June 27, 2017

*Via Electronic Filing*

Anthony Star
Director
Illinois Power Agency
160 N. LaSalle St., Ste. C-504
Chicago, IL 60601

**Subject: Comments on the Long-Term Renewables Resources Procurement Plan and associated programs and procurements**

Dear Mr. Star:

The Institute for Local Self-Reliance is grateful for the opportunity to offer comments as part of the Illinois Power Agency's ongoing process to establish rules and regulations for developing renewable generation. Our comments reflect broad principles and best practices for program design.

This submission addresses several questions posed in the agency's request for comments, dated June 6. Our material is arranged according to the categories listed in that request.

# Geographic Eligibility of Renewable Energy Resources

Illinois residents will see substantially less benefit from renewable generation projects located outside the state. All renewable energy projects can yield significant economic benefits in the communities where they are located, as well as emissions reductions in the surrounding area. But the IPA should differentiate projects that deliver this upside primarily to Illinois residents, including by setting separate pricing for developments located in state and out of state.

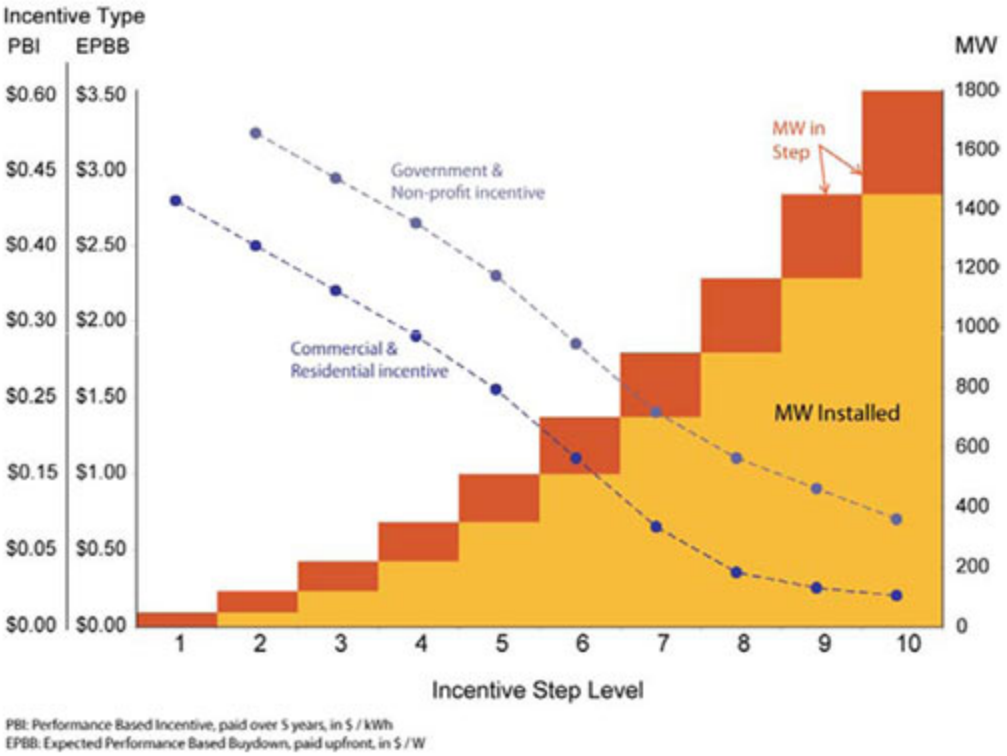
# Adjustable Block Program

**Blocks**

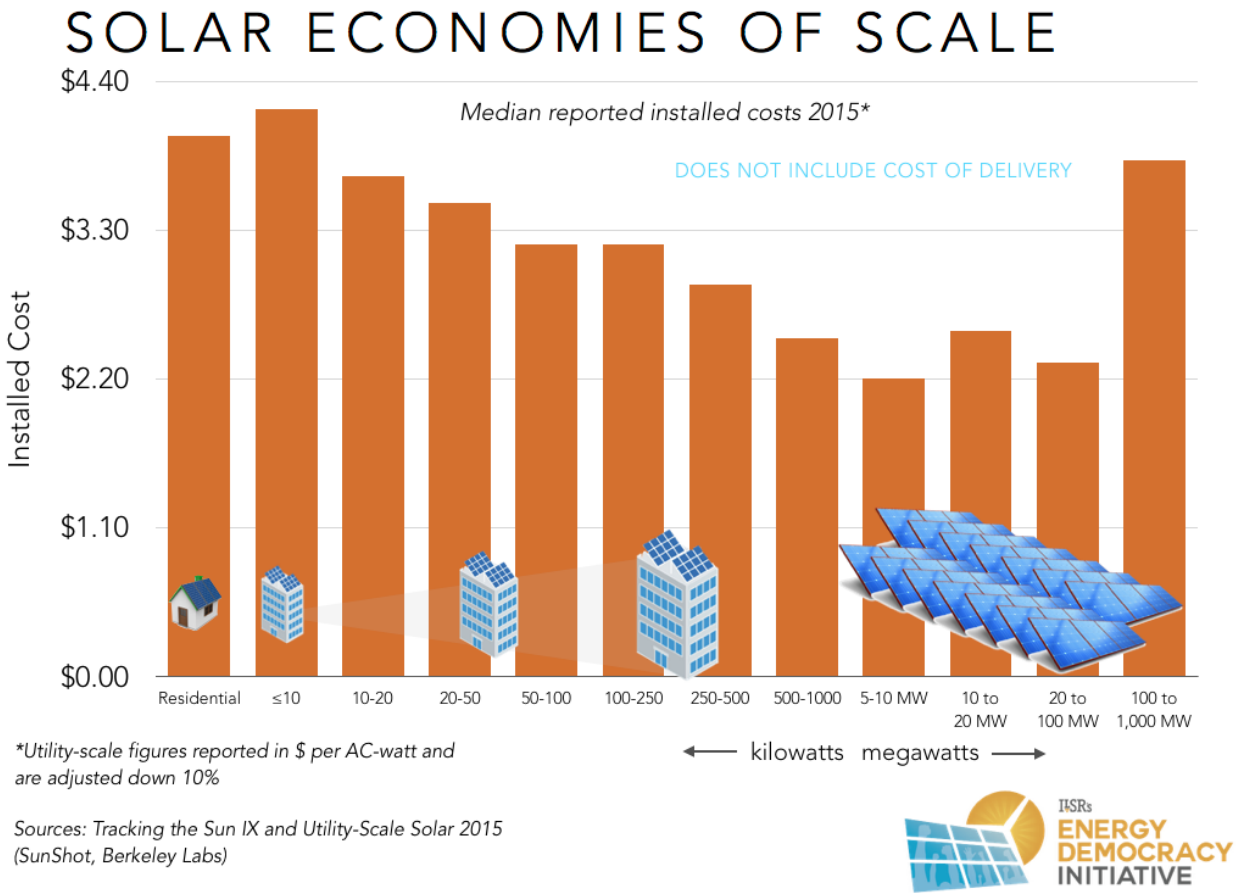
With regard to approaches the IPA should consider in determining the size and pricing of blocks, we recommend an approach that aligns with that of the California Solar Initiative. This proven model steps up, over 10 levels, to 1,800 megawatts installed. It is advantageous to begin with a smaller block size to ensure prices can come down in line with the market. A larger block size too early could provide windfall profits that may not reflect the appropriate rates.

The California program offered performance-based incentives worth up to $0.60 per kilowatt-hour (paid over five years) or up to $3.50 per watt in upfront expected

performance-based buydowns (an option for projects 30 kilowatts or smaller).




In addition, systems sized between 10 kilowatts and 2 megawatts should absolutely be subdivided into distinct blocks. Data from SunShot and Lawrence Berkeley Labs shows distinct price differences between projects at the low and high ends of this range (well over $1.00 per Watt). Without such a distinction, block prices will either exclude small projects from participation or provide windfall profits to developers of larger projects.




The initial block or blocks in the Illinois program could theoretically have a distinct structure, but to do so would seem arbitrary rather than necessary. However, projects should receive special consideration when they are publicly owned or under development by nonprofits or tribal entities. Such projects should be prioritized because of their potential to deliver proven and substantial benefits to the communities they serve, with widespread public benefits.

Overall, the transition between blocks should be smooth and automatic -- meaning, applications for a prior block should be transferred to the next block after the previous one meets its capacity. Through this process, each block should remain open until filled to help ensure fair access and to avoid arbitrary price decreases that do not reflect market changes.

The IPA could consider a “development corridor” for block adjustments, increasing or decreasing the price steps between blocks based on the time to reach block capacity.

**Prices**

We recommend that renewable energy credit (REC) prices be differentiated based on rooftop/canopy or ground location to address disparities in the development costs of each.

In addition, we encourage regulators to recognize the cost differential between urban and rural areas and the challenges this might pose for certain projects and not others. All projects are not equal, price-wise, and so a fair set of rules must acknowledge the greater cost burden (especially for site acquisition) in urban areas. The cost and availability of land for solar projects comes at a premium in cities versus in rural communities, though residents of both deserve access to the benefits of local energy production. This distinction may be covered with differential pricing between rooftop or canopy and ground-mounted projects, as it's unlikely that there will be many urban ground-mounted arrays.

Beyond geography, we recommend REC prices be differentiated based on certain attributes of a project that affect its value and ability to provide grid benefits as renewable capacity grows through storage. These criteria include whether a development includes energy storage and whether it supplies energy to a public entity or low-income property owner (or low-income utility bill payer) -- groups that may otherwise be at a disadvantage in accessing and capturing the economic and social benefits of clean energy.

The IPA can increase access to and participation in the clean energy economy through rules that favor projects that fit within these priorities, whether through REC pricing or by providing them an advantage in block capacity allocations.

# Community Solar

**Geographic Considerations**
We recommend that the IPA proactively ensure projects are sited near subscribers. This can be achieved through a mandate that all community solar arrays to be located within one adjacent county of their subscribers, as is done in Minnesota. To achieve this outcome, which localizes the proven benefits of shared renewables and promotes universal access, it is crucial that the IPA address the cost differential of developing community solar in urban versus rural areas (where options differ based on land use/cost requirements), as described above.

**Project Application Requirements**
We encourage the IPA to allow co-location of projects in a way that both captures economies of scale and fosters diversity in participants. To achieve those outcomes, state rules should cap each developer’s share of each block’s capacity (perhaps at a 5% threshold). Alternatively, co-location could be tied to delivery of subscriptions to particular subsets, including residential or low-income subscribers, to help offset higher customer acquisition costs.

Further limiting co-location threatens to needlessly limit the expansion of community solar -- an outcome out of sync with Illinois’ priorities.

**Community Solar Blocks**
With regard to the framework for designing blocks for community solar versus distributed generation, we recommend a modest difference between the two. The IPA should acknowledge

the differing functions of each of these important models by adding a criterion to the community solar rubric: favoring projects that have a higher proportion of residential or low-income subscribers, groups that face the highest barriers to accessing the economic benefits of clean energy.

In considering the importance of encouraging residential participation, we acknowledge the added effort to do so will likely result in higher administrative costs. Cooperative Energy Futures, a community solar developer, in a January filing[1] with the Minnesota Public Utilities Commission advocated for a $0.025 residential adder, labeling it (along with a low-income adder) "necessary to creating a community solar garden industry that is accessible to a broad range of subscribers as required by state law."

ILSR has seen Cooperative Energy Futures' data (submitted as trade secret in Minnesota) regarding the marginal cost of serving residential customers that supports the addition of these provisions for projects with residential subscribers.

Illinois shares a focus on expanding renewables access across its residents; thus, it is appropriate to favor projects with significant residential participation in the block-capacity allocation process and/or provide differentiated RECs to benefit these projects.

We disagree with the suggestion that the IPA should relate the value proposition for a customer's community solar subscription to a comparably sized distributed generation system at the same customer's location. The IPA should separately develop rules governing community solar and distributed generation implementation. Using either to influence the value of the other does not make sense, as these are entirely different types of projects that can both be accommodated across Illinois.

**Residential versus Commercial Interest**

As stated above, to encourage residential participation in community solar projects, the IPA should establish rules that favor such developments in block capacity allocations and pay more -- via RECs -- for residential subscribers.

To vary REC pricing based on a deeper analysis of exactly how much of the subscriber pool is residential could be helpful, but would undoubtedly make the administration of this program more complex. It seems very challenging to implement REC pricing schemes and/or a project application process that fully distills subscriber demographics (residential versus commercial) without significantly complicating the rollout and ongoing management of this initiative.

Further, we recommend the IPA make no special considerations for projects that cater purely to residential or commercial subscribers. A well-functioning community solar program will deliver

[1] Minnesota Public Utilities Commission, https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId=%7BA82F7FA1-D9B1-4FBF-85CF-4169634FDF11%7D&documentTitle=20171-128108-01

clean, affordable energy -- and corresponding economic benefits -- to all people and institutions it serves. There need not be a division drawn in which subscribers access which program, as long as there is equal opportunity for access upfront and appropriate incentives to cover differences in the marginal cost to serve different customer classes.

## Illinois Solar for All Program

We recommend that the process of targeting eligible participants should start at the census tract level for the sake of administrative simplicity. However, ensuring the effectiveness of this approach over time is vital to the success of the Illinois Solar for All Program and the IPA should randomly sample subscriber participation each year to determine if this approximation is sufficient to ensure significant participation by low-income residents.

Using energy assistance programs such as LIHEAP is a helpful but insufficient screen as these programs cover only a portion of the households that qualify for their benefits. However, the IPA should coordinate with the agency responsible for energy assistance to see how the agency might proxy subscribe for and deliver financial benefits to program participants.

**Environmental Justice Communities**

Defining "Environmental Justice Community" requires a holistic and comprehensive analysis of a variety of demographic, economic, and environmental factors. An excellent example of this kind of approach is available in the CEED State Energy Poverty Risk Index[2], a tool developed to analyze Minnesota communities.

Signed,

/s/

John Farrell

Director, Energy Democracy Initiative

Institute for Local Self-Reliance

2720 E. 22nd St.

Minneapolis, MN 55406

[2] CEED State Energy Poverty Risk Index, http://www.arcgis.com/home/item.html?id=ad16acc0fa7c4944a93f095928c2b315#overview