



Franchise Agreements: An Opportunity to Promote Clean Energy in Illinois

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What is a Franchise Agreement?

- Contract between municipal government and electric or gas utility
- Allows utility to operate within city limits
- Often provides payment to municipality (can be thought of as compensation for use of public lands for utility distribution infrastructure)



Unbilled Energy Under an FA

- Unbilled energy service arrangements may be unique to Illinois
- Numerous Illinois cities have unbilled energy services arrangements. Not all do, however.
- Typically, Illinois municipalities receive unbilled electricity for government buildings and/or street lighting, but not for water pumping/treatment



Region 5 Report, 2011

- Based on interviews with municipal government staff, unbilled energy a disincentive to EE
- Unbilled energy is an important benefit; financial value and protection against energy price increase



2015 Report Prepared for Illinois Department of Commerce and Economic Opportunity

- Evaluation of Illinois Energy Now Public Sector Custom, Standard, and New Construction Incentives Programs: June 2013 through May 2014
- Municipalities participating in EE programs despite unbilled energy
 - Is participation reduced by unbilled energy disincentive?
 - Is unbilled energy a barrier to renewable energy investment



Alternative Approaches

- Municipalities that currently receive unbilled energy services could benefit from switching to an approach where they receive cash compensation instead
- Use cash to:
 - Pay energy bills
 - Finance investments in EE/RE (including solar)



Available Alternatives: Gas

- Nicor/Northshore– municipalities are entitled to a given number of therms based on population
- Municipalities can accept equivalent cash in lieu of free gas: therms allowed x average price of gas over previous 3 years
- 110 out of 485 municipalities take cash; roughly half of those that take free gas do not use their full allotment of therms

Available Alternatives:

Electricity

- Illinois Infrastructure Maintenance Fee Law (35 ILCS 645)
- Cities above 500,000 population: declining block per kwh fee structure– added to each customer's bill. Collected fees transferred to City gov.
- Cities below 500,000 population: same as above, except compensation is limited to value of existing franchise agreement
- Ameren seems to be replacing free electricity (and gas) with cash payments in new agreements



Investing in EE/RE

- A FA “cash-out” would make it feasible for municipality to utilize energy services companies (ESCOs) or solar power purchase agreements—no money down option— by creating a potential stream of energy cost savings
- FA “cash-out” could also enable municipalities to utilize cash payments to meet energy efficiency grant match requirements



For More Information

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