



ELECTRIC

HEATING / COOLING

TO: Illinois Power Agency, 180 N Wabash Ave, Suite 500, Chicago IL 60601

RE: FEEDBACK ON REC PRICE COST COLLECTION

DATE: November 20, 2024

EXECUTIVE SUMMARY:

While 360 Electric, Heating/Cooling (360) agrees with several points, including the importance of accurate Illinois-specific cost data for proper REC pricing, we have concerns about the proposed method's efficiency and administrative burden. Our key points include: 1) The granular data collection proposed may not be efficient or effective for achieving the Agency's goals, and it could lead to significant "data scrubbing" challenges for both the Agency and industry participants. 2) Reporting of soft costs such as Sales & Marketing, Overhead, and Net Profit (categories H, I, J) is likely to be inaccurate, as assumptions vary widely across different companies. And 3), the administrative burden on program participants is particularly high, especially given the complexity and potential delays in finalizing project costs at the time of the Part II application. 360 proposes alternatives to streamline the process, including: A) Agency simply estimates costs using data already collected (e.g., contract prices, system components, labor hours); B) Representative sampling of project data from Industry representatives, or C) Annual aggregate reporting from program participants. 360 recommends Agency-calculated cost estimates as the path forward, but suggests several approaches that could reduce administrative costs while still achieving the Agency's goals.

Feedback Request #1:

- a) No. We do not believe this approach will materially improve the precision of the REC pricing model.
- b) While the timelines are reasonable, the administrative burden is not.
- c) We kindly ask the Agency to pursue a different approach to accurate cost collection that does not require such administrative burden for program participants.

Feedback Request #2: It is standard for the industry to price projects on a \$/kW-DC basis. We'd encourage the Agency to reflect cost data accordingly.

Feedback Request #3: See submitted feedback below, but aggregate cost collection (rather than granular) seems simpler and just as effective for the end purpose.

Feedback Request #4: See submitted feedback below, but we'd encourage the elimination of complexity whenever possible and suggest using a simple revenue/cost multiplier tied to total contract pricing which would easily achieve timely cost estimates tied to current market conditions by project category.

FEEDBACK EXPLANATION:

Dear Agency,

Thank you for inviting feedback on your planned approach to collecting cost data on projects participating in the Illinois Shines and Illinois Solar for All programs. As an active Installer Designee and Approved Vendor in both programs, we appreciate the Agency's willingness to carefully listen and consider all stakeholder feedback regarding this proposal.

First, please note that 360 agrees with the Agency on the following applicable points:

- NREL data may introduce some cost inaccuracies from delayed reporting and/or national market considerations that are different from Illinois market.
- Illinois cost data is more accurate for the Agency than national models like NREL.
- More accurate data for IL would be helpful in properly setting REC prices.
- The primary objective of accurate REC pricing is to incentivize the development of new PV generation in Illinois.
- The collecting and reporting of cost data creates added administrative burden for both program participants and the Agency, and any added administrative burden must be balanced with the real benefit gained to all involved parties.

In view of the above agreements, 360 wishes to respectfully offer the following concerns with the Agency's strawman proposal for cost collection:

- The proposed granular approach to cost collection for each specific project is neither the most efficient nor effective manner to accomplishing the Agency's goals.
- The amount of "data scrubbing" required by the Agency to "sanity-test" the data, remove project outliers, and maintain data consistency across so many external sources providing inputs will be extreme when collecting project-level cost data from so many different Approved Vendors/Designees across the State. We are concerned that data collection from every project could be less reliable/accurate than cost collection from a representative sample of projects.

- Due to the inherent assumptions required for reporting “soft costs” by project, it is unreasonable to assume that cost data collection of cost categories H, I, J (Sales & Marketing, Overhead, Net Profit) would be any more accurate than NREL reporting. Every reporting party will likely use different assumptions for the allocations of these amounts to each specific project.
- The administrative burden for both the Agency and Industry partners seems impractical and unnecessary. Smaller solar installers, like 360, would have to significantly rework our accounting processes to provide the requested level of granular cost, adding significant burden to our already maxed processes/team. 360 currently does not track our project costs by any of the proposed cost categories.
- The Part II application form already seems too cumbersome and complex. Adding new data fields to the Part II application form unnecessarily adds complication to a time-sensitive project milestone.
- We most often complete Part II applications before all final costs are accounted for that project (ironically including, but not limited to, the labor costs of completing the Part II application). It is therefore difficult to provide the total accurate cost data per project at the time of the Part II application.
- The real administrative cost to this cost collection approach far outweighs the perceived or real benefits of gaining more accurate cost data. This proposal will require significantly more time, cost, and energy from both the Agency and the Industry for what we perceive to be only a slightly more accurate, but still imperfect and estimated project cost data.
- The real administrative cost to this cost collection approach functionally disincentivizes the growth of PV generation in IL with unnecessary complexity and administrative burden for program participants. Requirements like this unintentionally make it more difficult for smaller installers to participate in the programs without a full internal compliance and accounting department.
- Sharing sensitive cost data—even under assurances of confidentiality—poses risks, particularly under the Freedom of Information Act (FOIA). Similar data is not collected or disclosed in other State programs that we are aware of, and doing so could expose proprietary information, providing a competitive advantage to larger players who can leverage this data. We strongly recommend reevaluating this aspect to ensure safeguards are adequate.

In an attempt to better accomplish the Agency’s goals while minimizing the above concerns, we humbly offer the following alternative approaches for the Agency’s consideration:

1. The Agency takes full responsibility for researching and estimating project costs, by program type and size, without seeking any additional input from program participants. Through internal data analysis at the Agency and some targeted outreach to appropriate industry representatives, an Agency employee (intern?) could provide consistent and accurate solar cost estimates for various project

categories in the Illinois market for far less effort/cost than requiring all program participants report granular cost details for every project, as follows:

- a. The Agency already collects all system contracts, which effectively communicates the real cost of PV installation (\$/kW) to end users. It could be argued that this contract price is the real cost of developing new distributed photovoltaic generation and community solar projects in Illinois, since contract prices are constantly adjusted by real-time market conditions. After some cursory research, the Agency could apply a simple multiplier or adjustment factor to each project's contract amount to reasonably estimate each project's cost to the Approved Vendor/Designee.
 - b. Or, if more granular cost data actually proved to be statistically significant (we question whether this level of granularity would truly provide material difference to the REC price calculations?), the Agency could also accomplish quite reasonable estimates of granular project costs for the Illinois market as follows:
 - i. The Agency already collects model numbers for cost categories A & B (Modules and Inverters) for each project. Competitive prices for these modules are readily available from local solar distributors, or from NREL data since most solar material procurement is already done from national distributors and there is not significant differences in material pricing by state/region.) A slight amount of research from the Agency could provide reasonable estimates of these costs for the intended purposes.
 - ii. The Agency already collects system size and category details for each project. The structural balance of the system (categories C & D) could easily be estimated by talking to material distributors to determine average racking/system costs (\$/kW) by system size and category for the Illinois market. (NREL data may also be accurate enough for Agency's use given the national scope of material procurement.)
 - iii. The Agency already collects the number of installation labor hours for each project. The installation labor cost (category E) can be reasonably estimated using the Prevailing Wage rates publicly published by County.
 - iv. The Agency already collects the location and Utility of each project, and so all permitting and interconnection fees (category F), along with all sales taxes (category G) are readily available via AHJ and Utility websites.
 - v. The Agency already collects the total contract price, so the difference between the sum of the known cost categories above (A, B, C, D, E, F, G) and the total contract price could be reasonably assumed to be cost categories H, I, and J (Sales & Marketing, Overhead, and Net Profit).
2. Or, each year the Agency could simply reach out to a representative sample of Approved Vendors/Designees in each region of the state, and survey a

representative sample number of projects (1-3?) within each project category for each Approved Vendor/Designee.

- a. This representative sampling could provide great granularity without undue administrative burden to the Approved Vendors/Designees.
 - b. This representative sampling could be scheduled by region, so that new cost data was regularly being collected by the Agency, but each individual Approved Vendor/Designee may only be called upon every few years to provide their representative sampling of project costs?
 - c. However, the greater the granularity of cost collection, the more “data scrubbing” from the Agency would be required to maintain data integrity and consistency.
3. Or, the Agency could require all program participants to complete an annual survey as part of their Annual Report that reported on the aggregate total revenue and total costs, by project category, for the last 12 months. While this data would not be granular, it would effectively provide accurate cost collection for the Illinois market for the purpose of REC Price modeling.
- a. Aggregate reporting of total revenue and total costs (not granular) also may help to overcome most reporting inconsistency issues between various Approved Vendors/Designees.

360 kindly suggests that one of the above three alternative cost collection proposals will better accomplish the Agency’s cost collection goals while greatly reducing the administrative burden on program participants. We recommend alternative 1(a) above as the preferred means for cost collection in the programs, but we trust the collective wisdom of the stakeholders and the Agency to determine the best path forward in these regards.

We sincerely thank the Agency for its commitment to transparent leadership. We appreciate that the Agency is willing to listen to stakeholder feedback. We value the Agency’s mission to “*ensure the procurement of electricity for Illinois residents in a reliable, affordable, efficient, and environmentally sustainable manner.*” Accordingly, we urge the Agency to pursue greater *efficiency* in the administrative requirements of both the Illinois Shines and Illinois Solar for All programs. We ask that the Agency resist all temptations towards administrative bloat, and instead unwaveringly pursue better administrative leanness and fight against all proposals that drive up costs without necessarily improving outcomes.

Thank you for your careful consideration of these matters, and please feel free to reach out if we can be more helpful in any way.

Kevin Sauder
ksauder@360-elec.com