facility") that will have a nameplate capacity of at least 500 MW when commercial operation commences, that has a final Clean Air Act permit on the effective date of this amendatory Act of the 95th General Assembly, and that will meet the definition of clean coal facility in Section 1-10

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of this Act when commercial operation commences. sourcing agreements with this initial clean coal facility shall be subject to both approval of the initial clean coal facility by the General Assembly and satisfaction of the requirements of paragraph (4) of this subsection (d) and shall be executed within 90 days after any such approval by the General Assembly. The Agency and the Commission shall have authority to inspect all books and records associated with the initial clean coal facility during the term of such a sourcing agreement. A utility's sourcing agreement for electricity produced by the initial clean coal facility shall include:

- (A) a formula contractual price (the "contract price") approved pursuant to paragraph (4) of this subsection (d), which shall:
 - (i) be determined using a cost of service methodology employing either a level or deferred capital recovery component, based on a capital structure consisting of 45% equity and 55% debt, and a return on equity as may be approved by the Federal Energy Regulatory Commission, which in any case may not exceed the lower of 11.5% or the rate return approved by the General pursuant to paragraph (4) of this subsection (d); and
 - (ii) provide that all miscellaneous net

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revenue, including but not limited to net revenue from the sale of emission allowances, if any, substitute natural gas, if any, grants or other support provided by the State of Illinois or the States Government, firm transmission United any, by-products produced by the rights, if facility, energy or capacity derived from the facility and not covered by a sourcing agreement pursuant to paragraph (3) of this subsection (d) or item (5) of subsection (d) of Section 16-115 of the Public Utilities Act, whether generated from the synthesis gas derived from coal, from SNG, or from natural gas, shall be credited against the revenue requirement for this initial clean coal facility; (B) power purchase provisions, which shall:

- (i) provide that the utility party to such sourcing agreement shall pay the contract price for electricity delivered under such sourcing agreement;
- (ii) require delivery of electricity to the regional transmission organization market of the utility that is party to such sourcing agreement;
- (iii) require the utility party to such sourcing agreement to buy from the initial clean coal facility in each hour an amount of energy equal to all clean coal energy made available from

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the initial clean coal facility during such hour times a fraction, the numerator of which is such utility's retail market sales of electricity (expressed in kilowatthours sold) in the State the prior calendar during month and denominator of which is the total retail market sales of electricity (expressed in kilowatthours sold) in the State by utilities during such prior month and the sales of electricity (expressed in kilowatthours sold) in the State by alternative retail electric suppliers during such prior month that are subject to the requirements of this subsection (d) and paragraph (5) of subsection (d) of Section 16-115 of the Public Utilities Act, provided that the amount purchased by the utility in any year will be limited by paragraph (2) of this subsection (d); and

- (iv) be considered pre-existing contracts in such utility's procurement plans for eligible retail customers;
- (C) contract for differences provisions, which shall:
 - (i) require the utility party to such sourcing agreement to contract with the initial clean coal facility in each hour with respect to an amount of energy equal to all clean coal energy made

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available from the initial clean coal facility during such hour times a fraction, the numerator of which is such utility's retail market sales of electricity (expressed in kilowatthours sold) in the utility's service territory in the State the prior calendar month durina and denominator of which is the total retail market sales of electricity (expressed in kilowatthours sold) in the State by utilities during such prior month and the sales of electricity (expressed in kilowatthours sold) in the State by alternative retail electric suppliers during such prior month that are subject to the requirements of this subsection (d) and paragraph (5) of subsection (d) of Section 16-115 of the Public Utilities Act, provided that the amount paid by the utility in any year will be limited by paragraph (2) of this subsection (d);

(ii) provide that the utility's payment obligation in respect of the quantity of electricity determined pursuant to the preceding clause (i) shall be limited to an amount equal to (1) the difference between the contract price determined pursuant to subparagraph (A) paragraph (3) of this subsection (d) and the day-ahead price for electricity delivered to the

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regional transmission organization market of the utility that is party to such sourcing agreement (or any successor delivery point at which such utility's supply obligations are financially settled on an hourly basis) (the "reference price") on the day preceding the day on which the electricity is delivered to the initial clean coal facility busbar, multiplied by (2) the quantity of electricity determined pursuant to the preceding clause (i); and

(iii) not require the utility to take physical delivery of the electricity produced by the facility;

(D) general provisions, which shall:

- (i) specify a term of no more than 30 years, commencing on the commercial operation date of the facility;
- (ii) provide that utilities shall maintain adequate records documenting purchases under the sourcing agreements entered into to comply with this subsection (d) and shall file an accounting with the load forecast that must be filed with the Agency by July 15 of each year, in accordance with subsection (d) of Section 16-111.5 of the Public Utilities Act.
 - (iii) provide that all costs associated with

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initial clean coal facility will the periodically reported to the Federal Energy Regulatory Commission and to purchasers accordance with applicable laws governing cost-based wholesale power contracts;

- (iv) permit the Illinois Power Agency to assume ownership of the initial clean coal facility, without monetary consideration otherwise on reasonable terms acceptable to the Agency, if the Agency so requests no less than 3 years prior to the end of the stated contract term;
- (v) require the owner of the initial clean coal facility to provide documentation to Commission each year, starting in the facility's first year of commercial operation, accurately reporting the quantity of carbon emissions from facility that have been captured the sequestered and report any quantities of carbon released from the site or sites at which carbon emissions were sequestered in prior years, based on continuous monitoring of such sites. If, in any year after the first year of commercial operation, the owner of the facility fails to demonstrate that initial clean coal facility captured and sequestered at least 50% of the total carbon emissions that the facility would otherwise emit

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or that sequestration of emissions from prior 1 years has failed, resulting in the release of 2 3 carbon dioxide into the atmosphere, the owner of the facility must offset excess emissions. Any 4 5 such carbon offsets must be permanent, additional, verifiable, real, located within the State of 6 Illinois, and legally and practicably enforceable. 7 8 The cost of such offsets for the facility that are 9 not recoverable shall not exceed \$15 million in any 10 given year. No costs of any such purchases of 11 carbon offsets may be recovered from a utility or its customers. All carbon offsets purchased for 12 13 this purpose and any carbon emission credits associated with sequestration of carbon from the 14 15 facility must be permanently retired. The initial 16 clean coal facility shall not forfeit 17 designation as a clean coal facility if 18 facility fails to fully comply with the applicable 19 carbon sequestration requirements in any given 20 year, provided the requisite offsets 2.1 purchased. However, the Attorney General, 22 behalf of the People of the State of Illinois, may 23 specifically enforce the facility's sequestration 24 requirement and the other terms of this contract 25 provision. Compliance with the sequestration 26 requirements and offset purchase requirements

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specified in paragraph (3) of this subsection (d) shall be reviewed annually by an independent expert retained by the owner of the initial clean coal facility, with the advance written approval of the Attorney General. The Commission may, in the course of the review specified in item (vii), reduce the allowable return on equity for the facility if the facility wilfully fails to comply with the carbon capture and sequestration requirements set forth in this item (v);

and accordingly include limits (vi) on, provide for modification of, the amount the utility is required to source under the sourcing agreement consistent with paragraph (2) of this subsection (d);

require Commission review: (vii) (1)t.o determine the justness, reasonableness, prudence of the inputs to the formula referenced in subparagraphs (A) (i) through (A) (iii) of paragraph (3) of this subsection (d), prior to an adjustment in those inputs including, without limitation, the capital structure and return on equity, fuel costs, and other operations and maintenance costs and (2) to approve the costs to be passed through to customers under the sourcing agreement by which the utility satisfies its statutory obligations.

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Commission review shall occur no less than every 3 years, regardless of whether any adjustments have been proposed, and shall be completed within 9 months:

(viii) limit the utility's obligation to such amount as the utility is allowed to recover through tariffs filed with the Commission, provided that neither the clean coal facility nor the utility waives any right to assert federal pre-emption or any other argument in response to a purported disallowance of recovery costs;

(ix) limit the utility's or alternative retail electric supplier's obligation to incur liability until such time as the facility is in commercial operation and generating power and energy and such power and energy is being delivered to the facility busbar;

(x) provide that the owner or owners of the initial clean coal facility, which is the counterparty to such sourcing agreement, shall have the right from time to time to elect whether the obligations of the utility party thereto shall be governed by the power purchase provisions or the contract for differences provisions;

(xi) append documentation showing that the formula rate and contract, insofar as they relate

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to the power purchase provisions, have been approved by the Federal Energy Regulatory Commission pursuant to Section 205 of the Federal Power Act:

(xii) provide that any changes to the terms of the contract, insofar as such changes relate to the power purchase provisions, are subject to review under the public interest standard applied by the Federal Energy Regulatory Commission pursuant to Sections 205 and 206 of the Federal Power Act; and

with (xiii) conform customary lender requirements in power purchase agreements used as the basis for financing non-utility generators.

- (4) Effective date of sourcing agreements with the clean coal facility. Any proposed sourcing initial agreement with the initial clean coal facility shall not become effective unless the following reports are prepared and submitted and authorizations and approvals obtained:
 - (i) Facility cost report. The owner of the initial clean coal facility shall submit to the Commission, the Agency, and the General Assembly a front-end engineering and design study, a facility cost report, method of financing (including but not limited to structure and associated costs), and an operating and maintenance cost quote for the facility (collectively "facility cost report"),

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which shall be prepared in accordance with the requirements of this paragraph (4) of subsection (d) of this Section, and shall provide the Commission and the Agency access to the work papers, relied upon documents, and any other backup documentation related to the facility cost report.

Commission report. Within following receipt of the facility cost report, the Commission, in consultation with the Agency, shall submit a report to the General Assembly setting forth its analysis of the facility cost report. Such report shall include, but not be limited to, a comparison of the costs associated electricity generated by the initial clean coal facility to the costs associated with electricity generated by other types of generation facilities, an analysis of the rate impacts on residential and small business customers over the life of the sourcing agreements, and an analysis of likelihood that the initial clean coal facility will commence commercial operation by and be delivering power to the facility's busbar by 2016. To assist in the preparation of its report, the Commission, in consultation with the Agency, may hire one or more experts or consultants, the costs

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of which shall be paid for by the owner of the initial clean coal facility. The Commission and Agency may begin the process of selecting such experts or consultants prior to receipt of the facility cost report.

(iii) General Assembly approval. The proposed sourcing agreements shall not take effect unless, based on the facility cost report Commission's report, the General Assembly enacts authorizing legislation approving (A) the projected price, stated in cents per kilowatthour, to be charged for electricity generated by the initial clean coal facility, (B) the projected impact on residential and small business customers' bills over the life of the sourcing agreements, and (C) the maximum allowable return on equity for the project; and

(iv) Commission review. Ιf t.he General Assembly enacts authorizing legislation pursuant subparagraph (iii) approving a sourcing to agreement, the Commission shall, within 90 days of such enactment, complete a review of such sourcing agreement. During such time period, the Commission shall implement any directive of the General Assembly, resolve any disputes between the parties to the sourcing agreement concerning the terms of

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agreement, approve the form such ofagreement, and issue an order finding that the sourcing agreement is prudent and reasonable.

The facility cost report shall be prepared as follows:

- (A) The facility cost report shall be prepared by duly licensed engineering and construction firms detailing the estimated capital costs payable to one or more contractors or suppliers for the engineering, procurement and construction of the components comprising the initial clean coal facility and the estimated costs of operation and maintenance of the facility. The facility cost report shall include:
 - (i) an estimate of the capital cost of the core plant based on one or more front end engineering and design studies for the gasification island and related facilities. The core plant shall include all civil, structural, mechanical, electrical, control, and safety systems.
 - (ii) an estimate of the capital cost of the balance of the plant, including any capital costs associated with sequestration of carbon dioxide emissions and all interconnects and interfaces required to operate the facility, transmission of electricity, construction backfeed power supply, pipelines to transport substitute natural gas or carbon dioxide, potable

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water supply, natural gas supply, water supply, water discharge, landfill, access roads, and coal delivery.

The quoted construction costs shall be expressed in nominal dollars as of the date that the quote is prepared and shall include (1) capitalized financing costs during construction, (2) taxes, insurance, and other owner's costs, and (3) an assumed escalation in materials and labor beyond the date as of which the construction cost quote is expressed.

- (B) The front end engineering and design study for the gasification island and the cost study for the balance of plant shall include sufficient design work to permit quantification of major categories of materials, commodities and labor hours, and receipt of quotes from vendors of major equipment required to construct and operate the clean coal facility.
- (C) The facility cost report shall also include an operating and maintenance cost quote that will provide the estimated cost of delivered fuel, personnel, maintenance contracts, chemicals, catalysts, consumables, spares, and other fixed and variable operations and maintenance costs.
 - (a) The delivered fuel cost estimate will be provided by a recognized third party expert or experts in the fuel and transportation industries.

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balance of (b) the operating maintenance cost quote, excluding delivered fuel costs will be developed based on the inputs provided by duly licensed engineering construction firms performing the construction cost quote, potential vendors under long-term service agreements and plant operating agreements, recognized third party plant operator or operators.

The operating and maintenance cost (including the cost of the front end engineering and design study) shall be expressed in nominal dollars as of the date that the quote is prepared and shall include (1) taxes, insurance, and other owner's costs, and (2) an assumed escalation in materials and labor beyond the date as of which the operating and maintenance cost quote is expressed.

- (D) The facility cost report shall also include (i) an analysis of the initial clean coal facility's ability to deliver power and energy into the applicable regional transmission organization markets and (ii) an analysis of the expected capacity factor for the initial clean coal facility.
- (E) Amounts paid to third parties unrelated to the owner or owners of the initial clean coal facility to prepare the core plant construction cost quote,

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including the front end engineering and design study, and the operating and maintenance cost quote will be reimbursed through Coal Development Bonds.

Re-powering and retrofitting coal-fired power plants previously owned by Illinois utilities to qualify as facilities. During the 2009 procurement clean coal planning process and thereafter, the Agency and the Commission shall consider sourcing agreements covering electricity generated by power plants that were previously owned by Illinois utilities and that have been or will be converted into clean coal facilities, as defined by Section 1-10 of this Act. Pursuant to such procurement planning process, the owners of such facilities may propose to the Agency sourcing agreements with utilities and alternative retail electric suppliers required to comply with subsection (d) of this Section and item (5) of subsection (d) of Section 16-115 of the Public Utilities Act, covering electricity generated by such facilities. In the case of sourcing agreements that are power purchase agreements, contract price for electricity sales shall established on a cost of service basis. In the case of sourcing agreements that are contracts for differences, the contract price from which the reference price is subtracted shall be established on a cost of service basis. The Agency and the Commission may approve any such utility sourcing agreements that do not exceed cost-based

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benchmarks developed by the procurement administrator, in consultation with the Commission staff, Agency staff and the procurement monitor, subject to Commission review and approval. The Commission shall have authority to inspect all books and records associated with these clean coal facilities during the term of any such contract.

- (6) Costs incurred under this subsection (d) pursuant to a contract entered into under this subsection (d) shall be deemed prudently incurred and reasonable in amount and the electric utility shall be entitled to full cost recovery pursuant to the tariffs filed with the Commission.
- (e) The draft procurement plans are subject to public comment, as required by Section 16-111.5 of the Public Utilities Act.
- (f) The Agency shall submit the final procurement plan to the Commission. The Agency shall revise a procurement plan if the Commission determines that it does not meet the standards set forth in Section 16-111.5 of the Public Utilities Act.
- (g) The Agency shall assess fees to each affected utility to recover the costs incurred in preparation of the annual procurement plan for the utility.
- (h) The Agency shall assess fees to each bidder to recover the costs incurred in connection with a competitive procurement process.

- 1 (Source: P.A. 95-481, eff. 8-28-07; 95-1027, eff. 6-1-09;
- 2 96-159, eff. 8-10-09; 96-1437, eff. 8-17-10.)".