September 29, 2023

Illinois Power Agency
105 West Madison Street, Suite 1401
Chicago, Illinois 60602

On behalf of Prologis, the world's leader in logistics real estate solutions that is ranked second among United States companies for on-site commercial solar generation, I respectfully request that the Illinois Power Agency (IPA) make critical revisions to the Long-Term Renewable Resources Procurement Plan (LTRRPP) to ensure equitable participation of rooftop solar developers in the Illinois Shines community solar program, a crucial initiative aligned with both the Future Energy Jobs Act and Climate and Equitable Jobs Act objectives. Prologis appreciates the IPA's commitment to consistently evaluating and updating the LTRRPP to ensure that Illinois remains at the forefront of renewable energy adoption, and welcomes the opportunity to highlight how certain aspects of the existing guidelines may unintentionally stymie the progress of rooftop community solar projects, especially in densely populated areas of the state like Chicago.

About Prologis

Prologis assets total over 1.2 billion square feet of warehousing and distribution space, with approximately 2.8% of global GDP flowing through our properties each year. Our large, flat rooftops have enabled us to build out commercial solar installations to serve onsite load with clean energy and battery storage, helping our customers reduce their emissions and benefitting communities by offering access to renewable energy and improved grid resilience. To-date, we have 448MW of solar operating across our global portfolio, with a goal of 1GW by 2025. Through our solar power production and introduction of battery storage and electric vehicle charging capabilities at our properties, Prologis is helping Illinois reach its renewable energy goals and build reliable, secure, and privately financed sources of distributed energy.

Co-location restrictions on community solar projects, aimed at deterring gaming of incentives, deter legitimately deployed rooftop projects on existing industrial and commercial buildings.

Prologis has a significant and growing footprint in the state, particularly in the Chicago area where our portfolio includes 350 buildings that we rent to customers serving the metro market. To date, Prologis has been awarded Traditional Community Solar capacity at 39 of these buildings. With a goal of Net Zero by 2040, Prologis intends to have solar on every building. However, the LTRRPP's definition of co-location will limit this deployment on our buildings, and is already harming awarded project financial returns. The co-location definition for community solar, while instituted to prevent the gaming of incentives through artificial subdivision of larger projects into smaller ones to exploit higher renewable energy credit (REC) prices of smaller systems, inadvertently handicaps rooftop community solar development.

Since the LTRRPP and program guidebook are silent on community solar situated on rooftops versus ground arrays, the program administrator and the IPA have chosen to treat rooftop community solar no differently than ground-mounted projects. We recognize this definition was likely crafted with ground-mounted projects specifically in mind, as historically community solar has been built on the ground. As seen in other states like Minnesota, ground mounted projects are susceptible to gaming through the subdivision of larger projects into smaller ones to achieve higher incentive rates. This makes sense since

parcels of land may be divided on property maps, but otherwise lack physical obstructions or divisions. The same situation could arise on a single large building. However, this is not possible on two separate nonadjacent buildings, regardless of the underlying parcel adjacency. The state recognizes this distinction already under its guidelines for DG projects, which have historically been built on rooftops:

> "For purposes of determining the system's REC price, a system's location is considered to be a single building ... for rooftop installations, and a single property parcel for ground-mounted systems..." - Program Guidebook Section 4F

A community solar framework that does not differentiate between ground-mounted and rooftop projects is neither economically viable nor does it help the state meet its policy priorities.

This discrepancy in the guidelines is especially challenging for entities like Prologis, which owns properties that are frequently sited near each other in business parks, and which is focused on development in urban infill locations. Though Prologis buildings in industrial parks are often developed in a cluster, they are distinct properties on their own separate parcels of land that are operated independently of each other, with different tenants holding different utility accounts. Fleets of trucks and warehouse workers drive through parking lots and roads that separate our buildings every day, often sharing access roads that may or may not be privately developed but are open and accessible to any of an industrial park's tenants, their employees, fleet operators, service providers, and so on. These separate buildings have no means of hosting a single larger system to be artificially subdivided, as is the concern of the LTRRPP around gaming the REC pricing system. Each project is priced individually, installed individually (and often on different timelines due to reroofing), and interconnected in separate locations with separate upgrade costs. The systems are constrained by the size of each rooftop, not by the underlying parcel of land. The co-location restrictions on contiguous land parcels simply do not make sense when applied to solar mounted on the roofs of non-connected, individually operated buildings.

However, as currently written and interpreted, the rules treat separate, non-connected buildings that are situated on top of adjacent land parcels and owned by the same company as a single project. The larger aggregate capacity often results in the separate projects receiving lower REC prices, since REC prices decline as system sizes get larger. This harms each project enough to risk the cancellation of any projects beyond the first one. Since there are not financial benefits realized by siting projects near each other when on separate rooftops, the lower REC prices are not simply a calculated cost of doing business – instead, they prevent projects from being developed at all.

Project locations on rooftops of adjacent parcels are not selected because of their adjacency. Rather, they are selected in response to policy priorities of the state. Given the competitive landscape and the points associated with targeting these policy priorities, developers like Prologis target properties that will score as many points as possible to secure capacity in the program. For example, despite having hundreds of rooftops available in Illinois, Prologis only submitted its properties that happen to be in EJ/R3 zones, brownfields, or that had geographic uniqueness from existing approved community solar projects. While other, nonadjacent properties in Prologis' portfolio could host larger, more financially viable projects, they would not score as many points as smaller, sometimes adjacent properties that happen to be in the right location to score points. Without the higher score, the better projects could not secure REC awards, and without the REC incentives the projects cannot be built. Prologis now finds itself in a situation where its adjacent projects are penalized despite only being selected in response to the state's policy objectives. For an example of affected projects and how current rules create unintended outcomes, please see Attachment A.

Illinois can continue to deter the gaming of incentives without limiting a specific project type by creating

parity between the DG and TCS project categories. Prologis strongly urges the IPA to make a modest adjustment to its guidelines by defining co-location for community solar on buildings similarly to its definition for DG projects. A simple recognition that community solar can and does exist on buildings would result in more nuanced and inclusive definitions of projects. Separated buildings on separate parcels by nature prevents the co-location of solar on those buildings, and the IPA's definitions should reflect this across project categories.

As requested by the IPA, a redline of the relevant section of the LTRRPP has been included here as Attachment B. We have proposed substituting "parcels of land" with the more inclusive term "locations," as used in the current Program Guidebook, section 4F. However, we acknowledge this may not be a perfect substitute and welcome dialogue to achieve the program's goals while acknowledging a diversity of project types.

Rapidly declining REC pricing, coupled with co-location restrictions, diminishes program participation of rooftop solar projects.

An additional concern is the state's proposed lower REC prices. Prologis estimates that the proposed prices do not reflect the realities of the current market environment. They also do not reflect the differentiation in costs and values that different project types bring. While allowing for price adjustments based on market factors can reduce the cost to ratepayers, accurate and timely data is required. Otherwise, incentives set too low do not attract renewables investments to meet the state's goals. These prices should be based on installation costs in Illinois, not on a national data set. They should also reflect current year build costs, not costs from several years ago.

Given REC contract deadlines, projects do not have the luxury of waiting out temporary high-cost environments. The supply and demand shocks of the pandemic, rising interest rates, the passage of the Inflation Reduction Act, and tariffs have had particularly profound effects on the market. While developers await guidance on the new incentives, the market has experienced unprecedented volatility. Some materials are in short supply, labor costs have skyrocketed, interconnection upgrade costs are higher than the program anticipated, return thresholds for invested capital have increased, and the Russian invasion of Ukraine shocked the price of gas, among other events that are not factored into the proposed REC prices.

On the last point, net metering values may no longer be an accurate representation of community solar credit values, factoring in the CFRA and the loss of the PEA guardrails. As a result, there is a mismatch between the current cost to build projects and their value and the proposed lower REC values. This is especially challenging for rooftop solar, where currently there is no additional incentive despite higher installation costs. Rooftop solar brings value that other project types cannot, as documented in numerous studies and state programs around the country. Rooftop solar built within target communities can be a key solution to the state's goal of an equitable, local clean energy workforce.

While the consistent oversubscription of the community solar program seems to serve as evidence of sufficient incentives, recent data proves otherwise. The notable drop from 164 applications last year to just 42 this year in the Group B Traditional Community Solar category signifies a looming challenge for community solar developers, particularly in land-constrained areas. Prologis has been a principal participant in this category over the past two program years, submitting 25% of all applications (16% by capacity) and comprising 28% of selected applications (20% by capacity - limited by the developer cap). Prologis is excited to bring over 50MW of rooftop community solar to Illinois over the next two years.

However, the decline in REC prices has forced us to reevaluate the economics of our participation in the future of the program. This is not hypothetical, but rather impacting us today. Due to the program's lottery process and the proposed lower REC prices, Prologis chose to proactively withdraw half of its projects, ensuring that only our best projects remained available for selection this year, rather than risk having them waitlisted into next year's lower prices. Despite having 90% of our Chicago real estate portfolio still available for rooftop solar development, it may sit idle until these issues are corrected. If other solar developers and property owners are making similar assessments, we believe the steep decline in REC prices may slow solar development, challenging the state's clean energy aims or restricting it to development on land.

Prologis recommends using more recent and local data inputs that account for varying project types. To avoid boom and bust cycles, the program should avoid large inter-year price fluctuations. The state may consider the value of diversified project types like rooftop community solar, then either incentivize or reserve capacity for them, as has been found in states like Maryland and New Jersey.

Conclusion

Prologis urges the IPA to update the co-location definition in the community solar program, aligning it more closely with the distributed generation co-location guidelines that are more considerate of solar installations on building rooftops. A thoughtful revision of the guidelines around co-location of rooftop projects, as well as a reexamination of declining and market variable REC pricing, will not only ensure the economic feasibility of such projects but also buttress the state's commitment to a sustainable future.

We welcome the opportunity to further discuss our views with the IPA. Please do not hesitate to contact Grant Klein, Manager, Renewables Development – Community Solar, at gklein@prologis.com or 303-567-5150, or Alexis Moch, Director of Government Affairs, at amoch@prologis.com or 571-895-5763 for more information or to discuss further.

Respectfully submitted,

Prologis
1800 Wazee Street, Suite 500
Denver, Colorado 80202 USA

Attachment A

Below is a bird's-eye view of three of Prologis' buildings which will host community solar projects on their rooftops: Bensenville Ind. Park 6, 10, and 14. It was determined that buildings 10 and 14 are co-located, but building 6 is not co-located with either of the other two, due to a quirk in the parcel boundaries that left a thin stretch of land between them.

It would not be feasible to install one large solar array across the gaps between the buildings, where trucks load and unload cargo, yet the program treats them as one project.

What policy objective does this treatment achieve? If there is a perceived increased benefit to installing solar on both buildings 10 and 14, then surely building 6 would also benefit from such development? The benefits and gaming opportunities of ground-mounted solar do not exist for projects built on buildings, and so they ought to be treated as DG projects are – separately for the purposes of REC prices.

Attachment B

7.9.4. Co-location of Community Renewable Generation Projects

Co-location of projects occurs when multiple projects are located adjacent to each other, perhaps using the same point of interconnection. Co-located projects can be structured to maximize income from incentives, such as by dividing up a larger project into smaller pieces that qualify for higher incentives. Community solar projects are defined in the Act as Community Renewable Generation Projects that are smaller than or equal to 5,000 kW. As the REC prices for smaller community solar projects are usually higher, co-location strategies could therefore result in the gaming of Program incentives.

Section 1-75(c)(1)(K)(iii)(3) of the IPA places limitations on the co-location of community solar projects, stating in relevant part that "projects shall not be colocated with one or more other community renewable generation projects, as defined in the Agency's first revised long-term renewable resources procurement plan approved by the Commission on February 18, 2020, such that the aggregate nameplate capacity exceeds 5,000 kilowatts."[369]

As the maximum size for community solar projects is now 5 MW, this prohibits the co-location of 5 MW community solar projects and only allows for the co-location of smaller projects. The following co-location standard reflects that definition of co-location updated to account for the maximum size:[370]

- No Approved Vendor may submit more than 5 MW of Community Solar projects on the same or contiguous ~~parcels~~ locations (with each project's location considered to be a single building for rooftop installations, and a single property parcel for ground-mounted systems, and "parcel" of land defined by the County the parcel is located in) to the Illinois Shines program.
- A ~~parcel of land~~ location may not have been divided into multiple ~~parcels~~ locations in the two years prior to the project application in order to circumvent this policy. If a ~~parcel~~ location has been divided within that time period, the requirement will apply to the boundaries of the larger ~~parcel~~ location prior to its division.
- If there are multiple community solar projects owned or developed by a single entity (or its affiliates) located on one ~~parcel of land~~ location, or on contiguous ~~parcels of land~~ locations, the REC price will be based on the size category for the total size of the projects owned or developed on the contiguous ~~parcels~~ locations by that single entity or its affiliates. Furthermore, by law, the total combined size of projects owned or developed by a single entity (or its affiliates) on contiguous ~~parcels of land~~ locations may not be more than 5 MW.
    - "Affiliate" means, with respect to any entity, any other entity that, directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with each other or a third entity. "Control" means the possession, directly or indirectly, of the power to direct the management and policies of an entity, whether through the ownership of voting securities, by contract, or otherwise. Affiliates may not have shared sales or revenue-sharing arrangements, or common debt and equity financing arrangements.
    - "Contiguous" means touching along a boundary or a point. For example, ~~parcels~~ locations touching along a boundary are contiguous, as are ~~parcels~~ locations that meet only at a corner. ~~Parcels~~ Locations, however near to each other, that are separated by a third ~~parcel~~ location and do not touch along a boundary, or a point are not contiguous.
- Projects owned or developed by separate entities (meaning that that they are not affiliates) may be located on contiguous ~~parcels~~ locations. If there is a naturally good location from an interconnection standpoint, one owner should not be allowed to prevent another owner from developing a project in that location.
- Projects must have separate interconnection points.