

STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2016

STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
 COMPLIANCE EXAMINATION  
 For the Year Ended June 30, 2016

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STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
COMPLIANCE EXAMINATION  
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STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2016

**AGENCY OFFICIALS**

Director

Mr. Anthony Star

*Administrative Services*

Chief Financial Officer

Mr. Charles L. Kudia

Chief Legal Counsel

Mr. Brian Granahan

Chief Operating Officer

Mr. Sanjay Patel

*Planning and Procurement Bureau*

Bureau Chief

Mr. Mario Bohorquez

The Agency's office is located at:

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

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

January 27, 2017

Honorable Frank J. Mautino  
Auditor General  
State of Illinois  
740 East Ash Street  
Springfield, Illinois 62703-3154

Dear Mr. Mautino:

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, 2016. Based on this evaluation, we assert that during the year ended June 30, 2016, 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

**SIGNED ORIGINAL ON FILE**

Anthony Star, Director

**SIGNED ORIGINAL ON FILE**

Charles Kudia, Chief Financial Officer

**SIGNED ORIGINAL ON FILE**

Brian Granahan, Chief Legal Counsel

STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
 COMPLIANCE EXAMINATION  
 For the Year Ended June 30, 2016

**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, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	Report	Report
Findings	0	1
Repeated findings	0	1
Prior recommendations implemented or not repeated	1	8

**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*.

FINDINGS (STATE COMPLIANCE)

The Illinois Power Agency did not have any current findings.

PRIOR FINDING NOT REPEATED

A	11	Failure to Establish a Resource Development Bureau
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STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2016

**EXIT CONFERENCE**

This report was discussed with Agency personnel at an exit conference on January 25, 2017.  
Attending were:

Illinois Power Agency

Anthony Star – Director  
Charles L. Kudia – Chief Financial Officer  
Sanjay Patel – Chief Operating Officer

Office of the Auditor General

Daniel J. Nugent, CPA – Audit Manager

SPRINGFIELD OFFICE:

ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046  
FAX: 217/785-8222 • TTY: 888/261-2887  
FRAUD HOTLINE: 1-855-217-1895



CHICAGO OFFICE:

MICHAEL A. BILANDIC BLDG. • SUITE S-900  
160 NORTH LASALLE • 60601-3103  
PHONE: 312/814-4000  
FAX: 312/814-4006  
FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL  
FRANK J. MAUTINO

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

Honorable Frank J. Mautino  
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, 2016. 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.

In our opinion, 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, 2016.

### **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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

**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, 2016, 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, 2016, 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, 2015, accompanying supplementary information in Schedules 2 through 6, Schedule 8, and 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.

**SIGNED ORIGINAL ON FILE**

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

Springfield, Illinois  
January 27, 2017

SPRINGFIELD OFFICE:

ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046

FAX: 217/785-8222 • TTY: 888/261-2887  
FRAUD HOTLINE: 1-855-217-1895



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MICHAEL A. BILANDIC BLDG. • SUITE 5-900  
160 NORTH LASALLE • 60601-3103  
PHONE: 312/814-4000

FAX: 312/814-4006  
FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL  
FRANK J. MAUTINO

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 Frank J. Mautino  
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, 2016, and the related notes to the financial statements, as listed in the table of contents, and have issued our report thereon dated January 27, 2017, which contained an emphasis of matter paragraph stating the financial statements present only the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois or the State of Illinois, Illinois Power Agency, as of June 30, 2016, and the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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.

**SIGNED ORIGINAL ON FILE**

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

Springfield, Illinois  
January 27, 2017

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**PRIOR FINDING NOT REPEATED**  
For the Year Ended June 30, 2016

A.        **FINDING**    (Failure to Establish a Resource Development Bureau)

During the prior examination, the Illinois Power Agency (Agency) had not established a Resource Development Bureau (Bureau). (Finding Code No. 2015-001, 2014-003, 2013-010, 12-9, 11-17, 10-12, 09-7)

Status:    Not Repeated

During the current examination, the General Assembly passed Public Act 099-0536, which made the establishment of the Bureau optional at the discretion of the Agency.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**COMPLIANCE EXAMINATION**  
For the Year Ended June 30, 2016

**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 2016
  - 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)
  - Budget Impasse Disclosures (Not Examined)
  - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
  - Interest Costs on Fiscal Year 2016 Invoices (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, 2016, 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**  
Expenditure Authority for Fiscal Year 2016

**SCHEDULE 1**

For the Fourteen Months Ended August 31, 2016

Public Act 099-0524 and Court-Ordered Expenditures	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2016	Lapse Period Expenditures July 1 to August 31, 2016	Total Expenditures 14 Months Ended August 31, 2016	Balances Lapsed August 31, 2016
FISCAL YEAR 2016					
<b><u>APPROPRIATED FUNDS</u></b>					
Illinois Power Agency Operations Fund - 425					
Ordinary and Contingent Expenses	\$ 3,572,500	\$ 642,944	\$ 1,798,930	\$ 2,441,874	\$ 1,130,626
For Deposit into the General Revenue Fund	496,988	-	496,988	496,988	-
Subtotal, Fund 425	<u>\$ 4,069,488</u>	<u>\$ 642,944</u>	<u>\$ 2,295,918</u>	<u>\$ 2,938,862</u>	<u>\$ 1,130,626</u>
Illinois Power Agency Trust Fund - 424					
For Deposit into the Illinois Power Agency					
Operations Fund	\$ 1,372,500	\$ -	\$ -	\$ -	\$ 1,372,500
Subtotal, Fund 424	<u>\$ 1,372,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,372,500</u>
Illinois Power Agency Renewable Energy Resources Fund - 836					
Purchase of Renewable Energy or					
Renewable Energy Credits	\$ 50,000,000	\$ -	\$ 1,091,679	\$ 1,091,679	\$ 48,908,321
Subtotal, Fund 836	<u>\$ 50,000,000</u>	<u>\$ -</u>	<u>\$ 1,091,679</u>	<u>\$ 1,091,679</u>	<u>\$ 48,908,321</u>
<b>SUBTOTAL - APPROPRIATED FUNDS</b>	<u><u>\$ 55,441,988</u></u>	<u><u>\$ 642,944</u></u>	<u><u>\$ 3,387,597</u></u>	<u><u>\$ 4,030,541</u></u>	<u><u>\$ 51,411,447</u></u>

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
Expenditure Authority for Fiscal Year 2016

**SCHEDULE 1**

For the Fourteen Months Ended August 31, 2016

Public Act 099-0524 and Court-Ordered Expenditures	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2016	Lapse Period Expenditures July 1 to August 31, 2016	Total Expenditures 14 Months Ended August 31, 2016	Balances Lapsed August 31, 2016
<b><u>NONAPPROPRIATED FUNDS</u></b>					
Illinois Power Agency Trust Fund - 424					
Interfund Cash Transfers		\$ 90	\$ -	\$ 90	
Subtotal, Fund 424		<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 90</u>	
<b>SUBTOTAL - NONAPPROPRIATED FUNDS</b>		<u><u>\$ 90</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 90</u></u>	
<b>GRAND TOTAL - ALL FUNDS</b>		<u><u>\$ 643,034</u></u>	<u><u>\$ 3,387,597</u></u>	<u><u>\$ 4,030,631</u></u>	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Agency records.

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

Note 3: During Fiscal Year 2016, the Agency operated without enacted appropriations until Public Act 099-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Agency's court-ordered payroll payments were merged into the enacted appropriation within Fund 425. Further, the Agency incurred non-payroll obligations within Fund 425 and Fund 836, which the Agency was unable to pay until the passage of Public Act 099-0524.

Note 4: Public Act 099-0524 authorizes the Agency to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 28 includes information from Agency management about the number of invoices and the total dollar amount of invoices held by the Agency to be submitted against its Fiscal Year 2017 appropriation.

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	
	2016	2015
	Public Act 099-0524 and Court-Ordered Expenditures	P.A. 98-0681
<b>APPROPRIATED FUNDS</b>		
<b>Illinois Power Agency Operations Fund - 425</b>		
Expenditure Authority	\$ 4,069,488	\$ 1,913,646
<u>Expenditures</u>		
Ordinary and Contingent Expenses	\$ 2,441,874	\$ 1,822,959
For Deposit into the General Revenue Fund	496,988	-
Total Expenditures	<u>\$ 2,938,862</u>	<u>\$ 1,822,959</u>
Lapsed Balances	<u>\$ 1,130,626</u>	<u>\$ 90,687</u>
<b>Illinois Power Agency Trust Fund - 424</b>		
Appropriations	\$ 1,372,500	\$ 1,913,646
<u>Expenditures</u>		
For Deposit into the Illinois Power Agency Operations Fund	\$ -	\$ 1,062,935
Total Expenditures	<u>\$ -</u>	<u>\$ 1,062,935</u>
Lapsed Balances	<u>\$ 1,372,500</u>	<u>\$ 850,711</u>
<b>Illinois Power Agency Renewable Energy Resources Fund - 836</b>		
Appropriations	\$ 50,000,000	\$ 50,000,000
<u>Expenditures</u>		
Purchase of Renewable Energy or Renewable Energy Credits	\$ 1,091,679	\$ 823,617
Total Expenditures	<u>\$ 1,091,679</u>	<u>\$ 823,617</u>
Lapsed Balances	<u>\$ 48,908,321</u>	<u>\$ 49,176,383</u>

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	
	2016	2015
<b><u>TOTAL - APPROPRIATED FUNDS</u></b>		
Total Appropriations	\$ 55,441,988	\$ 53,827,292
Total Appropriated Expenditures	\$ 4,030,541	\$ 3,709,511
Lapsed Balances	\$ 51,411,447	\$ 50,117,781
<b><u>NONAPPROPRIATED FUNDS</u></b>		
<b>Illinois Power Agency Trust Fund - 424</b>		
<u>Expenditures</u>		
Interfund Cash Transfers	\$ 90	\$ 137,525
Total Expenditures	\$ 90	\$ 137,525
Total Nonappropriated Expenditures	\$ 90	\$ 137,525
<b>GRAND TOTAL - ALL FUNDS</b>	<b>\$ 4,030,631</b>	<b>\$ 3,847,036</b>
<b><u>STATE OFFICERS' SALARIES</u></b>		
<b>Illinois Power Agency Operations Fund - 425 (State Comptroller)</b>		
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	\$ -	\$ -

STATE OF ILLINOIS **SCHEDULE 2**  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES, AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30,

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and August 31, 2015, and have been reconciled to Agency records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.
- Note 3: During Fiscal Year 2016, the Agency operated without enacted appropriations until Public Act 099-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Agency's court-ordered payroll payments were merged into the enacted appropriation within Fund 425. Further, the Agency incurred non-payroll obligations within Fund 425 and Fund 836, which the Agency was unable to pay until the passage of Public Act 099-0524.
- Note 4: Public Act 099-524 authorizes the Agency to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 28 includes information from Agency management about the number of invoices and the total dollar amount of invoices held by the Agency to be submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS  
 ILLINOIS POWER AGENCY  
 COMPLIANCE EXAMINATION  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
 For the Year Ended June 30, 2016

**SCHEDULE 3**

		Equipment
Balance at July 1, 2015	\$	11,159
Additions		-
Deletions		-
Net Transfers		-
		<hr style="border-top: 1px solid black;"/>
Balance at June 30, 2016	\$	<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	
	2016	2015
<b>Illinois Power Agency Operations Fund - 425</b>		
Interfund Cash Transfer from the Illinois Power Agency Trust Fund	\$ 1,062,935	\$ 914,900
Procurement Operations:		
Bidder Fees	12,500	11,000
Supplier Fees	1,000,042	600,090
Reimbursements from Utility Companies	253,410	391,347
Total Receipts - Fund 425	\$ 2,328,887	\$ 1,917,337
Receipts, per Agency Records	\$ 2,328,887	\$ 1,917,337
Add: Deposits in Transit, Beginning of the Fiscal Year	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	-
Deposits, Recorded by the State Comptroller	\$ 2,328,887	\$ 1,917,337
<b>Illinois Power Agency Trust Fund - 424</b>		
Interfund Cash Transfer from the Illinois State Board of Investment	\$ 1,200,000	\$ -
Total Receipts - Fund 424	\$ 1,200,000	\$ -
Receipts, per Agency Records	\$ 1,200,000	\$ -
Add: Deposits in Transit, Beginning of the Fiscal Year	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	-
Deposits, Recorded by the State Comptroller	\$ 1,200,000	\$ -
<b>Illinois Power Agency Renewable Energy Resources Fund - 836</b>		
Procurement Operations:		
Supplemental Solar Procurement Bid Deposits	\$ 1,123,687	\$ 358,668
Total Receipts - Fund 836	\$ 1,123,687	\$ 358,668
Receipts, per Agency Records	\$ 1,123,687	\$ 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	\$ 1,123,687	\$ 358,668
<b>GRAND TOTAL - ALL FUNDS</b>		
Total Cash Receipts, per Agency Records	\$ 4,652,574	\$ 2,276,005
Add: Deposits in Transit, Beginning of the Fiscal Year	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	-
Total Deposits, Recorded by the State Comptroller	\$ 4,652,574	\$ 2,276,005

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2016

**SCHEDULE 5**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015**

**Illinois Power Agency Operations Fund - 425**

Ordinary and Contingent Expenses of the Illinois Power Agency

The increase of \$618,915 was primarily due to the Agency incurring additional management and consulting services in relation to the administration and planning of the procurement events. The Agency held five procurement events in accordance with its plans approved by the Illinois Commerce Commission as opposed to three procurement events held during the prior year.

For Deposit into the General Revenue Fund

The increase of \$496,988 was due to the Agency receiving an appropriation to correct a prior period accounting error. In Fiscal Year 2009, the Agency received appropriations from the General Revenue Fund to pay for its operational expenses, subject to a requirement to repay all amounts expended by the General Revenue Fund during either Fiscal Year 2010 or Fiscal Year 2011. On March 7, 2011, a vendor filed a claim against the General Revenue Fund for failure to pay an invoice. The Court of Claims entered an order on November 22, 2011, concluding the vendor's claim was a standard lapsed appropriation claim which should be paid pursuant to a stipulation entered by the Attorney General. The Court of Claims paid the vendor for the full amount due from the General Revenue Fund on June 12, 2012. The Agency repaid this amount from the Illinois Power Agency Operations Fund using this Fiscal Year 2016 appropriation.

**Illinois Power Agency Renewable Energy Resources Fund - 836**

Purchase of Renewable Energy or Renewable Energy Credits

The Agency's first supplemental photovoltaic procurement event was held on June 18, 2015, and two subsequent procurement events occurred during Fiscal Year 2016. After each event, the Agency entered into contracts for the purchase of renewable energy credits (RECs). As a result, the increase in expenditures of \$268,062 was primarily due to the Agency beginning activities, including refunding bid deposits and paying for delivered RECs, arising from the supplemental photovoltaic procurement events.

**Illinois Power Agency Trust Fund - 424**

For Deposit into the Illinois Power Agency Operations Fund

The decrease of \$1,062,935 is due to the Agency's investments managed by the Illinois State Board of Investment experiencing a loss during Fiscal Year 2016. As a result, the Agency was not able to transfer moneys from the Illinois Power Agency Trust Fund into the Illinois Power Agency Operations Fund.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2016

**SCHEDULE 5**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015 (continued)**

**Illinois Power Agency Trust Fund – 424 (continued)**

Interfund Cash Transfers

The decrease of \$137,435 in interfund cash transfers was mainly due to the Agency experiencing a loss on its investments managed by the Illinois State Board of Investment. Due to the loss, the Agency did not have to return 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. During prior fiscal years with a gain on its investments, 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, made an estimate of the amount of money they would transfer pursuant to the State Finance Act (30 ILCS 105/6z-75(c)) and informed the Illinois State Board of Investment of the amount needed for withdrawal in June to receive the cash distribution in July. After the close of the fiscal year, the Agency was able to calculate the exact transfer due to the Illinois Power Agency Operations Fund and returned the excess cash withdrawal to the Illinois State Board of Investment during the State's Lapse Period.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2016

**SCHEDULE 6**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2016 AND 2015**

**Illinois Power Agency Operations Fund - 425**

Procurement Operations: Supplier Fees

The increase of \$399,952 was due to the Agency holding five procurement events in accordance with its plans approved by the Illinois Commerce Commission as opposed to three procurement events held during the prior year.

Procurement Operations: Reimbursements from Utility Companies

The decrease of \$137,937 was due to the collection of unavailable revenue related to Fiscal Year 2014 in Fiscal Year 2015 and a decrease in the costs associated with procurement planning that led to a decrease in the amount of reimbursement due from the utility companies.

**Illinois Power Agency Trust Fund - 424**

Interfund Cash Transfer from the Illinois State Board of Investment

The increase of \$1,200,000 was due to the timing of the transfer of moneys from the Illinois Power Agency Trust Fund to the Illinois Power Agency Operations Fund pursuant to the State Finance Act (30 ILCS 105/6z-75(c)). While the Fiscal Year 2014 transfer was processed and the actual movement of cash occurred during Fiscal Year 2014, the Fiscal Year 2015 transfer was processed during the Fiscal Year 2015 Lapse Period. Therefore, the actual movement of cash occurred during Fiscal Year 2016.

**Illinois Power Agency Renewable Energy Resources Fund - 836**

Procurement Operations: Supplemental Solar Procurement Bid Deposits

The increase in bid deposits of \$765,019 was due to the Agency holding two Supplemental Solar Procurements in Fiscal Year 2016 for the purchase of \$25 million in solar energy as opposed to one Supplemental Solar Procurement in Fiscal Year 2015 for \$5 million. 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, 2016

**SCHEDULE 7**

**FISCAL YEAR 2016**

**Illinois Power Agency Operations Fund - 425**

For Deposit into the General Revenue Fund

The significant spending during the Lapse Period was due to the Agency processing the transfer during Fiscal Year 2016 after the passage of Public Act 099-0524 on June 30, 2016.

Ordinary and Contingent Expenses

The significant spending during the Lapse Period was primarily due to the Agency processing invoices received during Fiscal Year 2016 after the passage of Public Act 099-0524 on June 30, 2016.

**Illinois Power Agency Renewable Energy Resources Fund - 836**

Purchase of Renewable Energy or Renewable Energy Credits

The significant spending during the Lapse Period was due to the Agency processing invoices received during Fiscal Year 2016 after the passage of Public Act 099-0524 on June 30, 2016.

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	2016	2015
<b>NOT IN PROTEST (in thousands)</b>		
Receivables Not Past Due	\$ 165	\$ 94
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	\$ 165	\$ 94
Less: Allowance for Doubtful Accounts	-	-
Net Receivables - Fund 425	\$ 165	\$ 94

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	2016	2015
<b>NOT IN PROTEST (in thousands)</b>		
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	-	-
	\$ -	\$ 77
Gross Receivables - Fund 836	\$ -	\$ 77
Less: Allowance for Doubtful Accounts	-	-
	\$ -	\$ 77
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 2016, 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 \$71.606 million at June 30, 2016, and \$86.370 million at June 30, 2015, for ACPs.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**AGENCY FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2016

(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 2016, the Agency developed its annual Procurement Plan (the 2016 Procurement Plan), which was approved by the Illinois Commerce Commission (Commission) in December 2015. The Agency held an electricity procurement in September 2015 in accordance with the 2015 Procurement Plan, a distributed generation renewable energy credit procurement in October 2015 in accordance with the 2015 Procurement Plan, an electricity procurement in April 2016 in accordance with its 2016 Procurement Plan, and a renewable energy credit procurement in May 2016 in accordance with the 2016 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 had 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 2015, and the first procurement from that Plan was held in late June 2015. In Fiscal Year 2016 additional procurements were held in November 2015 and June 2016. The results of those additional procurements were likewise approved by the Commission. The results of all previous procurement events are available on the Agency's website.

Additionally, during Fiscal Year 2016, 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, 2016

(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.

During Fiscal Year 2016, the Illinois Power Agency Act (20 ILCS 3855/1-70) required 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. The requirement to establish a Resource Development Bureau was repealed in Public Act 099-0536, which was sent to the Governor on June 23, 2016, and signed into law on July 8, 2016, with an immediate effective date.

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  
**BUDGET IMPASSE DISCLOSURES**  
For the Year Ended June 30, 2016

(NOT EXAMINED)

Payment of Fiscal Year 2016 Costs in Future Fiscal Years

Article 74 of Public Act 099-0524 authorized the Agency to pay Fiscal Year 2016 costs using the Agency's Fiscal Year 2017 appropriations for non-payroll expenditures. The Agency did not have any outstanding invoices from Fiscal Year 2016 unpaid after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016. Therefore, the Agency does not intend to use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND  
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**  
For the Year Ended June 30, 2016

(NOT EXAMINED)

Transactions Involving the Illinois Finance Authority

The Agency and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Agency's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2015 and Fiscal Year 2016.

STATE OF ILLINOIS  
 ILLINOIS POWER AGENCY  
 COMPLIANCE EXAMINATION  
**INTEREST COSTS ON FISCAL YEAR 2016 INVOICES**  
 For the Year Ended June 30, 2016

(NOT EXAMINED)

Prompt Payment Interest Costs

The Agency plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Agency. The following chart shows the Agency's prompt payment interest incurred related to Fiscal Year 2016 invoices, calculated on the accrual basis of accounting, through June 30, 2016, by fund:

**PROMPT PAYMENT INTEREST INCURRED**

Year Ended June 30, 2016

Fund #	Fund Name	Invoices	Unique Vendors*	Dollar Value
425	Illinois Power Agency Operations Fund	15	9	\$ 27,925
	Illinois Power Agency			
836	Renewable Energy Resources Fund	2	2	13,273
		<u>17</u>	<u>10</u>	<u>\$ 41,198</u>

\* Note: The Agency had one vendor due interest from both funds at June 30, 2016.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**PROCUREMENT OF RENEWABLE ENERGY RESOURCES**  
For the Year Ended June 30, 2016

(NOT EXAMINED)

Overall Procurement Process

During Fiscal Year 2016, the Illinois Power Agency (Agency) had two distinct procurement requirements for renewable energy resources. The first requirement was to procure energy for retail customers of ComEd, Ameren, and, for the first time in Calendar Year 2016, MidAmerican Energy, using moneys from each utility's renewable resources budget (comprised of ratepayer funds), which is overseen by the Illinois Commerce Commission (Commission). During Fiscal Year 2016, the Procurement Plan developed by the Agency during Calendar Year 2015 was approved by the Commission on December 16, 2015. This plan, known as the 2016 Procurement Plan, served as the guide for the Agency's Calendar Year 2016 Procurement Events.

The second requirement was 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 does not generally regulate or oversee the procurement of renewable energy resources from the RERF, which is under the control of the Agency, and renewable energy credits (RECs) procured using the RERF's resources do not count towards purchases of renewable energy by ComEd, Ameren, MidAmerican Energy, or the ARES. However, Public Act 098-0672, effective June 30, 2014, added Section 1-56(i) to the Illinois Power Agency Act (Act) (20 ILCS 3855), which required the Agency to develop a one-time Supplemental Photovoltaic Procurement Plan (Supplemental Plan) to use up to \$30 million of the RERF's resources on the purchase of RECs from photovoltaic (or "solar") systems, with the Supplemental Plan and resultant procurement events requiring Commission approval. The Supplemental Plan was developed during Calendar Year 2014 and was approved by the Commission on January 21, 2015. In Fiscal Year 2016, the Agency conducted two Supplemental Plan procurement events in November 2015 and March 2016 and the results were approved by the Commission.

Renewable Energy Procured for ComEd, Ameren, and MidAmerican Energy

Section 1-75 of the Act 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 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

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**PROCUREMENT OF RENEWABLE ENERGY RESOURCES**  
For the Year Ended June 30, 2016

(NOT EXAMINED)

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: ... 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 its 2016 Procurement Plan, the Agency concluded that, for ComEd and Ameren, the Agency would only need to procure photovoltaic and renewable distributed generation resources beyond what had been procured by the Agency in prior procurement plans. These prior procurements, primarily the 20-year long-term power purchase agreements for wind and photovoltaic resources entered into in 2010, 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. For MidAmerican Energy, because 2016 was the first year of procurements conducted by the Agency, all types of resources were needed to be procured.

The chart below translates the percentage-based procurement obligations referenced in Section 1-75(c)(1) into quantitative REC procurement requirements for the 2016-2017 Energy Year. As shown in the chart (based on the 2016 Procurement Plan), prior procurements conducted by the Agency resulted in REC quantities under contract sufficient to meet the overall target for Ameren, and for ComEd and Ameren, 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
<b>Ameren</b>				
<b>Purchased (MWh)</b>	976,851	12,394	0	1,029,245
<b>Target (MWh)</b>	582,510	46,601	7,767	776,681
<b>Surplus or (Shortage)</b>	394,341	(34,207)	(7,767)	252,564
<b>ComEd</b>				
<b>Purchased (MWh)</b>	1,340,016	27,895	0	1,561,397
<b>Target (MWh)</b>	1,222,018	97,761	16,294	1,629,357
<b>Surplus or (Shortage)</b>	117,998	(69,866)	(16,294)	(67,960)
<b>MidAmerican Energy</b>				
<b>Purchased (MWh)</b>	0	0	0	0
<b>Target (MWh)</b>	28,957	2,317	386	38,610
<b>Surplus or (Shortage)</b>	(28,957)	(2,317)	(386)	(38,610)

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**PROCUREMENT OF RENEWABLE ENERGY RESOURCES**  
For the Year Ended June 30, 2016

(NOT EXAMINED)

As a result, the 2016 Procurement Plan called for the procurement of distributed generation and photovoltaic renewable energy resources for ComEd and Ameren, and those resources as well as wind for MidAmerican Energy, to meet statutory renewables procurement targets.

The photovoltaic and wind procurement occurred in April 2016 and the distributed generation procurement occurred in June 2016. While the photovoltaic and wind procurements met their 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 providing a barrier to participation by smaller entities, as well as the concurrent supplemental photovoltaic procurement process not bound by some of the restrictions present in Section 1-75(c)).

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 Agency is the resulting counterparty to the RECs purchased using the RERF’s funds (and not the utilities themselves), resources procured using the RERF’s 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.

Plans for Future Renewable Energy Procurements

According to Agency officials, Public Act 099-0906, signed into law on December 7, 2016, with an effective date of June 1, 2017, revamps the Renewable Portfolio Standard and the renewable energy resource procurements conducted by the Agency, including those proposed in Calendar Year 2016 as part of the Agency’s 2017 Procurement Plan. Under Public Act 099-0906 and the Commission’s Order approving the Agency’s 2017 Procurement Plan, the two distributed generation procurements for the utilities as proposed by the Agency in its 2017 Procurement Plan will proceed as planned, while it remains to be determined if the Agency will conduct a procurement for one-year RECs in the Spring of 2017. As called for in Public Act 099-0906, the Agency will also conduct a procurement for new wind resources within 160 days of its effective date, and one or more procurements of new solar resources within one year of the effective date. In addition, the Agency will develop a long-term renewable resources plan to guide future renewables procurements. That plan will include the Illinois Solar for All Program—a photovoltaic incentive program targeting low-income Illinois residents called for in new Section 1-56 of the Act—which will be the future method by which funds in the RERF not currently committed to contracts are to be expended. Additionally, Public Act 099-0906 will phase out the collection of ACPs from ARES by 2019, and any remaining ACPs will be made to the applicable utility to be held in a utility account beginning with the effective date of the new law.

STATE OF ILLINOIS  
 ILLINOIS POWER AGENCY  
 COMPLIANCE EXAMINATION  
**AVERAGE NUMBER OF EMPLOYEES**  
 For the Year Ended June 30, 2016

(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>2016</u>	<u>2015</u>
Director	1	1
Administrative Services	4	4
Planning and Procurement Bureau	1	1
<b>Total Full-Time Equivalent Employees</b>	<u><u>6</u></u>	<u><u>6</u></u>

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2016

(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, Ameren, and MidAmerican 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.

**Funds:**

Illinois Power Agency Operations Fund

**Statutory Authority:**

Illinois Power Agency Act (20 ILCS 3855)

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2016

(NOT EXAMINED)

	2015 Actual	2016 Target/ Projected	2016 Actual
<b><u>Input Indicators</u></b>			
Total expenditures - State appropriated funds (in thousands)	\$ 3,709.5	\$ -	\$ 4,030.5
Average monthly full-time equivalents	6.0	7.0	6.0
<b><u>Output Indicators</u></b>			
Number of residential customers in the Ameren region taking fixed price supply as of May	435,473	N/A	411,189
Number of residential customers in the ComEd region taking fixed price supply as of May	1,321,677	N/A	2,059,350
Number of residential customers in the MidAmerican region taking fixed price supply as of May	N/A	N/A	78,213
<b><u>Outcome Indicators</u></b>			
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
<b><u>Efficiency/Cost-Effectiveness Indicators</u></b>			
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 2015 (\$3,709.5 thousand) includes an interfund cash transfer (\$1,062.9 thousand) and renewable energy expenditures (\$823.6 thousand).

Note 2: The total actual expenditures for Fiscal Year 2016 (\$4,030.5 thousand) includes an interfund cash transfer (\$497 thousand) and renewable energy expenditures (\$1,091.7 thousand).