To: Illinois Power Agency
From: MeLena Hessel and Participants in the Illinois Solar for All Working Group
Date: 7/30/2021
Re: Illinois Solar for All Working Group Response to IPA Workshop Request for Comments #3

Dear Illinois Power Agency & Program Administration Team:

The Illinois Solar for All Working Group is pleased to deliver the enclosed comments on the request for comments issued following your third 2021 renewables plan workshop. This memo describes an overview of the Illinois Solar for All Working Group.

Background: Illinois Solar for All Working Group

The Illinois Solar for All Working Group (the Working Group) formed from a subset of members of the Illinois Clean Jobs Coalition, who had comprised an Environmental Justice-Solar-Labor Caucus (the Caucus) during the negotiation of policies that would become the Future Energy Jobs Act (FEJA). The group formed in order to bring the best practices and policies to the Illinois energy landscape that would serve to maximize benefits to the economically disadvantaged households and communities that targeted programs are intended to serve. The group was co-facilitated by a representative of a solar company, Amy Heart of Sunrun, and a representative of an environmental justice group, Juliana Pino of the Little Village Environmental Justice Organization.

Following passage of FEJA in December 2016, the Caucus expanded into the Illinois Solar for All Working Group, an open membership group including experts on environmental justice, environmental advocacy, consumer protection, solar business, low-income solar policy, energy efficiency, job training, program design, and other areas, who have substantive research and experience to bring to bear on implementation of Illinois Solar for All. Currently, the Illinois Solar for All Working Group meets on a monthly basis and is co-facilitated by Juliana Pino of Little Village Environmental Justice Organization and MeLena Hessel of Environmental Law and Policy Center. Over 75 participants include representatives from the following organizations and others:

Central Road Energy	Seven Generations Ahead
Environmental Law & Policy Center	Sierra Club, Illinois Chapter
Natural Resources Defense Council	SustainRockford
ONE Northside	Trajectory Energy Partners
Pilsen Environmental Rights and Reform Organization	Vote Solar
Prairie Rivers Network	Xolar
Renewable Energy Evolution	

Working Group Commenting and Engagement History for IL Solar for All

- A draft White Paper delivered to the IPA in May 2017 and published that July.
- Many Working Group participants attended IPA's May 2017 workshops and helped develop responses to IPA's June 6, 2017 Request for Comments on the Long-Term Renewable Resources

Procurement Plan.[1]

- The Working Group also submitted a response to the Draft Long-Term Renewable Resources Procurement Plan on November 13, 2017.[2]
- Additionally, the group has engaged in stakeholder sessions and submitted comments on:
  - Community Solar Consumer Protection & Marketing Guidelines Draft Documents and Illinois Adjustable Block Program Draft Guidebook to InClime on December 10, 2018;
  - Grassroots Education and Approved Vendor components on January 9, 2019;
  - Environmental Justice provisions on January 30, 2019;
  - Job Training provisions and Third-Party Evaluation provisions on February 7, 2019;
  - Project and Participant Eligibility and Verification Processes on March 13, 2019;
  - the Low-Income Community Solar REC contract on April 2, 2019;
  - Project Selection on April 15, 2019; and
  - Consumer Protection on April 19, 2019.
- Many Working Group participants also attended IPA's June 2019 workshops and helped develop the Working Group's response to IPA's July 3, 2019 Request for Comments on the Long-Term Plan Update.
- The Working Group continues to provide input to comment and stakeholder processes initiated this year to implement the Revised Long-Term Plan, including via May 2020 comments on project selection and July 2020 comments on Approved Vendor reporting.
- Thus far in 2021, the Working Group has submitted comments on the DG subprogram referral process and on project selection.

Program Principles for Illinois Solar for All

During the negotiation of FEJA, the Caucus membership collectively agreed upon the following policy principles to guide our work moving forward. These principles were rooted in the *Low-Income Solar Policy Guide*[3] authored by GRID Alternatives, Vote Solar, and the Center for Social Inclusion; further adapted through iterative deliberations in the Caucus; and ultimately adopted by the Working Group. The principles include:

• **Affordability and Accessibility**. Offers opportunities for low-income residents to invest in solar through a combination of cost savings and support to overcome financial and access challenges Creates economic opportunities through a job training pipeline. Supports skill development for family-supporting jobs, including national certification and apprenticeship programs.

• **Community Engagement**. Recognizes community partnerships are key to development and implementation, ensuring community needs and challenges are addressed. Strive to maximize projects located in, and serving, environmental justice (EJ) communities. Allows for flexibility for non-profit/volunteer models to participate, and strives to meet potential trainees where they are, with community-led trainings.

[1] https://www.illinois.gov/sites/ipa/Documents/ILSfA-Working-Group-Response-RequestforComments.pdf

[2] https://www2.illinois.gov/sites/ipa/Documents/2018ProcurementPlan/2018-LTRenewable-Illinois-Solar-for-All-Working-Group-Comments.pdf

[3] www.lowincomesolar.org

- **Sustainability and Flexibility**. Encourages long-term market development and will be flexible to best serve the unique low-income market segment over time and as conditions change. Program administrator ensures community engagement, statewide geographic equity, and flexibility to meet goals. Job training program includes all training partners in design and implementation. Training offerings should come through diverse channels including utilities, unions, tech schools, non-profits, government agencies, and existing community-based job training organizations.

- **Compatibility and Integration.** Low-income program adds to, and integrates with, existing renewable energy and energy efficiency programs, and supports piloting of financing tools such as PAYS (pay-as-you-save), on-bill financing, PACE or community-led group buy programs. Jobs training programs will strive to ensure low-income solar installations incorporate workforce development, including coordinating opportunities for job training partners and individual trainees from the same communities that the low-income solar program aims to serve.

The Working Group researched and prepared the enclosed comments to deliver high quality information and recommendations on considerations for the Illinois Solar for All Program and the Long-Term Renewable Resources Procurement Plan. The contents are not intended to reflect universal consensus on any point amongst working group members. These contents reflect extensive deliberation regarding aspects that the Working Group believes are important to the Program's success moving forward.

In closing, we make these recommendations and comments to ensure high-quality implementation for Illinois communities. Communities throughout Illinois need the opportunities and services the Illinois Solar for All Program will provide and the support of groups with substantive experience in the solar industry and low-income solar in particular. Please do not hesitate to contact us with questions or comments in regards to this matter.

Response to Request for Comments #3: Community Solar and REC Pricing

The Illinois Solar for All Working Group (ILSFA WG) appreciates the opportunity to respond to the questions posed by the Illinois Power Agency (IPA or Agency) following Workshop 3, with regard to community solar and REC pricing.

The Working Group's top recommendation with regard to REC pricing is to increase Low-Income Distributed Generation REC prices. That subprogram is not seeing the uptake levels hoped for, it is clear that barriers remain, and that increased funding can help overcome some of these barriers. While the IPA should also work to address these barriers by helping to lower costs, until costs are lowered, REC prices must be increased to drive uptake.

Additionally, the Working Group takes this opportunity to discuss the critical importance of eliminating two bills for community solar customers. Based on numerous conversations with both grassroots educators and community solar providers, it is clear that the two-bill model (with separate utility and community solar bills) for community solar is a serious barrier to program participation, particularly for low-income households. Thus, in order to make the low-income subprogram work for the intended beneficiaries, Illinois can and should eliminate this two-bill model and consolidate billing, at least for Low-Income Community Solar (LICS) customers. We therefore urge the IPA to find in its Plan that consolidated billing is needed for the LICS subprogram's successful implementation.

Community Solar

Selection of community solar projects to increase program diversity

1. Absent legislative changes that create a new community-driven community solar category and specify selection criteria, what additional refinements or considerations should the Agency include in the next Revised Long-Term Plan for the selection of projects in future blocks that are "intended to increase the variety of community solar locations, models, and options in Illinois"? Why are those refinements appropriate?

In order to truly promote more beneficial and community-driven community solar projects, as well as to promote a greater variety of community solar options in Illinois, the state will have to move beyond scoring that looks only at easily-identified, pre-defined criteria, and open up its process to more creative approaches for serving communities and some exercise of judgment, within clearly defined limits, for scoring. While we summarize our thoughts on this briefly, with an eye toward the future of community-driven solar in Illinois, the longer and more specific comments we have previously submitted on how to improve the scoring process for Low-Income Community Pilots are also relevant to this discussion (see 2019 and 2021[1] comments).

[1] To our knowledge, these have not been publicly posted.

Community-driven and community beneficial community solar is still a relatively nascent sector and approaches for achieving community connectivity are developing. The policy goals of this type of project are well known. Would-be legislation discusses community ownership and wealth-building, community benefit, community involvement in development and/or operations, among others. But clear-cut identifiers separating projects that achieve these goals from those that do not are not yet well-known. In this context, the Agency should strongly consider opening the door to different scoring approaches that not only work toward goals, but also leave some flexibility for new and different ways of achieving those goals. Failing to leave the door open to creative approaches risks stifling this sector before it even gets off the ground.

For instance, under the current selection criteria points are awarded for proximal subscribers. This selection criterion is presumably aiming to advance projects that have an ongoing relationship with and aim to serve a particular community or group. However it is an overly narrow path to that goal. The Working Group can envision many other paths, including a project for a geographic community that is not within its geographic bounds or one intended for a specific community that is geographically dispersed, albeit within the same utility territory. Being unsure of any binary identifier of a project that will serve a particular community beyond proximity is a poor reason to not advance a project that clearly meets the higher-level policy goal. The IPA must figure out a path to more flexible scoring approaches targeted at policy goals rather than an overly narrow list of criteria in order to deliver on the promise of community-driven community solar.

With this in mind, the Working Group urges the Agency to refine the scoring criteria and approach with an eye toward advancing the bigger picture policy goals and allowing for creative approaches to advance those goals.

Broadening our comments to the community solar program, generally, the Working Group is firmly in support of using project selection processes, rather than either a lottery or a first-come, first served approach, to address any future oversubscription issue.

2. Besides defining a selection process, are there other considerations related to project applications, or subscriber requirements that the Agency should consider for these types of projects? If so, what considerations and why?

Looking to the future, it is the Working Group's understanding that potential legislation could introduce new categories of populations targeted for clean energy program benefits. The Working Group strongly supports the targeting of benefits, generally and suggests that the Agency should give careful thought to how and to what extent these categories and definitions can productively be used in project selection processes.

Coordination with utility subscription management

6. What adjustments could allow for better coordination between subscription management process for utility net metering enrollment (and bill crediting) and the ABP program requirements to verify subscription levels for REC payments?

The Working Group urges the Agency to clarify in its Plan that consolidated community solar billing is necessary to achieve the legislative goals of providing solar access through community solar, particularly to low-income customers. The default approach to community solar in Illinois, in which customers are billed separately for their electricity and community solar, is a key barrier to program participation, particularly for low-income households. According to both grassroots educators and Approved Vendors working in the Low-Income Community Solar (LICS) space, there is great skepticism and distrust among the low-income population regarding electricity companies, and potential LICS customers are scared away by the prospect of a second energy bill. The added cost and effort required to pay another bill is a further barrier to low-income households. Grassroots educators report that many households do not have checking accounts (or online banking), and thus must travel to a grocery store and purchase a money order to pay a bill. In two examples, though the estimated savings of just $6 and $10/month would be truly helpful, subscribing was not deemed worthwhile given the added time and money required to pay those bills. Most concerningly, Working Group members have repeatedly heard community solar developers state that the LICS subprogram is not for the low-income, but for those with moderate incomes, in part due to dual billing. Solar access through community solar, particularly for low-income households, is simply not practical when two bills are a part of the equation. Consolidated billing is critical to making the LICS program work as intended.

The Working Group would ideally like to see consolidated billing for community solar and electricity bills, similar to the consolidated billing Illinois utilities already use with alternative retail electric suppliers (ARES). As is the case for the ARES consolidated billing, this service could be billed at cost to community solar providers - although we would strongly encourage creative solutions to allow this service to be provided for free in the case of the LICS subprogram. Consolidated billing is already offered for ARES and ComEd previously proposed (and then withdrew) a tariff that would have enabled consolidated billing for community solar in its territory. This suggests that consolidated billing should be relatively easy to institute, at least for investor-owned utilities. Furthermore, the Commission has broad authority over utility tariffs and may require just and reasonable solutions to effectuate statutory goals.

With this in mind, the Working Group asks that the Agency (1) recognize in its Plan the need for consolidated billing in order to meet legislative goals around community solar generally and community solar serving low-income households, in particular, (2) ask the Commission to direct utilities to file consolidated billing tariffs as part of the Plan's approval, and (3) commit in its Plan to meeting with investor-owned utilities to discuss and encourage consolidated billing solutions, at least for the LICS subprogram.

Aside from consolidated billing, there are at least two other pathways to eliminate dual billing for community solar in Illinois: (1) community solar at no cost to customers (as has been announced through the Give-A-Ray program at the LICS project in Rockford) and (2) community solar providers paying customers electricity bills directly and then charging customers for both their community solar and electricity charges in a single bill (as the Working Group understands is occurring in some cases in the general market program). It is also possible that, by allowing for a non low-income anchor tenant, it could become easier to provide free community solar. In the absence of consolidated billing, these approaches are important tools to eliminate dual billing. Furthermore, free community solar for low-income customers is a huge positive, generally, as it increases program benefits for low-income customers.

With this in mind, prior to the (hoped-for) implementation of consolidated billing for at least LICS in Illinois, the IPA should amend the LICS project selection process to incentivize these approaches. Specifically, the Working Group recommends a point or points for community solar provided at no cost to low-income customers as well as community solar that will feature a single bill. Furthermore, when adding points for no-cost community solar, the IPA should also consider adding participant savings points for this subprogram, generally, in line with the Low-Income Distributed Generation scoring. Given the long timeline for Plan development, the Working Group would hope to see these and any other changes to project selection made outside of the Planning process, so as to have updated project selection in place at least a year in advance of the next LICS application window.

Additionally, while the Working Group does not have consensus on this point, some Working Group members would urge the IPA to set REC prices such that all LICS in Illinois can be offered to customers at no cost, in order to eliminate dual billing. The meaningful downside to this approach would be that the subprogram budget would be unable to stretch as far, resulting in the development of fewer LICS projects and fewer low-income customers served. Given this downside, and given the non-utility pathways available to eliminate dual billing, others in the Working Group would equally urge the Agency to give approaches that do not require higher-priced RECs a chance to work, first.

Separately, the Working Group urges the Agency to work with utilities to promote the referral of low-income customers to the Solar for All program. Identifying Solar for All-eligible customers can be a challenge for both the community solar and distributed generation subprograms. One of the more promising solutions to this issue that has arisen to-date is the Give-A-Ray program created by ComEd and Nexamp. Through this program

ComEd identifies customers. Solar for All-eligible customer identification is something ComEd and other Illinois utilities are uniquely well-positioned to do as they have more data on their customers than anyone - including data about which customers already participate in income-qualified programs, which customers are consistently behind on bills, etc. While the Working Group appreciates that navigating customer referral to different programs is not without complexities, the Give-A-Ray example demonstrates that it can be done.

The Working Group therefore urges the Agency to work with utilities to make the customer identification process created for the Give-A-Ray program and the Rockford project, or a process like it, available to a broader range of individual low-income community solar projects as well as to the referral process for the Low Income Distributed Generation subprogram.

<u>REC Pricing</u>

Solar for All REC Pricing

5. Should Illinois Solar for All REC prices continue to be set based on ABP REC prices with adjustments to assumptions, or set using a different approach? If a different approach, what would you propose, and why?

It does not matter whether Solar for All REC prices are set based on ABP prices, the CREST model, or a different approach - all could work - so long as prices are:

(1) Driving the development intended to bring the benefits of solar to low-income households and environmental justice communities, and
(2) Not set at a level higher than that needed to drive development and pass on savings to low-income customers.

As will be discussed below, the only subprogram clearly failing to meet these criteria is the Low-Income Distributed Generation subprogram. At minimum, we urge the Agency to increase REC prices in that subprogram to drive intended development.

6. If Illinois Solar for All REC Prices continue to be based on ABP REC Prices what changes, if any, to the assumptions used for the adjustments between ABP and Illinois Solar for All should be made for each ILSFA sub-program? Please see page 9 for a list of these assumptions

Low-Income Distributed Generation Subprogram (LIDG)

The Working Group believes that the LIDG REC prices must be immediately increased but that this is insufficient (and perhaps inefficient) alone. The reasons for requesting this increase are twofold: (1) the current REC prices are too low and the model inputs should be revisited to better reflect increased ILSFA costs and (2) the REC prices should be increased regardless to stimulate participation in the program.

First, the case for increasing the REC price based on modeling inputs. The ILSFA LIDG subprogram is different from the ABP Small DG subprogram. It tends to focus on comparatively smaller projects (average of approx 6.2 kW compared to the ABP Small DG average of 8.2 kW) and has a higher rate of project attrition.

The Plan should adjust the CREST model inputs to account for smaller projects, assuming that the model is currently run based on inputs of a 10 kW system. While this might be a fair enough proxy capacity for the ABP, it is a significantly larger system than what we have seen and expect to see in the LIDG subprogram. Instead, we believe the ILSFA LIDG model should be run based on a 6.5 kW system. Smaller project size leads to proportionally higher fixed costs per project. This effect is especially likely to result in inadequate REC prices in the LIDG subprogram given the higher fixed costs of customer acquisition.

Finding a qualifying ILSFA customer is like finding a needle in a haystack. Just like the ABP, they have to be interested in solar, have a suitably sunny property or roof, and be willing to take a risk on an unfamiliar program. Unlike the ABP program, they have higher prevalence of deferred maintenance issues, including roof and electrical issues, and must qualify on income. They might also have a higher level of mistrust of energy programs like this given the history of predatory tactics among alternative suppliers. This leads to fewer eligible customers per sales visit or site inspection, which leads to higher upfront costs per final customer.

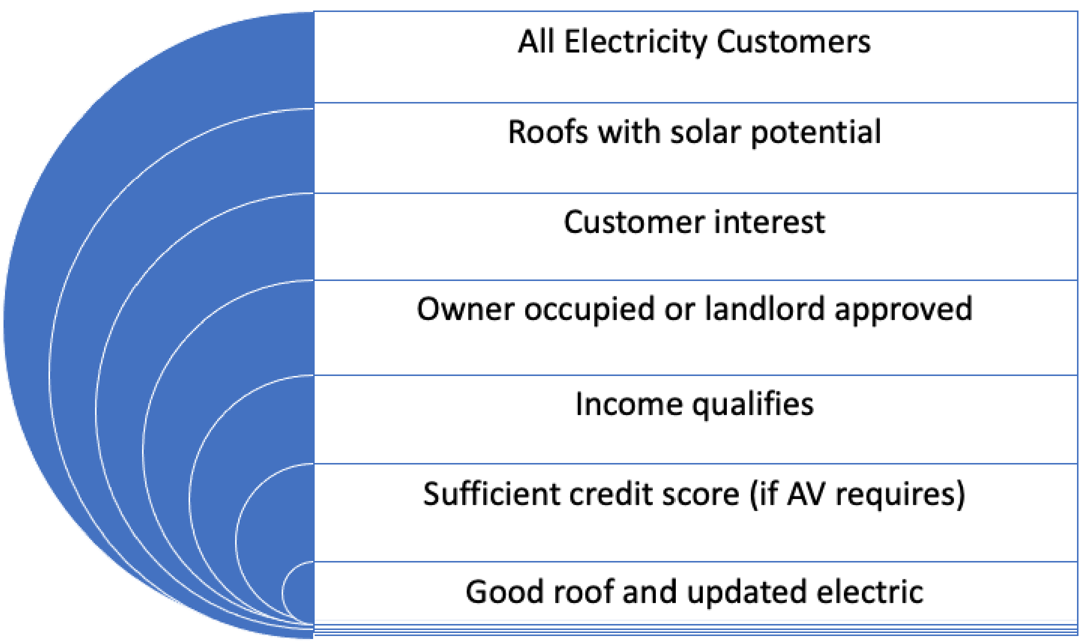

Figure 1: Chart illustrating some of the factors leading to increased customer attrition, and therefore higher costs, of the ILSFA LIDG subprogram.

Second, we present the case for increasing the REC price with the goal of stimulating participation. Despite having a REC price roughly double that of the ABP Small DG subprogram, the LIDG subprogram has had very little participation. If the REC prices penciled out to make these LIDG projects sustainable and profitable, companies would be actively participating and seeking out customers. Instead, the handful of companies that have been trying to make the LIDG subprogram work are leaving the program.

The Illinois Solar for All funding perseveres in a landscape where all other solar incentive programs have disappeared. One might expect this to lead to an influx of participation from companies and contractors who had been operating in the ABP. This has not been the case, likely in part because those companies have not been able to make a LIDG offer viable, let alone profitable. Increasing the REC price would open up new pathways for contractors and investors, particularly if it eliminated the need for all LIDG projects to somehow claim the Investment Tax Credit (ITC) as part of the value stack. A higher REC price could also catalyze new aggregators and third-party owners to enter the LIDG subprogram by 1) adding enough profit to the project value stack to pay a third party like an aggregator and 2) increasing the volume of projects being developed to reduce fixed costs of an aggregator investing in the program.

We believe that the Plan should establish significantly higher REC prices for the LIDG subprogram, particularly for smaller projects under 25 kW, in order to attract new entrants to the ILSFA LIDG subprogram. This change is especially needed for Group A, which has seen no LIDG projects to date. As such, we propose a higher increase in Group A LIDG REC prices should the Agency decide to increase RECs to stimulate subprogram participation. Over time, the Agency could lower the REC prices to make the budget go further and drive innovations of business models and financing. But with only 5% of the budget currently claimed and a fourth program year with cumulative projects in the double digits, it is time to reassess whether the model is accurately capturing program costs and, regardless of the model's accuracy, to assert that the Agency has the duty to increase RECs to stimulate this critically important subprogram.

Approximately \$7.5m was available for the LIDG subprogram in each of the first three program years. The first program year saw no projects. The second program year saw nine projects claiming \$4.11m of incentives, including one large multi-family project. The third cycle has seen 48 projects claiming \$1.41m. This leaves approximately \$16.98m of cumulative funding unclaimed and unallocated. With an average single-family residential project claiming about \$15,000 in incentives, that is enough funding for approximately 1,132 households to receive free solar and significant energy bill savings. By that calculation, the subprogram has realized just 5% of its potential to serve residential customers. However, the Working Group is strongly against reallocation of these funds, we feel confident that the Agency can make changes to make low-income rooftop solar in Illinois work at least as well as the success stories seen in multiple other states. A clear next step on the path toward success is an increase in REC prices.

Nonprofit and Public Facility Subprogram (NPPF)

The Working Group urges the Agency to take a cautious approach when considering whether to lower the REC price for the Illinois Solar for All Nonprofit and Public Facility Subprogram. Currently this subprogram is probably the best-performing of the three in Illinois Solar for All, with the largest number and most diverse pool of projects forwarded. Most importantly, the Working Group would not want a change in the REC price to result in a loss of diversity in the projects that move forward through the subprogram or break a subprogram that is working well.

While the NPPF program does appear to be on track to requiring a project selection process on a yearly basis, this does not necessarily indicate that program terms are too generous. At present, the subprogram's budget is so small that even uniform interest from eligible customers across the state could lead to oversubscription. Unlike general market programs, where part of the goal is to maximize deployment, the Solar for All program seeks to maximize benefit and bring benefit to underserved communities. If only the lowest of low cost NPPF projects were able to move forward under lower REC prices, this would actually undermine these goals of maximizing benefit and enabling access.

That being said, it is also clear that <u>some</u> (not all!) of the projects going forward under the NPPF could withstand slightly lower REC prices, with a likely cost to participant savings (although these projects would still be able to provide savings above the 50% threshold). And some in the Working Group are in favor of seeing average participant savings across the subprogram come in closer to the 50% threshold rather than the ~80% average level seen across eligible projects from the last round of project selection[2], although this is not a point of consensus.

Ultimately, the Working Group recommends the IPA carefully consider the tradeoffs of lowering REC prices in the NPPF subprogram. If the IPA does opt to lower prices, it should ensure that pathways remain for smaller projects, projects for less-resourced organizations, and projects that promote energy sovereignty.

Low-Income Community Solar Subprogram

The Working Group does not have a strong stance on Low-Income Community Solar REC prices. There has been significant interest in this subprogram from developers, however the number of projects advanced that were originally developed for the Adjustable Block Program is a confounding factor when assessing oversubscription. The Working Group has discussed whether an adder might be appropriate to enable smaller community solar projects to move forward, however we do not have consensus on this idea.

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[2] See: https://www.illinoissfa.com/announcements/2020/09/selected-projects-and-next-steps-for-the-non-profit-public-facilities-sub-program/