

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2015

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
 COMPLIANCE EXAMINATION
 For the Year Ended June 30, 2015

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STATE OF ILLINOIS
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AGENCY OFFICIALS

Director	Mr. Anthony Star
<i>Administrative Services</i>	
Chief Financial Officer	Mr. Charles Kudia
Chief Legal Counsel	Mr. Brian Granahan
Chief Operating Officer	Mr. Sanjay Patel
<i>Planning and Procurement Bureau</i>	
Bureau Chief	Mr. Mario Bohorquez
<i>Resource Development Bureau</i>	
Bureau Chief	Vacant

The Agency's office is located at:

Michael A. Bilandic Building
160 N. LaSalle Street, Suite C-504
Chicago, Illinois 60601



ILLINOIS POWER AGENCY

Anthony M. Star, Director

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

December 14, 2015

Honorable William G. Holland
Auditor General
State of Illinois
740 East Ash Street
Springfield, Illinois 62703-3154

Dear Mr. Holland:

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. 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 State of Illinois, Illinois Power Agency's compliance with the following assertions during the one-year period ended June 30, 2015. Based on this evaluation, we assert that during the year ended June 30, 2015, the State of Illinois, Illinois Power Agency has materially complied with the assertions below.

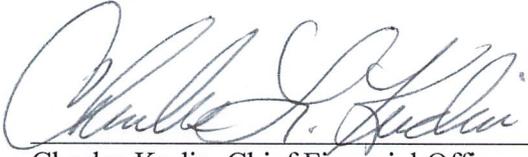
- A. The State of Illinois, Illinois Power Agency has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Power Agency has obligated, expended, 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 State of Illinois, 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 State of Illinois, 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 State of Illinois, Illinois Power Agency on behalf of the State or held in trust by the State of Illinois, 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 very truly,

State of Illinois, Illinois Power Agency



Anthony Star, Director



Charles Kudia, Chief Financial Officer



Brian Granahan, Chief Legal Counsel

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
 COMPLIANCE EXAMINATION
 For the Year Ended June 30, 2015

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a qualified opinion on compliance and identifies a material weakness in internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Report</u>
Findings	1	9
Repeated findings	1	8
Prior recommendations implemented or not repeated	8	15

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

The financial audit of the Illinois Power Agency's individual nonshared governmental funds did not disclose any findings required to be reported by *Government Auditing Standards*.

FINDING (STATE COMPLIANCE)

2015-001	11	Failure to Establish a Resource Development Bureau	Material Weakness and Material Noncompliance
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STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2015

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
PRIOR FINDINGS NOT REPEATED			
A	13	Inaccurate Financial Statements	
B	14	Inadequate Controls over Alternative Compliance Payments	
C	14	Failure to Adopt Rules for Developing Prequalified Supplier Lists	
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E	15	Inadequate Controls over Equipment	
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H	16	Noncompliance with the Fiscal Control and Internal Auditing Act	

EXIT CONFERENCE

The finding and recommendation appearing within this report was discussed with Agency personnel at an exit conference on December 10, 2015. Attending were:

Illinois Power Agency

Anthony Star - Director

Charles Kudia - Chief Financial Officer

Office of the Auditor General

Daniel J. Nugent, CPA - Audit Manager

Ryan O. Goerres, CPA - Audit Supervisor

The response to the recommendation was provided by Anthony Star, Director, in a correspondence dated December 10, 2015.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Illinois Power Agency's compliance with the 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 year ended June 30, 2015. The management of the State of Illinois, Illinois Power Agency is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Power Agency's compliance based on our examination.

- A. The State of Illinois, 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 State of Illinois, 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 State of Illinois, 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 State of Illinois, 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 State of Illinois, Illinois Power Agency on behalf of the State or held in trust by the State of Illinois, Illinois Power Agency have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Illinois Power Agency's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Power Agency's compliance with specified requirements.

As described in item 2015-001 in the accompanying schedule of findings, the State of Illinois, Illinois Power Agency did not comply with applicable laws in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Power Agency to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Illinois Power Agency complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2015.

Internal Control

Management of the State of Illinois, Illinois Power Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Illinois Power Agency's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter.

The State of Illinois, Illinois Power Agency's response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the State of Illinois, Illinois Power Agency's response and, accordingly, we express no opinion on the response.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the year ended June 30, 2015, in Schedules 1 through 8 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2015, accompanying supplementary information in Schedules 1 through 8. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2014, accompanying supplementary information in Schedules 2 through 6 and Schedule 8 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and the State of Illinois, Illinois Power Agency's management, and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
December 14, 2015

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland
Auditor General
State of Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency, as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents, and have issued our report thereon dated December 14, 2015. Our report includes a reference to other auditors who audited the financial statements of the Illinois State Board of Investment - an internal investment pool of the State of Illinois - as described in our report on the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Power Agency's internal control over financial reporting (internal control) of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Power 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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, 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.

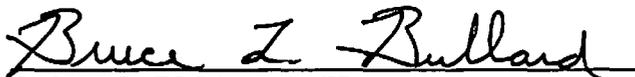
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Power Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
December 14, 2015

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Year Ended June 30, 2015

2015-001. **FINDING** (Failure to Establish a Resource Development Bureau)

The Illinois Power Agency (Agency) has not established a Resource Development Bureau.

During testing, the auditors noted the following:

- The Agency did not establish a Resource Development Bureau.

The Illinois Power Agency Act (Act) (20 ILCS 3855/1-70(b)) requires the Agency establish a Resource Development Bureau within the Agency.

- The Agency's Director did not appoint a Chief of the Resource Development Bureau.

The Act (20 ILCS 3855/1-70(d)) requires the Agency's Director to appoint a Chief of the Resource Development Bureau who has, at least, five years of direct experience in electric generation project development and an advanced degree in economics, engineering, law, business, or a related field.

Agency officials stated, as they had in prior years, that the Agency has not established the Resource Development Bureau nor hired the Bureau's Chief because they do not anticipate a need for these functions for, at least, several years.

Failure to establish a Resource Development Bureau represents noncompliance with the Illinois Power Agency Act. (Finding Code No. 2015-001, 2014-003, 2013-010, 12-9, 11-17, 10-12, 09-7)

RECOMMENDATION

We recommend the Agency establish a Resource Development Bureau, or seek a legislative remedy.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS - STATE COMPLIANCE
For the Year Ended June 30, 2015

2015-001. **FINDING** (Failure to Establish a Resource Development Bureau) (continued)

AGENCY RESPONSE

The Agency agrees with the finding. However, as noted in previous years' Agency responses, the Agency respectfully submits that although Section 1-70 of the Illinois Power Agency Act requires hiring of a Chief of the Resource Development Bureau, the Agency believes that hiring for this position is not a prudent use of State resources. This is because there is, and will be, no need for the Agency to develop generation pursuant to Section 1-80 of the Illinois Power Agency Act in the short to medium term. As a result, the Agency believes there is no substantive work for the Resource Development Bureau to undertake for the foreseeable future. Therefore, the Agency continues to express its concern regarding the hiring of a Bureau Chief for the Resource Development Bureau, and may seek a legislative remedy.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
PRIOR FINDINGS NOT REPEATED
For the Year Ended June 30, 2015

A. **FINDING** (Inaccurate Financial Statements)

During the prior examination, the Illinois Power Agency (Agency) did not prepare accurate financial statements. Those financial reporting problems, if not identified and corrected, would have resulted in a material misstatement of the Agency's Fiscal Year 2014 financial statements. (Finding Code No. 2014-001, 2013-001, 12-1)

Status: Moved to the Agency's *Report of Immaterial Findings*

During the current examination, the auditors' testing indicated the Agency's Fiscal Year 2015 statements presented fairly, in all material respects, the financial position of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The auditors did note certain control deficiencies impacting financial reporting; however, the issues noted are not considered so significant as to be reported as a *Government Auditing Standards* or State compliance finding. As such, this issue will be reported in the Agency's *Report of Immaterial Findings*.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
PRIOR FINDINGS NOT REPEATED
For the Year Ended June 30, 2015

B. **FINDING** (Inadequate Controls over Alternative Compliance Payments)

During the prior examination, the Illinois Power Agency (Agency) did not have an adequate interagency agreement with the Illinois Commerce Commission (Commission). The auditors noted underpayments by Alternative Retail Electric Suppliers were not reported to the Agency for inclusion within its financial statements, a mechanism did not exist for identifying, reporting, and distributing potential credit-carry forwards and refunds, and the interagency agreement did not provide for, and the Agency did not, reimburse the Commission for the time spent by employees working on the Agency's tasks. (Finding Code No. 2014-002, 2013-003, 12-2, 11-1)

Status: Moved to the Agency's *Report of Immaterial Findings*

During the current examination, the auditors' testing indicated the Agency entered into a new interagency agreement with the Commission detailing each entity's responsibilities for collecting and reporting Alternative Compliance Payments and established a schedule for reimbursements by the Agency to the Commission. Further, the auditors' testing of accounts receivable from Alternative Compliance Payments indicated communication of information between the Agency and the Commission had significantly improved. The auditors did note smaller, immaterial conditions of noncompliance; however, the issues noted are not considered so significant as to be reported as a *Government Auditing Standards* or State compliance finding. As such, this issue will be reported in the Agency's *Report of Immaterial Findings*.

C. **FINDING** (Failure to Adopt Rules for Developing Prequalified Supplier Lists)

During the prior examination, the Illinois Power Agency (Agency) had not promulgated rules as required by the Illinois Procurement Code. (Finding Code No. 2014-004, 2013-009, 12-12, 11-15, 10-18, 09-16)

Status: Not Repeated

During the current examination, the Agency published proposed rules for the development of prequalified supplier lists for construction and construction-related professional services within the Illinois Register on June 26, 2015. Currently, the Agency is awaiting final approval by the Joint Committee on Administrative Rules.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
PRIOR FINDINGS NOT REPEATED
For the Year Ended June 30, 2015

D. **FINDING** (Failure to Adopt Formal Administrative Rules)

During the prior examination, the Illinois Power Agency (Agency) had not adopted rules and regulations for all phases of the Agency's operations as required by the Illinois Power Agency Act. (Finding Code No. 2014-005, 2013-007, 12-10, 11-18, 10-11, 09-6)

Status: Not Repeated

During the current examination, the Agency published proposed rules for monitoring the administration of contracts administered, directly or indirectly, by the Agency and for the recovery of costs incurred in connection with the development or construction of a facility if the Agency cancels construction within the Illinois Register on June 26, 2015. Currently, the Agency is awaiting final approval by the Joint Committee on Administrative Rules.

E. **FINDING** (Inadequate Controls over Equipment)

During the prior examination, the Illinois Power Agency (Agency) did not maintain sufficient control over the recording and reporting of State property. (Finding Code No. 2014-006, 2013-013, 12-6)

Status: Implemented

During the current examination, the auditors' sample testing indicated the Agency maintained certain controls over the recording and reporting of its State property.

F. **FINDING** (Inadequate Controls over the Procurement Event)

During the prior examination, the Illinois Power Agency (Agency) did not exercise adequate internal control over the 2014 Procurement Event. (Finding Code No. 2014-007)

Status: Implemented

During the current examination, the auditors' testing indicated the Agency's 2015 Procurement Plan addressed certain demand-response products for both utilities. Further, the auditors' testing indicated the Agency timely entered into written task orders with its Procurement Administrator.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
PRIOR FINDINGS NOT REPEATED
For the Year Ended June 30, 2015

G. **FINDING** (Inadequate Controls over Reconciliations)

During the prior examination, the Illinois Power Agency (Agency) did not perform timely and complete reconciliations of the Agency's records to the State Comptroller's records. (Finding Code No. 2014-008, 2013-005, 12-5, 11-7, 10-15)

Status: Implemented

During the current examination, the auditors' testing indicated the Agency performed all of the reconciliations required by Procedures 11.40.10, 25.40.10, 09.40.10, 07.30.21, 15.30.10, and 15.30.20 within the Statewide Accounting Management System (SAMS).

H. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

During the prior examination, the Illinois Power Agency (Agency) did not comply with the Fiscal Control and Internal Auditing Act. (Finding Code No. 2014-009, 2013-018, 12-14)

Status: Implemented

During the current examination, the auditors' testing indicated the Agency prepared a review of its internal fiscal and administrative controls and filed a timely and complete certification with the Auditor General.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2015

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2015
 - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending
 - Analysis of Accounts Receivable

- Analysis of Operations (Not Examined):
 - Agency Functions and Planning Program (Not Examined)
 - Procurement of Renewable Energy Resources (Not Examined)
 - Average Number of Employees (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2015, accompanying supplementary information in Schedules 1 through 8. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

SCHEDULE 1

For the Fourteen Months Ended August 31, 2015

Public Act 98-0681	Appropriations	Expenditures Through June 30, 2015	Lapse Period Expenditures July 1 to August 31, 2015	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
Illinois Power Agency Operations Fund - 425					
Lump Sums - Ordinary and Contingent Expenses of the Illinois Power Agency	\$ 1,913,646	\$ 1,721,862	\$ 101,097	\$ 1,822,959	\$ 90,687
Subtotal, Illinois Power Agency Operations Fund	<u>\$ 1,913,646</u>	<u>\$ 1,721,862</u>	<u>\$ 101,097</u>	<u>\$ 1,822,959</u>	<u>\$ 90,687</u>
Illinois Power Agency Trust Fund - 424					
Lump Sums - For Deposit into the Illinois Power Agency Operations Fund	\$ 1,913,646	\$ -	\$ 1,062,935	\$ 1,062,935	\$ 850,711
Subtotal, Illinois Power Agency Trust Fund	<u>\$ 1,913,646</u>	<u>\$ -</u>	<u>\$ 1,062,935</u>	<u>\$ 1,062,935</u>	<u>\$ 850,711</u>
Illinois Power Agency Renewable Energy Resources Fund - 836					
Lump Sums - Purchase of Renewable Energy or Renewable Energy Credits	\$ 50,000,000	\$ 247,737	\$ 575,880	\$ 823,617	\$ 49,176,383
Subtotal, Illinois Power Agency Renewable Energy Resources Fund	<u>\$ 50,000,000</u>	<u>\$ 247,737</u>	<u>\$ 575,880</u>	<u>\$ 823,617</u>	<u>\$ 49,176,383</u>
SUBTOTAL - APPROPRIATED FUNDS	<u><u>\$ 53,827,292</u></u>	<u><u>\$ 1,969,599</u></u>	<u><u>\$ 1,739,912</u></u>	<u><u>\$ 3,709,511</u></u>	<u><u>\$ 50,117,781</u></u>

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

SCHEDULE 1

For the Fourteen Months Ended August 31, 2015

Public Act 98-0681	Appropriations	Expenditures Through June 30, 2015	Lapse Period Expenditures July 1 to August 31, 2015	Total Expenditures	Balances Lapsed
<u>NONAPPROPRIATED FUNDS</u>					
Illinois Power Agency Trust Fund - 424					
Interfund Cash Transfers		\$ 460	\$ 137,065	\$ 137,525	
Subtotal, Illinois Power Agency Trust Fund		<u>\$ 460</u>	<u>\$ 137,065</u>	<u>\$ 137,525</u>	
SUBTOTAL - NONAPPROPRIATED FUNDS		<u>\$ 460</u>	<u>\$ 137,065</u>	<u>\$ 137,525</u>	
TOTAL - ALL FUNDS, FISCAL YEAR 2015		<u>\$ 1,970,059</u>	<u>\$ 1,876,977</u>	<u>\$ 3,847,036</u>	

Note 1: The data in this schedule was taken from the State Comptroller's records and reconciled to the Agency's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Year Ended June 30,

SCHEDULE 2

	Fiscal Year	
	2015	2014
	P.A. 98-0681	P.A. 98-0050
APPROPRIATED FUNDS		
Illinois Power Agency Operations Fund - 425		
Appropriations	\$ 1,913,646	\$ 2,626,500
<u>Expenditures</u>		
Lump Sums - Ordinary and Contingent Expenses of the Illinois Power Agency	\$ 1,822,959	\$ 1,239,352
Total Illinois Power Agency Operations Fund Expenditures	\$ 1,822,959	\$ 1,239,352
Lapsed Balances	\$ 90,687	\$ 1,387,148
Illinois Power Agency Trust Fund - 424		
Appropriations	\$ 1,913,646	\$ 914,900
<u>Expenditures</u>		
Lump Sums - For Deposit into the Illinois Power Agency Operations Fund	\$ 1,062,935	\$ 914,900
Total Illinois Power Agency Trust Fund Expenditures	\$ 1,062,935	\$ 914,900
Lapsed Balances	\$ 850,711	\$ -
Illinois Power Agency Renewable Energy Resources Fund - 836		
Appropriations	\$ 50,000,000	\$ 51,000,000
<u>Expenditures</u>		
Lump Sums - Purchase of Renewable Energy or Renewable Energy Credits	\$ 823,617	\$ 1,719,142
Total Illinois Power Agency Renewable Energy Resources Fund Expenditures	\$ 823,617	\$ 1,719,142
Lapsed Balances	\$ 49,176,383	\$ 49,280,858

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Year Ended June 30,

SCHEDULE 2

	Fiscal Year	
	2015	2014
<u>TOTAL - APPROPRIATED FUNDS</u>		
Total Appropriations	\$ 53,827,292	\$ 54,541,400
Total Appropriated Expenditures	\$ 3,709,511	\$ 3,873,394
Lapsed Balances	\$ 50,117,781	\$ 50,668,006
<u>NONAPPROPRIATED FUNDS</u>		
Illinois Power Agency Trust Fund - 424		
<u>Expenditures</u>		
Interfund Cash Transfers	\$ 137,525	\$ -
Total Illinois Power Agency Trust Fund Expenditures	\$ 137,525	\$ -
Total Nonappropriated Expenditures	\$ 137,525	\$ -
GRAND TOTAL EXPENDITURES - ALL FUNDS	\$ 3,847,036	\$ 3,873,394
<u>STATE OFFICERS' SALARIES</u>		
Illinois Power Agency Operations Fund - 425 (State Comptroller)		
Appropriations	\$ 103,800	\$ 103,800
<u>Expenditures</u>		
Payroll for the Director of the Illinois Power Agency	\$ 103,800	\$ 103,800
Total Illinois Power Agency Operations Fund Expenditures	\$ 103,800	\$ 103,800
Lapsed Balances	\$ -	\$ -

Note 1: The data in this schedule was taken from the State Comptroller's records and reconciled to the Agency's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Year Ended June 30, 2015

SCHEDULE 3

	Equipment
Balance at July 1, 2014	\$ 12,484
Additions	-
Deletions	1,325
Net Transfers	<u>-</u>
Balance at June 30, 2015	<u><u>\$ 11,159</u></u>

Note: This schedule was derived from the Illinois Power Agency's property records, which were reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS SCHEDULE 4
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Year Ended June 30,

	Fiscal Year	
	2015	2014
Illinois Power Agency Operations Fund - 425		
Interfund Cash Transfer from the Illinois Power Agency Trust Fund	\$ 914,900	\$ 92,192
Procurement Operations:		
Bidder Fees	11,000	7,500
Supplier Fees	600,090	327,902
Reimbursements from Utility Companies	391,347	1,055,735
Total Receipts - Fund 425	\$ 1,917,337	\$ 1,483,329
Receipts, per Agency Records	\$ 1,917,337	\$ 1,483,329
Add: Deposits in Transit, Beginning of the Fiscal Year	-	4,499
Subtract: Deposits in Transit, End of the Fiscal Year	-	-
Deposits, Recorded by the State Comptroller	\$ 1,917,337	\$ 1,487,828
Illinois Power Agency Trust Fund - 424		
Interfund Cash Transfer from the Illinois State Board of Investment	\$ -	\$ 655,333
Total Receipts - Fund 424	\$ -	\$ 655,333
Receipts, per Agency Records	\$ -	\$ 655,333
Add: Deposits in Transit, Beginning of the Fiscal Year	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	-
Deposits, Recorded by the State Comptroller	\$ -	\$ 655,333
Illinois Power Agency Renewable Energy Resources Fund - 836		
Procurement Operations:		
Supplemental Solar Procurement Bid Deposits	\$ 358,668	\$ -
Total Receipts - Fund 836	\$ 358,668	\$ -
Receipts, per Agency Records	\$ 358,668	\$ -
Add: Deposits in Transit, Beginning of the Fiscal Year	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	-
Deposits, Recorded by the State Comptroller	\$ 358,668	\$ -
GRAND TOTAL - ALL FUNDS		
Total Cash Receipts, per Agency Records	\$ 2,276,005	\$ 2,138,662
Add: Deposits in Transit, Beginning of the Fiscal Year	-	4,499
Subtract: Deposits in Transit, End of the Fiscal Year	-	-
Total Deposits, Recorded by the State Comptroller	\$ 2,276,005	\$ 2,143,161

Note: The Fiscal Year 2014 column has been reclassified to agree with the Fiscal Year 2015 presentation.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Year Ended June 30, 2015

SCHEDULE 5

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2015 AND 2014

Illinois Power Agency Operations Fund - 425

Ordinary and Contingent Expenses of the Illinois Power Agency

The increase is due, in part, to the Agency incurring an extra \$503 thousand in consulting and management expenditures and \$15 thousand in other non-payroll expenditures because the Agency held three procurement events during Fiscal Year 2015 as opposed to one procurement event during Fiscal Year 2014. Further, the increase is also due to the Agency incurring extra payroll-related expenditures of \$66 thousand in Fiscal Year 2015 because some positions had extended vacancies during Fiscal Year 2014.

Illinois Power Agency Renewable Energy Resources Fund - 836

Purchase of Renewable Energy or Renewable Energy Credits

The decrease was primarily due to the Agency not being able to take delivery of any renewable energy credits paid for by the Illinois Power Agency Renewable Energy Resources Fund during the Energy Year Ended May 31, 2015. Previously, the Agency had been able to make a one-time purchase of \$1.7 million of renewable energy credits curtailed under agreements with ComEd and Ameren during the Energy Year Ended May 31, 2014 (see pages 32-37 of this report for an analysis of the Agency's Procurement of Renewable Energy Resources). This decrease was offset by an increase of \$815 thousand in consulting and management expenditures and the refunding of \$9 thousand in bidder deposits associated with the new Supplemental Solar Procurement process authorized by the Illinois Power Agency Act (20 ILCS 3855/1-56(i)).

Illinois Power Agency Trust Fund - 424

Interfund Cash Transfers

The increase in interfund cash transfers was due to two factors. First, the Agency sent interest receipts deposited into the Illinois Power Agency Trust Fund by the State Treasurer during early Fiscal Year 2015, totaling \$460, to the Illinois State Board of Investment pursuant to the State Finance Act (30 ILCS 105/6z-75(b)(2)). Second, the Agency returned cash receipts in excess of the amount needed to transfer into the Illinois Power Agency Operations Fund back to the Illinois State Board of Investment. The Agency, in order to ensure the timely transfer of moneys from the Illinois Power Agency Trust Fund to the Illinois Power Agency Operations Fund prior to the close of the State's Lapse Period, must make an estimate of the amount of money they will transfer pursuant to the State Finance Act (30 ILCS 105/6z-75(c)) and inform the Illinois State Board of Investment of the needed withdrawal in June to receive the cash distribution in July. After the close of the fiscal year, the Agency is able to calculate the exact transfer due to the Illinois Power Agency Operations Fund and return the excess cash withdrawal to the Illinois State Board of Investment during the State's Lapse Period. This is the first year the Agency went through this process after correcting prior period errors in Fiscal Year 2014.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Year Ended June 30, 2015

SCHEDULE 6

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2015 AND 2014

Illinois Power Agency Operations Fund - 425

Interfund Cash Transfers from the Illinois Power Agency Trust Fund

The increase of \$823 thousand was due to two reasons.

First, Fiscal Year 2015 was the first year where the Agency deposited all interest and investment income from its investments held at the Illinois State Board of Investment into the Illinois Power Agency Trust Fund. The amounts deposited during Fiscal Year 2014 represent prior year errors. These errors were corrected by the Agency and State Comptroller on July 17, 2014.

Second, the Agency is not able to calculate the exact transfer due to the Illinois Power Agency Operations Fund from the Illinois Power Agency Trust Fund until the State's Lapse Period. In accordance with modified accrual accounting principles, this transaction is recorded as a due to the Illinois Power Agency Operations Fund and a due from the Illinois Power Agency Trust Fund at June 30. After June 30, the Agency deposits this amount into the Illinois Power Agency Operations Fund from the Illinois Power Agency Trust Fund. Therefore, the Agency does not record the cash receipt transaction until the next fiscal year. During Fiscal Year 2014, the General Assembly increased the potential amount for transfer from the interest and investment income of the Illinois Power Agency Trust Fund to \$914.9 thousand from \$300 thousand. Additionally, interest and investment income during Fiscal Year 2014 was \$5.034 million, allowing the Agency to transfer the entire amount appropriated from the Illinois Power Agency Trust Fund to the Illinois Power Agency Operations Fund.

Procurement Operations: Supplier Fees

The Agency charges fees to successful bidders to recover its costs associated with holding the competitive procurement process for the participating utilities. During Fiscal Year 2015, the increase of \$272 thousand was due to the Agency holding three procurement events during Fiscal Year 2015 as opposed to one procurement event during Fiscal Year 2014.

Procurement Operations: Reimbursements from Utility Companies

The Agency charges fees to participating utilities to recover its costs incurred in preparing annual procurement plans for the utilities, which can be offset by the annual interfund cash transfer into the Illinois Power Agency Operations Fund from the Illinois Power Agency Trust Fund. As the Agency does not know its total expenditures during a given fiscal year or the amount of the interfund cash transfer until after all invoices are processed during the State's Lapse Period, the Agency bills any deficiency to the utilities and collects the associated cash receipt during the next fiscal year. The decrease in amounts billed and collected during Fiscal Year 2015 was due to an increase in the annual interfund cash transfer amount in Fiscal Year 2014.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Year Ended June 30, 2015

SCHEDULE 6

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2015 AND 2014 (continued)

Illinois Power Agency Trust Fund - 424

Interfund Cash Transfer from the Illinois State Board of Investment

The decrease of \$655 thousand was due to two reasons.

First, Fiscal Year 2014 was the first year where the Agency deposited all interest and investment income from its investments held at the Illinois State Board of Investment into the Illinois Power Agency Trust Fund as required by State law. After deposit, these moneys are transferred to the Illinois Power Agency Operations Fund as provided for in the State Finance Act (30 ILCS 105/6z-75). During Fiscal Year 2014, the interest and investment income was \$5.034 million, allowing the Agency to transfer the entire amount appropriated from the Illinois Power Agency Trust Fund to the Illinois Power Agency Operations Fund. However, the actual deposits into the fund from the Illinois State Board of Investment were reduced by the net effect of prior year errors. These errors were corrected by the Agency and State Comptroller on July 17, 2014.

Second, the Agency, in order to ensure the timely transfer of moneys from the Illinois Power Agency Trust Fund to the Illinois Power Agency Operations Fund prior to the close of the State's Lapse Period, must make an estimate of the amount of money they will transfer pursuant to the State Finance Act (30 ILCS 105/6z-75(c)) and inform the Illinois State Board of Investment of the needed withdrawal in June to receive the cash distribution in July. After the close of the fiscal year, the Agency is able to calculate the exact transfer due to the Illinois Power Agency Operations Fund and return the excess cash withdrawal to the Illinois State Board of Investment during the State's Lapse Period. This is the first year the Agency went through this process after correcting prior period errors in Fiscal Year 2014. Therefore, the Agency did not have any cash receipts associated with this interfund cash transfer from the Illinois State Board of Investment until after June 30, 2015.

Illinois Power Agency Renewable Energy Resources Fund - 836

Procurement Operations: Supplemental Solar Procurement Bid Deposits

The increase of \$359 thousand was due to the Agency implementing the new Supplemental Solar Procurement. The Agency collected bidder deposits as a generally accepted industry practice for standard credit terms and instruments to secure performance under the contract, as required by the Illinois Power Agency Act (20 ILCS 3855/1-56(i)(4)(D)). The Agency plans to (1) refund these deposits to unsuccessful bidders, (2) refund these deposits to successful bidders with the bidder's first payment for delivering Renewable Energy Credits, or (3) keep the deposit if the bidder does not meet required project development milestones.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Year Ended June 30, 2015

SCHEDULE 7

FISCAL YEAR 2015

Illinois Power Agency Renewable Energy Resources Fund - 836

Purchase of Renewable Energy or Renewable Energy Credits

The Agency conducted its first Supplemental Solar Procurement in June 2015 under the Illinois Power Agency Act (20 ILCS 3855/1-56(i)). As the procurement event was held in late June, the Agency did not receive invoices from its Procurement Administrator, totaling \$469 thousand, and the Illinois Commerce Commission for costs associated with the Procurement Monitor, totaling \$97 thousand, until the Lapse Period. Further, the refunding of \$9 thousand in bidder deposits associated with the Supplemental Solar Procurement did not occur until July 2015.

Illinois Power Agency Trust Fund - 424

For Deposit into the Illinois Power Agency Operations Fund

As this transfer must be calculated using interest and investment income earned during the fiscal year, the Agency does not have a complete understanding of the amount available for transfer until either the very end of the fiscal year or after the fiscal year has ended. During Fiscal Year 2015, the Agency performed the transfer during the State's Lapse Period.

Interfund Cash Transfers

The Agency, in order to ensure the timely transfer of moneys from the Illinois Power Agency Trust Fund to the Illinois Power Agency Operations Fund prior to the close of the State's Lapse Period, must make an estimate of the amount of money that will be transferred pursuant to the State Finance Act (30 ILCS 105/6z-75(c)) and inform the Illinois State Board of Investment of the needed withdrawal in June to receive the cash distribution in July. After the close of the fiscal year, the Agency is able to calculate the exact transfer due to the Illinois Power Agency Operations Fund and return the excess cash withdrawal to the Illinois State Board of Investment during the State's Lapse Period. This is the first year the Agency went through this process after correcting prior period errors in Fiscal Year 2014.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Fiscal Year Ended June 30,

SCHEDULE 8

	Fiscal Year	
Illinois Power Agency Operations Fund - 425	2015	2014
NOT IN PROTEST (in thousands)		
Receivables Not Past Due	\$ 94	\$ 214
1 - 90 Days	-	-
91 - 180 Days	-	-
181 Days - 1 Year	-	-
1 Year <= 2 Years	-	-
2 Years <= 3 Years	-	-
3 Years <= 4 Years	-	-
4 Years <= 5 Years	-	-
5 Years <= 10 Years	-	-
> 10 Years	-	-
Gross Receivables - Fund 425	\$ 94	\$ 214
Less: Allowance for Doubtful Accounts	-	-
Net Receivables - Fund 425	\$ 94	\$ 214

These amounts represent both billed receivables and accrued fees earned by the Agency from amounts charged to third parties for energy procurement planning.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Fiscal Year Ended June 30,

SCHEDULE 8

	Fiscal Year	
Illinois Power Agency Renewable Energy Resources Fund - 836	2015	2014
NOT IN PROTEST (in thousands)		
Receivables Not Past Due	\$ 77	\$ -
1 - 90 Days	-	-
91 - 180 Days	-	-
181 Days - 1 Year	-	-
1 Year <= 2 Years	-	-
2 Years <= 3 Years	-	-
3 Years <= 4 Years	-	-
4 Years <= 5 Years	-	-
5 Years <= 10 Years	-	-
> 10 Years	-	-
Gross Receivables - Fund 836	\$ 77	\$ -
Less: Allowance for Doubtful Accounts	-	-
Net Receivables - Fund 836	\$ 77	\$ -

These amounts represent bidder deposit accounts receivable arising from the new Supplemental Solar Procurement. The Agency collected bidder deposits as a generally accepted industry practice for standard credit terms and instruments to secure performance under the contract, as required by the Illinois Power Agency Act (20 ILCS 3855/1-56(i)(4)(D)). The Agency plans to (1) refund these deposits to unsuccessful bidders, (2) refund these deposits to successful bidders with the bidder's first payment for delivering Renewable Energy Credits, or (3) keep the deposit if the bidder does not meet required project development milestones.

In addition to bidder deposits, the Agency is responsible for the financial reporting of Alternative Compliance Payments (ACPs). At the conclusion of each Energy Year (June through May), each Alternative Retail Electric Supplier calculates its liability by preparing a spreadsheet to self-report amounts due to the Illinois Commerce Commission (Commission) and remits the calculated amount due by September 1. During Fiscal Year 2015, the processing of all ACPs was administered by the Commission. The Commission accepted payments, verified the payment's accuracy to the self-reported spreadsheet, and deposited the cash receipts into the Illinois Power Agency Renewable Energy Resources Fund. The Agency reported accounts receivable of \$86.370 million at June 30, 2015, and \$76.881 million at June 30, 2014, for ACPs.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Year Ended June 30, 2015

(NOT EXAMINED)

Agency Functions

The Illinois Power Agency (Agency) was established in Fiscal Year 2008 by the Illinois Power Agency Act (20 ILCS 3855).

The Agency's mission is to (a) develop procurement plans to ensure adequate, reliable, affordable, efficient and environmentally sustainable electric service at the lowest cost over time; (b) conduct competitive procurement processes to procure the supply resources identified in the procurement plan; (c) develop electric generation and co-generation facilities that use indigenous coal or renewable resources, or both, financed with bonds issued by the Illinois Finance Authority; and, (d) supply electricity from the Agency's facilities at cost to one or more of the following: municipal electric systems, governmental aggregators, or rural electric cooperatives in the State of Illinois.

During Fiscal Year 2015, the Agency developed its annual Procurement Plan (the 2015 Procurement Plan), which was approved by the Illinois Commerce Commission (Commission) in December 2014. The Agency held an electricity procurement in September 2014 in accordance with the previous year's procurement plan, an electricity procurement in March 2015 in accordance with its 2015 Procurement Plan, and a solar renewable energy credit procurement in April 2015 in accordance with the 2015 Procurement Plan. The results of those procurements were approved by the Commission. For each procurement event, bidder participation fees were assessed, as determined by the Agency. In addition, successful bidders were assessed supplier fees, which were determined by a formula based upon the volume awarded to each winning bidder and a unit price. The unit price was determined by the Procurement Administrator in collaboration with the Agency and is designed to recoup the costs of conducting the Procurement Event, including the amount paid by the Agency to the Procurement Administrator. All bidder and supplier fees were paid. During Fiscal Year 2015, the Agency also developed a Supplemental Photovoltaic Procurement pursuant to the Illinois Power Agency Act (20 ILCS 3855/1-56(i)). That plan was approved by the Commission in January 2014, and the first procurement from that Plan was held in late June 2015. The results of that procurement were likewise approved by the Commission. The results of all previous procurement events are available on the Agency's website.

Additionally, during Fiscal Year 2015, the Agency received Alternative Compliance Payments (ACPs). By law, all alternative retail energy suppliers (ARES) operating in the Ameren Illinois and ComEd are required to produce or procure a certain amount of renewable energy resources in order to meet Renewable Portfolio Standard (RPS) targets. ARES can meet their obligations by either producing or purchasing energy from renewable sources and making ACPs.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Year Ended June 30, 2015

(NOT EXAMINED)

At least 50% of an ARES' base RPS compliance obligation must come from making ACPs. The compliance period for energy suppliers is June 1 to May 31. At the end of each compliance period, each ARES must produce a report documenting its retail sales for the compliance period. This report is used to calculate the amount due in ACPs. The report and payment are submitted to the Commission, which then deposits the payment into the Illinois Power Agency Renewable Energy Resources Fund administered by the Agency. All ACPs are due September 1st.

The Director is responsible for all functions of the Illinois Power Agency and completion of the statutory and contractually assigned duties and responsibilities of the Agency. The Agency maintains an office at 160 N. LaSalle, Suite C-504, Chicago, Illinois, 60601.

The Illinois Power Agency Act (20 ILCS 3855/1-70) requires the Agency to establish a Planning and Procurement Bureau and a Resource Development Bureau; however, the Resource Development Bureau has not been established due to the Agency's determination of a lack of any work that could be conducted by the Bureau pursuant to the duties listed in Section 1-80 of the Illinois Power Agency Act.

Planning Program

While the Agency does not have a formal planning program, the Agency's goals are spelled out in various provisions of the Illinois Power Agency Act. Those provisions effectively comprise the Agency's annual formal planning program, and are considered and implemented through the process of the developing and receiving approval of the annual procurement plan and the subsequent procurement events conducted by the Agency. The Agency also conducts a monthly review of its financial condition and results of operations among its staff. The Director and Chief Financial Officer work collaboratively to ensure the accuracy and transparency of all Agency financial information.

Additionally, the Agency's planning activities are further supplemented by the Director's frequent consultation with the Agency's staff members, consultants, and advisors. During monthly all-staff meetings, the Agency's current activities, immediate and pending needs, and future plans are reviewed and discussed. As a small Agency, staff members meet regularly to discuss collaboratively the administration of duties, deadlines, schedules, and progress towards goals.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
PROCUREMENT OF RENEWABLE ENERGY RESOURCES
For the Year Ended June 30, 2015

(NOT EXAMINED)

Overall Procurement Process

The Illinois Power Agency (Agency) has two distinct procurement requirements for renewable energy resources. The first requirement is to procure energy for retail customers of ComEd and Ameren using moneys from the renewable resources budget (comprised of ratepayer funds), which is overseen by the Illinois Commerce Commission (Commission). During Fiscal Year 2015, the Procurement Plan developed by the Agency during Calendar Year 2014 was approved by the Commission on December 17, 2014. This plan, known as the 2015 Procurement Plan, served as the guide for the Agency's Calendar Year 2015 Procurement Events.

The second requirement is to procure renewable energy resources using moneys paid into the Illinois Power Agency Renewable Energy Resources Fund (RERF) from the customers of Alternative Retail Electric Suppliers (ARES). These moneys are collected by the Commission on the Agency's behalf from the ARES through annual Alternative Compliance Payments (ACPs). The Commission generally does not regulate or oversee the procurement of renewable energy resources from the RERF, which is under the control of the Agency. All Renewable Energy Credits (RECs) procured using the RERF do not count towards ComEd, Ameren, or the ARES' purchases of renewable energy. However, Public Act 098-0672 (amended the Illinois Power Agency Act by adding Section 1-56(i) effective June 30, 2014) required the Agency to develop a one-time Supplemental Photovoltaic Procurement Plan (Supplemental Plan) to use up to \$30 million of the RERF on the purchase of RECs from photovoltaic (solar) systems. The Supplemental Plan was developed during Calendar Year 2014 and was approved by the Commission on January 21, 2015. As required by the Commission-approved Supplemental Plan, the first procurement event occurred on June 18, 2015, and the results were approved by the Commission. That procurement obligated \$5 million to contracts to buy renewable energy credits produced by new photovoltaic distributed generation systems for a five-year period. Subsequent procurements will occur in November 2015 (\$10 million budget) and March 2016 (\$15 million).

These obligations are addressed in more detail below.

Renewable Energy Procured for ComEd and Ameren

Section 1-75 of the Illinois Power Agency Act (20 ILCS 3855) contains provisions related to the content of the annual procurement plan developed by the Agency, including provisions related to the procurement of renewable energy resources on behalf of utilities. In particular, Section 1-75(c)(1) reads in part:

The procurement plans shall include 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 energy resources: ... at least 10% by

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
PROCUREMENT OF RENEWABLE ENERGY RESOURCES
For the Year Ended June 30, 2015

(NOT EXAMINED)

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: ... 3% by June 1, 2014; and 6% by June 1, 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: ... 1% by June 1, 2015 and thereafter.

In developing the 2015 Procurement Plan, the Agency concluded it would only need to procure photovoltaic and renewable distributed generation resources beyond what had been procured by the Agency as part of prior procurement plans. These prior procurements, primarily the 20-year long-term power purchase agreements (LTPPAs) for wind and photovoltaic resources entered into following the 2010 Procurement Event, were expected to continue to provide RECs for the utilities to count toward each subsequent Energy Year's (June 1 - May 31) obligations, including sufficient quantities to meet the overall and wind-specific renewables targets. The prices to be paid for these RECs at delivery were established in the prior procurement events.

The chart below translates the percentage-based procurement obligations referenced in Section 1-75(c)(1) into RECs for the 2015-2016 Energy Year. As shown in the chart (based on the 2015 Procurement Plan), the prior procurements conducted by the Agency resulted in procurements sufficient to meet the overall, and the wind-specific targets referenced in Section 1-75(c)(1), but not the solar or distributed generation targets.

	Wind	Solar	Distributed Generation	Total Renewables
Ameren				
Purchased (MWh)	979,916	8,894	0	1,008,810
Target (MWh)	488,825	39,106	6,518	651,767
Surplus or (Shortage)	491,091	(30,212)	(6,518)	357,043
ComEd				
Purchased (MWh)	1,433,838	29,395	0	1,464,204
Target (MWh)	989,561	79,165	13,194	1,319,414
Surplus or (Shortage)	444,277	(49,770)	(13,194)	144,790

As a result, the 2015 Procurement Plan called for the procurement of both photovoltaic and distributed generation resources to address these shortages.

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(NOT EXAMINED)

The photovoltaic procurement occurred in April 2015 and the distributed generation procurement in October 2015. While the photovoltaic procurement met its targets, the distributed generation procurement fell short of enough winning bids sufficient to meet the procurement targets (the Agency believes this may have been due to challenges associated with the specific provisions of Section 1-75(c) requiring aggregation of bids “into groups of no less than one megawatt in installed capacity,” thus prohibiting smaller entities from participating, as well as the concurrent supplemental photovoltaic procurement process not bound by some of the restrictions present in Section 1-75(c)).

Future Renewable Energy Procurement Plans for ComEd, Ameren, and MidAmerican Energy

Due to year to year fluctuations in the available Renewable Resources Budgets for Ameren Illinois and ComEd, the Agency elected not to procure renewable energy resources beyond the 2015-2016 energy delivery year through the 2015 Procurement Plan. This approach, as well as the underlying logic of avoiding longer-term commitments against the backdrop of volatile budgets, was approved by the Commission in its Order approving the 2015 Procurement Plan. As part of the 2016 Procurement Plan currently under review by the Commission, the Agency has proposed similar procurements for Calendar Year 2016 for Ameren Illinois and ComEd. The 2016 Procurement Plan will also include the procurement of the full range of renewable energy resources for MidAmerican Energy, who has elected to participate in the Agency’s procurement process for the first time as a “small, multi-jurisdictional electric utility” as allowed for under Section 16-111.5(a) of the Public Utilities Act.

The Agency expects that there will be ongoing legislative efforts to revise and update the Renewable Portfolio Standard (and specifically, to address the budget volatility which has required short-term procurement horizons), and that when those efforts are completed there may be significant changes that will allow for longer-term planning and procurement of renewable energy resources.

Renewable Energy Procured from the Illinois Power Agency Renewable Energy Resources Fund

The RERF is intended to be used by the Agency to purchase additional renewable energy resources above and beyond those it procures for the utilities. As the Illinois Power Agency is the resulting counterparty to renewable energy credits purchased using the RERF (and not the utilities themselves), resources procured using RERF funds do not count toward the utilities’ Section 1-75(c)(1) procurement targets for renewable resources, including the targets for the procurement of wind, solar, and distributed generation.

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The following chart summarizes the RERF's available cash balance over time:

Date	Transaction	Amount	Available Cash Balance
Fall 2010	ACPs Received	\$ 7,148,262	\$ 7,148,262
September 2010	Transfer Out*	(2,000,000)	5,148,262
October 2010	Transfer Out*	(4,710,000)	438,262
Fall 2011	ACPs Received	5,606,245	6,044,507
March 2012	Transfer In*	2,000,000	8,044,507
April 2012	Transfer In*	4,710,000	12,754,507
Fall 2012	ACPs Received	2,156,778	14,911,285
Fall 2013	ACPs Received	38,382,346	53,293,631
2013-2014^	Curtailed RECs Purchase	(1,719,142)	51,574,489
Fall 2014	ACPs Received**	77,037,128	128,611,617
Fiscal Year 2015	Supplemental Expenses	(814,518)	127,797,099
Spring 2015	Transfer Out"	(98,000,000)	29,797,099
Spring 2015	ACPs Received	26,342	29,823,441
Fall 2015	ACPs Received**	86,370,395	116,193,836

*pursuant to the State Finance Act (30 ILCS 105/5h(a))

**net of overpayments applied to future periods

^Energy Year 2013-2014

"pursuant to the State Finance Act (30 ILCS 105/8.50)

The most significant change to the RERF in Fiscal Year 2015 was the transfer of \$98 million from the RERF to the General Revenue Fund pursuant to Public Act 099-0002. The Agency understands that this transfer was made concurrent with transfers from other special funds administered by other State agencies to patch a Fiscal Year 2015 budget shortfall. This transfer left the RERF with only sufficient resources to cover costs associated with the Supplemental Photovoltaic Procurement (which has a \$30 million budget). Public Act 099-0002 did not provide for a future repayment of the transferred funds.

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In contrast, in 2010 the General Assembly borrowed nearly the entire balance of the fund and later repaid it. This prevented the Agency from using the RERF in 2011 or 2012 because the low available balance precluded the cost-effective acquisition of resources. Once the funds were repaid, a new challenge to the use of the fund by the Agency emerged. Section 1-56(c) reads:

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

Because of the rate caps imposed on the utility renewable energy resources budget, no procurement of renewable energy resources for the utilities was conducted during 2013 or 2014. As a result, there was no utility procurement event to be held “in conjunction with” the use of funds from the RERF. This was further exacerbated by subsection (d), which reads:

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.

The lack of procurement events for the utilities in 2013 and 2014 meant that there were no “like resources” to use to compare prices—which is an essential aspect of the use of the RERF, as it ensures that the money is not spent imprudently. This constraint continued in 2015. While the Agency did conduct a procurement of renewable energy resources for Ameren and ComEd, it was only for those photovoltaic resources and as a result it was not possible to procure like resources to meet the following target specified in Section 1-56(b):

To the extent available, at least 75% of these renewable energy resources shall come from wind generation.

As of June 30, 2015, the Agency had \$98.482 million in restricted expendable net position within the RERF. Agency officials anticipate this balance to continue to grow when the ARES remit additional moneys collected from consumers on September 1, 2016.

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Future Renewable Energy Procurement Plans

According to Agency officials, the Agency will hold two additional procurements pursuant to the Supplemental Photovoltaic Plan (in November 2015 with a \$10 million budget and in March 2016 with a \$15 million budget) during Fiscal Year 2016 for photovoltaic renewable energy resources. The Supplemental Plan also allows for a contingency procurement in early Calendar Year 2017 if there are remaining uncommitted funds.

Further, Agency officials stated the 2016 Procurement Plan developed for implementation during Calendar Year 2016 indicates that there will be funds available in the renewable resources budget for Ameren (photovoltaic and distributed generation), ComEd (photovoltaic and distributed generation), and MidAmerican (all resource types). While the 2016 Procurement Plan is still under consideration by the Commission, the proposed plan may enable the Agency to procure additional renewable energy resources for payment from the RERF. However, the Agency may need to exercise caution in making any long-term commitments of the RERF (as Section 1-56(c) requires the Agency to “whenever possible, enter into long-term contracts”) due to the risk of subsequent legislation similar to Public Act 99-0002 that could reduce or eliminate available funds.

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 ILLINOIS POWER AGENCY
 COMPLIANCE EXAMINATION
AVERAGE NUMBER OF EMPLOYEES
 For the Year Ended June 30, 2015

(NOT EXAMINED)

The following table, prepared from the Agency's records, presents the average number of employees, by function, for the Fiscal Year Ended June 30,

<u>Division</u>	<u>2015</u>	<u>2014</u>
Director	1	1
Administrative Services	4	4
Resource Development Bureau	0	0
Planning and Procurement Bureau	1	1
Total Full-Time Equivalent Employees	<u><u>6</u></u>	<u><u>6</u></u>

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ILLINOIS POWER AGENCY
COMPLIANCE EXAMINATION
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Year Ended June 30, 2015

(NOT EXAMINED)

Mission Statement:

To execute the required advisory, planning, and procurement processes necessary to implement the provisions of the Illinois Power Agency Act.

Program Goals:

Objectives:

- 1) Develop annual electricity plans for ComEd and Ameren eligible retail customers and submit the plans to the Illinois Commerce Commission for approval.
 - a. Include cost effective renewable resources sufficient to meet the standards specified in the Illinois Power Agency Act.
 - b. Include clean coal resources to the extent provided for in the Illinois Power Agency Act.
 - c. Develop a diverse supply portfolio plan, including consideration of demand response and energy efficiency as provided by law, to assist with achieving the lowest total cost to consumers over time, taking into account the benefits of price stability.
- 2) Conduct competitive procurement processes to procure the resources identified in the plan and as approved by the Illinois Commerce Commission.
 - a. Ensure appropriate price benchmarks are established.
 - b. Secure qualified procurement administrators.
 - c. Assess compliance with plans and provide expert advice to the Illinois Commerce Commission and the procurement administrators.
- 3) Develop and facilitate clean coal investment as provided for by law.
 - a. Facilitate Synthetic Natural Gas (SNG) sourcing agreements between producers and the applicable gas utilities.
 - b. Develop staff expertise in project financing, gas and coal markets and risk analysis.

Funds:

Illinois Power Agency Operations Fund

Statutory Authority:

Illinois Power Agency Act (20 ILCS 3855)

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For the Year Ended June 30, 2015

(NOT EXAMINED)

	2014 Actual	2015 Target/ Projected	2015 Actual
<u>Input Indicators</u>			
Total expenditures - State appropriated funds (in thousands)	\$ 3,873.4	\$ 3,827.2	\$ 3,709.5
Average monthly full-time equivalents	6.0	7.0	6.0
<u>Output Indicators</u>			
Number of residential customers in the Ameren region taking fixed price supply as of May	371,178	N/A	435,473
Number of residential customers in the ComEd region taking fixed price supply as of May	1,075,353	N/A	1,321,677
<u>Outcome Indicators</u>			
Procurement Plan approved by the Illinois Commerce Commission	Yes	Yes	Yes
All required Procurement Event outcomes approved by the Illinois Commerce Commission	Yes	Yes	Yes
<u>Efficiency/Cost-Effectiveness Indicators</u>			
Renewable energy resource targets met within the constraints of the mandated cost caps	Yes	Yes	Yes

Note 1: The total actual expenditures for Fiscal Year 2014 (\$3,873.4 thousand) includes an interfund cash transfer (\$914.9 thousand) and renewable energy expenditures (\$1,719.1 thousand).

Note 2: The total actual expenditures for Fiscal Year 2015 (\$3,709.5 thousand) includes an interfund cash transfer (\$1,062.9 thousand) and renewable energy expenditures (\$823.6 thousand).