



Illinois Commerce Commission
160 N. La Salle Street, Ste. C-800
Chicago, IL 60601

December 6, 2017

Dear ICC Commissioners,

We're writing to express our support for initiating a "Proposed Rulemaking Relating to the Regulatory Accounting Treatment of Cloud-Based Solutions."

The pace of technological change in the energy sector is unprecedented. Utilities are beginning to take advantage of information technologies in new and different ways to improve the overall performance of the utility system. At the same time, the delivery of technology solutions is rapidly shifting from on-premise deployments to cloud-based deployments in order to deliver higher levels of innovation, solution reliability and improved cost effectiveness.

We support this rulemaking because it addresses a key barrier to the adoption of cloud-based information technology. Today, ratemaking discriminates between deployment approaches. Current ratemaking practice as implemented by the utilities in Illinois differentiates between the two most common ways these IT deployment approaches are accounted for. On-premise deployments often entail a significant up-front expenditure in software, hardware and implementation services, the majority of which the utility can capitalize and add to the capital rate base. The ongoing costs of operating the system are commonly treated as part of the utilities operating expenses. Cloud-based solutions, including software and infrastructure, are often accounted for as service contracts as

opposed to capital assets. Generally, service contracts are considered an operating expense. As a result, the choice of a cloud-based deployment implies that the utility forgoes the ability to earn a return on that investment.

The rulemaking you are starting today is an opportunity to address this barrier. Ratemaking can and should allow a utility to be rewarded for the critical investments that it makes in the systems that are clearly driving improvements in reliability and service for the end consumer. Regardless of the deployment approach, ratemaking should reward the utility for delivering systems in the most effective and reliable manner.

By starting a rulemaking on this issue, you are continuing to lead the nation forward on this important issue. In 2016, the National Association of Regulatory Utility Commissioners adopted a resolution that said, "NARUC encourages State regulators to consider whether cloud-computing and on-premise solutions should receive similar regulatory accounting treatment." Your rulemaking is the first attempt in the country to fully consider this issue and will set an example for regulators in the 49 other states to follow.

We look forward to participating in this rulemaking. If you have any questions, you can contact any of us individually, or you can contact Advanced Energy Economy's Danny Waggoner at (512) 577-8356.

Sincerely,

Advanced Energy Economy
Amazon Web Services
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