

VIA ELECTRONIC MAIL

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REC Price Model Cost Inputs Request for Stakeholder Feedback

The Joint EEC Parties, a non-profit coalition of eight certified Equity Eligible Contractors, present the following responses to the Agency. Our collective objective is setting REC prices for the program that provide the appropriate incentives for EECs to spur the development and long-term ownership of distributed generation and community solar projects.

Feedback Request #1:

a) Do stakeholders believe this approach will provide the Agency with the sought-after data on Illinois-specific costs that will improve the precision of the REC pricing model?

The Joint EEC Signatories believe the proposed two-phase approach will improve the precision of the REC pricing model, to the extent Illinois-specific costs that directly affect EECs will be incorporated. The NREL benchmark report is modeled off of nationwide data, much from billion-dollar players in the solar industry that are not reflective of EEC firms' cost of doing business in Illinois. In terms of the Phase I survey, EEC Approved Vendors and EEC Designees should be encouraged to provide feedback on financial inputs that are not available through the NREL benchmark report dataset.

b) Do stakeholders feel the timeframes described are feasible for Approved Vendors and Designees to provide the requested data?

The Joint EEC Signatories agree the timeframes described for data collection are feasible for EEC Approved Vendors and Designees but ask for the following considerations. First, we suggest that Part II application required field updates should start in the winter of 2025, in conjunction with the January 2025 Phase I optional survey. This will permit the Agency to evaluate EEC-specific information and reconcile discrepancies submitted in Part I of the survey against Part II of the application. Most notably, data that is submitted in the Part II application may not be reflective of EEC pricing depending on the EEC's role. It is important for the Agency to take into consideration the roles and relationships that EECs practice and perform in the Illinois solar industry- the EEC may or may not own, finance or install the project. Additionally, many EEC projects are not ready for Part II submission yet. The Agency must consider that certain developers may not provide confidential pricing data to EEC AVs to report. These points can be clarified by EEC AVs and Designees and recorded by the Agency in the optional survey.

The Joint EEC Signatories also urge the Agency to factor in the timing mismatch of submitted data for REC price evaluation. Community Solar projects that are submitting Part II Applications in 2025 were awarded REC contracts in 2023-2024. These projects would have finalized EPC pricing in the 2023-2024 program year in coordination with the energization date needing to occur twenty-four months post ICC Trade Date. Pre-existing data entered in for review with the Agency can cause lower REC prices for future projects. The Agency

should review this pre-existing data utilizing a projection for future interconnection costs, generation equipment, balance of plant, and development costs and fees with the understanding that interest rates, inflation, material and labor rates that will increase between these time periods.

The Joint EEC Parties concur with the JSP members report of a dramatic increase in EPC costs for projects being priced today. We agree the price inflation as a result of this timing discrepancy is significant, exacerbated by the recent growth of the solar market. The increase in activity following the passage of CEJA has resulted in a significant supply/demand imbalance for solar EPC work as workforce programs have struggled to get off the ground.

c) Are there additional considerations that stakeholders wish to convey to the Agency related to cost inputs to the REC Pricing Model?

The current cost inputs used for the REC Pricing Model do not take into account certain cost and efficiency challenges Equity Eligible Contractors face as small and emerging businesses. While large, national solar players may enjoy price efficiencies by leveraging their purchasing power, taking advantage of economies of scale and attractive financing rates, EECs do not enjoy these same competitive advantages. As with any new emerging business, there are start-up costs and learning curves that must be accounted for, such higher bonding, employee recruitment and equipment costs, not to mention more expensive overhead costs, lease rates and increased development and financing costs. Simply put, it costs more for smaller, newly established EEC companies without an established reputation to do business in the EEC Block. If the goal is to provide a viable pathway for underutilized and underexposed businesses into the energy market the Joint EEC signatories strongly suggest the Agency collect data specific to the EEC community and compare this data to data received from non-EEC AVs and Designees.

Feedback Request #2: The Agency is requesting stakeholder feedback that provides any potential advantages and/or disadvantages of having Approved Vendors provide cost data for projects on a per watt DC versus a per watt AC basis.

The consensus of the Joint EEC signatories is for the Agency to keep model inputs based on the project cost per watt (direct current or DC nameplate) as this is how majority of market actors negotiate and evaluate price thresholds. IPA program REC prices, however, should be calculated off the AC size and production of the project which is an industry standard.

Feedback Request #3: The Agency is requesting stakeholder feedback on the following proposal for cost data to be collected, specifically if cost data should be collected utilizing the NREL Cost Categories or only the CREST Cost Categories. The Agency is also requesting input on whether the explanations of categories are sufficient or if additional guidance is required to provide clear and accurate data. If further explanations are necessary, please provide detailed recommendations clarifying what explanations are needed.

Given concerns about the security to protect confidential information and concerns about administrative burden to collect such information, the Agency should solicit data based on CREST categories from IL Shines specific project participants (including interconnection costs, generation equipment, balance of plant, and development costs and fees). The Agency should then use EEC specific CREST data to determine each category's REC Price individually based on projected cashflow output. The EEC Signatories request the Agency to not mix EEC data with non-EEC data and evaluate each financial projection separately. This will help Illinois Shines work towards a complete and smooth transition to the use of reported program cost data that can be compared to other cost data entries from states with similar equity-based incentive programs with similar goals.

Because EECs will have higher CREST cost data inputs, we employ the Agency to consider raising the EEC Category price to support more utilization and self-performance by EECs. To complete this EEC Block price increase, the Joint EEC Signatories submit the following strategy:

If the Agency is to meet state Renewable Portfolio Standards (RPS) by 2050, it must determine a way to prevent expenditures for indexed RECs that could pre-maturely jeopardize the RPS budget. RPS funds are most needed to support the Illinois renewable energy industry while still meeting the state's equity and inclusion goals under the Climate and Equitable Jobs Act. Illinois has been awarded \$156M from the U.S. Environmental Protection Agency (EPA) under the Inflation Reduction Act to uplift disadvantaged communities who have historically been left out of solar development; the state is also receiving \$430M from the EPA's Climate Pollution Reduction Grant program. As an alternative to the Illinois Finance Authority/Climate Bank (IFA) allocating most of this grant money to the Illinois Solar for All Program, which has been historically underutilized and undersubscribed, we recommend the majority of this funding be shifted towards the EEC Category under Illinois Shines. This Program has been growing exponentially with more participants running out capacity at a higher rate than in the past, resulting in the need for an increased RPS budget for the EEC category under Illinois Shines. The Illinois Shines EEC Category follows similar objectives as Illinois Solar for All, so the EEC Block should have equal REC prices and a similar payout structure to the Illinois Solar for All program with a total REC contract payout at Part 2 Verification. To comply with the EPA's grant mission of providing underserved and low-income communities across Illinois with solar energy benefits, and to progress the EEC category under Illinois Shines, the Joint EEC signatories present the following language for REC pricing in the EEC category under Illinois Shines:

“Only if 40% of the project’s subscribers come from Equity Investment Eligible Communities and only if the project is located in an Environmental Justice Community or an Equity Investment Eligible Community, the EEC Block project will follow the increased REC price equal to the corresponding Illinois Solar for All Community Solar subcategory, an early payout of the total incentive at Part 2 Verification, and will not be subject to an application fee.”

Feedback Request #4: The Agency is requesting feedback on whether there are input assumptions important to the REC Price Modeling process not listed above which should be collected for use in the 2025-2026 Program Year REC price update.

The Joint EEC Signatories advocate for the Agency to collect data to determine a REC price unique for EECs. A separate and higher EEC Block price would be a catalyst for EECs to feasibly originate their own new projects and motivate non-EEC developers to mentor new EEC firms. This additional incentive could increase the proportion of the EEC category gradually until it reaches 40% or more of Program capacity. Currently, the EEC Community Solar Block utilizes the same pricing structure as the TCS Block, and the EEC Distributed Generation Block utilizes the same pricing structure as the regular Distributed Generation Block. While it is acknowledged in the 2024 Long Term Renewable Resources Procurement Plan that EECs in the market face barriers to capital and disadvantages in relationships with developers, investors, and equipment suppliers, this principle is not addressed in the current REC Pricing Model. Creating a separate EEC Block price would stimulate activity in this sector while providing a solution to the structural disadvantages EECs face in the Illinois solar market.

Respectfully Submitted,

The Joint EEC Signatories:

ADL Solutions, LLC

ARF Solar LLC

Black Tech Solutions Corp.

LiveWire Electrical Systems, Inc.

Millennium Solar Electric

Sesenergi Eco Solutions Enterprise, LLC

UpSouth Energy, LLC

Windfree Wind and Solar Energy Design
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