

STATE OF ILLINOIS

ILLINOIS POWER AGENCY

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2024

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

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**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

AGENCY OFFICIALS

Director (Acting) (October 1, 2022 – Present)
Director (July 1, 2021 – September 30, 2022)

Mr. Brian Granahan
Mr. Anthony Star

Administrative Services

Chief Financial Officer (December 16, 2022 – Present)
Chief Financial Officer (July 1, 2022 – December 15, 2022)
Chief Legal Counsel (Acting) (October 1, 2022 – Present)
Chief Legal Counsel (July 1, 2021 – September 30, 2022)
Chief Operating Officer

Mr. Kevin Hayes
Vacant
Ms. Kelly Turner
Mr. Brian Granahan
Mr. Sanjay Patel

Planning and Procurement Bureau

Bureau Chief (Acting) (June 3, 2022 – Present)

Mr. Anthony Star

The Agency's office is located at:

180 North Wabash Ave
Suite 500
Chicago, Illinois 60601

April 9, 2025

Plante & Moran, PLLC
1111 E. Michigan Avenue, Suite 100
East Lansing, MI 78823

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Power Agency (Agency). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following specified requirements during the two-year period ended June 30, 2024. Based on this evaluation, we assert that during the years ended June 30, 2023, and June 30, 2024, the Agency has materially complied with the specified requirements listed below.

- A. The Illinois Power Agency has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Illinois Power Agency has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Illinois Power Agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Illinois Power Agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Illinois Power Agency on behalf of the State or held in trust by the Illinois Power Agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Illinois Power Agency

SIGNED ORIGINAL ON FILE

Agency Head

SIGNED ORIGINAL ON FILE

Fiscal Officer

SIGNED ORIGINAL ON FILE

General Counsel

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Reports</u>
Findings	0	2
Repeated Findings	0	0
Prior Recommendations Implemented or Not Repeated	2	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Findings

None

Prior Findings Not Repeated

A	9	2023/2022	Inadequate Controls Over Financial Statement Close Processes
B	9	2022	Failure to Fully Utilize the State's Enterprise Resource Planning System

**STATE OF ILLINOIS
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For the Two Years Ended June 30, 2024**

EXIT CONFERENCE

The Agency waived an exit conference in a correspondence from Kevin Hayes, Chief Financial Officer, on April 4, 2025.

INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois, Illinois Power Agency

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Illinois Power Agency (Agency) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2024. Management of the Agency is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Agency's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Agency has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Agency has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Agency on behalf of the State or held in trust by the Agency have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Honorable Frank J. Mautino
Auditor General
State of Illinois
and
Governing Board
State of Illinois, Illinois Power Agency

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Agency's compliance with the specified requirements.

In our opinion, the Agency complied with the specified requirements during the two years ended June 30, 2024, in all material respects.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Agency's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Agency's compliance with the specified requirements and to test and report on the Agency's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control is a deficiency,

Honorable Frank J. Mautino
Auditor General
State of Illinois
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State of Illinois, Illinois Power Agency

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

There were no immaterial findings that have been excluded from this report.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

East Lansing, Michigan
April 9, 2025

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2024

A. **FINDING** (Inadequate Controls Over Financial Statement Close Processes)

During the prior engagement period, the Illinois Power Agency (Agency) did not consider all billings for appropriate revenue cutoff.

During the current engagement period, our sample testing indicated that revenue was properly recorded. (Finding Code No. 2023-001, 2022-001)

B. **FINDING** (Failure to Fully Utilize the State’s Enterprise Resource Planning System)

During the prior engagement period, the Agency did not utilize the State’s Enterprise Resource Planning (ERP) System as its main accounting system, which resulted in unnecessary inefficiency.

During the current engagement period, while the Agency did not solely use the State’s ERP, the Agency did perform reconciliations between the Agency’s separate accounting system and the State’s ERP. The Agency migrated from QuickBooks to the State’s Enterprise Resource Planning System solely on July 1, 2024. (Finding Code No. 2022-002)

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS – STATUS OF PERFORMANCE AUDIT
RECOMMENDATIONS
For the Two Years Ended June 30, 2024**

Status of Performance Audits

Illinois Power Agency

The Office of the Auditor General conducted a performance audit of the Illinois Power Agency's (Agency) management of the Renewable Energy Credit procurement process and Adjustable Block Program pursuant to Legislative Audit Commission Resolution Number 153. The audit was released in May 2021 and contained one recommendation. We followed up on the status of the following performance audit recommendation. The information below summarizes the current status of the recommendation.

STATUS OF PAST PERFORMANCE AUDIT RECOMMENDATIONS					
As of June 30, 2024					
Audit	Rec. No.	Recommendation Description	Status		
			Implemented	Partially Implemented	Not Implemented
Future Energy Jobs Act	1	Renewable Energy Percentage-Based Procurement Goals		X	

Source: Summary of Illinois Power Agency performance audit recommendations and current status.

RECOMMENDATION 1 – RENEWABLE ENERGY PERCENTAGE-BASED PROCUREMENT GOALS

The Illinois Power Agency should continue to work to meet the renewable energy percentage-based procurement goals required by 20 ILCS 3855/1-75(c)(1)(B).

Current status: Partially Implemented

During the current examination, the Agency did not meet the percentage-based renewable energy goals identified in the Illinois Power Agency Act. Section 1-75(c)(1)(B), the plan shall attempt to meet the procurement goals for renewable energy credits to be at least 23.5 percent of the electricity consumed by customers of the three largest investor-owned utilities in Illinois by June 1, 2024. Agency officials stated that procured renewable energy as a percentage of the overall energy produced would be about 12.6 percent at June 30, 2024.

There are two ways in which renewable energy projects are procured: (1) competitively and (2) through the Adjustable Block Program. During the performance audit conducted pursuant to Legislative Audit Commission Resolution Number 153, auditors concluded the process in place was both efficient and maximized the dollars spent to increase the renewable portfolio standard in Illinois for the competitive procurement process. However, auditors could not find criteria to use to determine whether funds were maximized or whether they were spent efficiently for the Adjustable Block Program.

After the Audit Report was released on May 11, 2021, the General Assembly passed Public Act 106-0662 (commonly known as the Climate and Equitable Jobs Act or CEJA) which was enacted

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SCHEDULE OF FINDINGS – STATUS OF PERFORMANCE AUDIT
RECOMMENDATIONS (CONTINUED)
For the Two Years Ended June 30, 2024**

in September of 2021 and addressed many of the structural issues of the Illinois Renewable Portfolio Standard (RPS) that led to this audit being conducted.

This included changes to 20 ILCS 3855/1-75(c)(1)(B) including extending the percentage-based goals beyond 2025 to 2040, adding further emphasis on prioritizing procurements that lead to the development of new renewable energy resources, and a focus on new prioritization of the resource mix to be procured.

According to Agency officials, the Agency has not met the percentage-based goals but has made progress in working toward meeting the percentage-based goals by being able to reopen programs, and by conducting new procurements. Due to the length of time needed to develop renewable energy projects, particularly large-scale wind and solar facilities, there is a lag between when renewable energy credits are contracted for, and when the facilities that will produce them actually come online. Through CEJA, the RPS was significantly updated with increased funding, new project categories for the Adjustable Block Program, a new procurement structure for utility-scale renewable procurements, and the adoption of standards related to labor and equity. The Agency noted that all of these new provisions added new complexity to administering the RPS. The Agency reopened the Adjustable Block Program in December of 2021 (as it had been closed to new applications due to funding constraints) and 18,200 new project applications have been approved as of May 18, 2023, representing 473 Megawatt (MW) of solar capacity, and an additional 250 MW of previously waitlisted community solar projects were able to move forward. Of that 473 MW, only 84.9 MW have been completed and energized by project developers with the balance in various stages of development and construction. The Agency conducted two procurements for renewable energy credits from utility-scale wind and solar projects in 2022 which led to the development of an additional 962.75 MW of Solar and 200 MW of wind.

To support meeting the procurement goals of the RPS, the Agency's biannual Long-Term Renewable Resources Plan was also updated and approved by the Illinois Commerce Commission in July of 2022 providing a framework for the Agency's renewable energy activities for 2022 and 2023, and was updated starting in the summer of 2023, which led to ICC approval in February of 2024. Additionally, the Agency implemented other procurements proscribed by Public Act 102-0662 including the Coal to Solar procurement which will support another 228.6 MW of solar projects, and the Carbon Mitigation Credit procurement which provides financial stability for three nuclear power plants, and which avoided their closure, which would have been a significant setback to the state's goal of reducing carbon emissions as well as a loss of thousands of jobs and millions of dollars of local property taxes.

The Agency conducted the biennial process of updating the Long-Term Renewable Resources Procurement Plan (Plan) across 2023 and 2024. This included releasing a draft plan for stakeholder comment in August 2023, filing a plan for Illinois Commerce Commission approval in October 2023, receiving approval of the plan in February 2024 and publishing a final plan in April 2024. Through that Plan, the Agency increased the annual targets for the Adjustable Block Program from 666 MW to 800 MW and proposed procurement targets across 2024 and 2025 totaling 8.1 million Renewable Energy Credits ("RECs") from new utility-scale wind projects, 2 million RECs from new utility-scale solar projects, and 222,000 RECs from new brownfield site solar projects.

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SCHEDULE OF FINDINGS – STATUS OF PERFORMANCE AUDIT
RECOMMENDATIONS (CONTINUED)
For the Two Years Ended June 30, 2024**

In 2023, the Agency conducted two procurements for Renewable Energy Credits from utility-scale projects and procured 828,463 annual RECs from utility-scale wind projects (500 MW), 4,041,686 RECs from utility-scale solar projects (1,972 MW), and 392,168 RECs from brownfield site projects (225 MW). In 2024, the Agency conducted two procurements and procured 2,856,316 RECs from utility-scale wind projects (950 MW), and 1,821,219 RECs utility-scale solar projects (823 MW). The Agency is also conducting a series of workshops to explore options to create post-procurement event contract flexibility for utility-scale projects with the goal of reducing project development risks and will be submitting a compliance filing to the Illinois Commerce Commission on February 19, 2025 with proposed changes. During Fiscal Year 2024, 994 MW of small-scale solar projects (distributed generation and community solar) were approved in the Adjustable Block Program.

According to Agency officials, while challenges remain for the growth of the renewable energy industry in Illinois, including ongoing funding challenges for utility-scale projects, interconnection delays, and supply chain issues, overall, since the release of the performance audit, progress has been made.