Pivot Energy

July 22, 2019

Illinois Power Agency
160 North LaSalle Street
Chicago, IL 60601

InClime, Inc.
326 First Street, Suite 27
Annapolis, MD 21403
c/o Kevin Quilliam

RE: 2019 Long-Term Renewable Resources Procurement Plan Update – Request for Comments

On behalf of Pivot Energy, we draw from our experience in existing community and commercial DG solar markets and offer feedback regarding the upcoming Long-Term Renewable Resources Procurement Plan (LTRRPP) update. Pivot Energy is a solar energy developer providing clients nationwide with turnkey expertise on commercial onsite solar, community solar, small utility, and project financing. To date, we have been awarded community solar and Large DG ABP REC Contracts, in both Group A and B categories, and are entrenched in the complexities that this program brings to the development of clean energy. We continue to develop and expand our presence in the market and look forward to the opportunity to craft the Illinois Adjustable Block Program (ABP) into a long-term, stable market.

We would like to thank the Illinois Power Agency (IPA) and the Program Administrator (InClime) for allowing stakeholder feedback for the LTRRPP. We are appreciative of the opportunity to participate in this comment period and offer suggestions. Our comments will focus on specific topics from the June 26th Morning and Afternoon Sessions and have been outlined to mirror the Request for Comments.

June 26, Morning Session: Adjustable Block Program Structure; REC Pricing Model; Distributed Generation

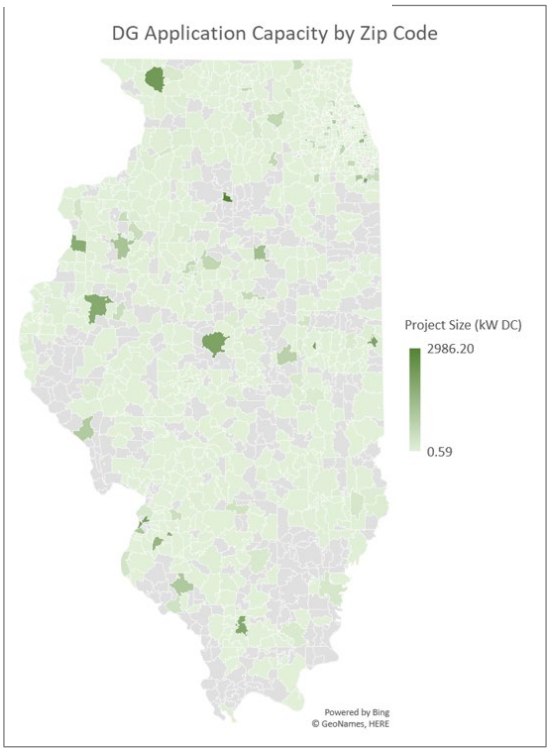
Geographic Diversity

We do not recommend changes to be made to the geographic requirements of distributed generation projects of the small or large project categories. After the discretionary capacity allocation was announced, and the lottery took place, the location of the distributed generation capacity can be seen as being highly diverse, and distributed across the State, as shown below in Image 1. Applications (and awards) for projects throughout central and southern Illinois in Group A exceeded the available capacity. Additionally, Group B capacity potential was met, and we continue to see additional projects throughout northern Illinois meet the discretionary capacity allocated prior to the lottery.

Pivot Energy will comment on behalf of the large DG category, as we do not specialize in small system or residential installations in this market. Overall, capacity should not be given geographical consideration because it will ultimately be determined by the location of businesses and public entities that can withstand the capital investment of a purchase, or who are creditworthy of a power purchase agreement (PPA). Other limitations are held to Large DG projects, such as the ability to permit in high density, urban areas, shading concerns, roof size, and the ability of land for ground mounted systems in highly developed areas of Illinois's larger cities. These entities are typically located in larger population centers, outside of core, urban areas, which is clear in the current geographic distribution of awarded applications, depicted to the right.

We would also like to call attention to the Illinois Solar For All (SFA) Program. Recently, SFA opened the application window for projects in the Spring 2019. The program was met with high demand, and projects applied for are focused on reaching areas that may be financially impacted and/or underserved.

Image 1: Source IL APB Project Application



Batch Structure

Pivot Energy recommends that the Batch Structure only be required for the small DG category of projects. We request that any Large DG and community solar project award be executed as one Product Order under the Master REC Agreement. The Batch Structure of the Master REC Agreement continues to be risky for financial institutions who are a keystone player of the development cycle.

REC Pricing

Our following recommendation applies to both Large DG and CSG categories across both Groups. We are in support of continuing the 4% declining block rate. The stability of a declining block program establishes a funding level and sets expectations for project developers, utilities, and the ratepayers. A set decline in REC pricing sends a signal to the market for the long-term, and allows project developers to plan ahead for efficiencies in the market such as decreases in equipment costs and increased skill set in local labor.

In the event there is an overwhelming recommendation to update the REC Pricing Model, Pivot recommends the Illinois Power Agency consult an independent engineer to review capacity factor, and the direct impact this input can have on financial modeling and the budget. After applications were received during the first round of ABP applications, it was apparent that the higher capacity factors developers were applying with were above the standard capacity of 16.42% the program anticipated. A new capacity factor should be included that is aligned with current design and engineering standards that continue to increase as the solar industry matures. Accounting for an overall higher capacity factor will reduce the risk of unintended budget shortfalls.

Project Application Requirements

As stated above, Pivot Energy develops both Large DG and community solar projects in Illinois. We recognize the intent and goal of requiring a higher standard for projects, especially due to the demand in the Illinois ABP. After the first round of applications were received, we can now look back and reevaluate the requirements across categories.

We would like to preface our comment with the acknowledgement that interconnection agreements will only be useful during the evaluations of project eligibility once all utilities are held to the same study criteria. Utilities have acknowledged their interconnection studies were not accurate and used rough estimates across all project categories. Upgrade criteria, choice in equipment, and construction timelines continue to plague a developer's ability to make sound decisions in the projects they submit to the ABP. Projects will continue to flood the application portal with the expectation of favorable interconnection restudies until uniform interconnection studies are performed. When discussing project application requirements, it should be understood that until the interconnection study process is re-evaluated, projects will be applied for that may not buildable.

The project applications requirements for Large DG applications are sufficient and we agree that a signed interconnection agreement should be required for a Large DG project. We also believe that having a binding agreement with the customer for onsite projects is a milestone of project maturity. A purchase

agreement or PPA is an agreement that not only executes the terms of the project but will also outline construction deadlines and other legal requirements that keep a project on its development path.

The application results for the initial blocks of the Large DG ABP capacity is evidence the project application requirements for Large DG applications are sufficient and important for customer protection. Signed agreements for the Large DG category allowed for discretionary capacity to be used for those customers, recognizing the importance of customer buy-in and risk, as stated in the Discretionary Capacity Rationale document released on April 3, 2019[1]. The Group B category remains open while more customers and developers continue to reach a point in which both parties invest in an interconnection study and agreement.

On the other hand, it is apparent that the project application requirements are not sufficient for community solar projects, and there will need to be additional requirements implemented in order to raise the barre for new projects, and potentially distinguish projects on the waitlist (further discussion below on this topic). We provide the following recommendations for additional project application requirements for the community solar category:

1. Amend the LTRRPP by removing the term “non-ministerial” and replace with “land use permit, when applicable to the Authority Having Jurisdiction (AHJ) over the project. In the event a land use permit is not applicable, written confirmation from the AHJ must be provided;
2. Require the State Historic Preservation Office Phase I Archeological Study (SHPO) and clearance;
3. Require the IL Department of Natural Resources EcoCAT Letter of Termination;
4. Require a Phase I ESA (or Phase II ESA if recommended) clear of recognized environmental conditions (RECs).

As an overall comment for both Large DG and community solar categories, we encourage the IPA and InClime to review the shading study requirement. We request a uniform methodology that is used across all participants. If a decision cannot be made, we recommend removing the requirement. The collateral drawdown is in place for under-production and is a mechanism within the program itself that would ensure a system is designed and installed properly to avoid shading.

Credit and collateral.

Pivot Energy recommends maintaining the collateral level, while amending the collateral posting timing. We believe collateral shows a commitment to the awarded REC contract, however due to the uncertainty of interconnection studies, we recommend a two-step approach to reach the full collateral requirement.

First we recommend at the time of ICC approval, a developer will still have 30 days to remit collateral, but for the first 3% of the contract value. The remaining 2% should be due at the time of the interconnection restudy. Our intent with this recommendation is to better align the program with the milestones of the development and interconnection process. Collateral should remain refundable if and when the interconnection restudies result in a substantial change.

Contract non-execution/collateral non payment.

As stated above, we are in support of an interim schedule for paying the full collateral amount. Ultimately, we would like the timing to align with the utility restudy process.

We support an exit payment, or non-refundability of a percentage of collateral to be due if a community solar project withdraws due to a development-related issue. As stated previously, if we increase the project application requirements for the community solar category, development related issues will ideally be de-risked, and strong projects will move forward.

However, for Large DG REC Contracts, there are circumstances in which exceptions should be made for project removal, without fee or penalty. In the event a customer no longer wants to participate, and

[1] Allocation of Adjustable Block Program Discretionary Capacity, April 3, 2019, pg 3

requests a termination of a contract, an exception should be made. This option will protect consumers, in the event specific terms of the contract cannot be met by either party.

June 26, Afternoon Session: Community Solar, Consumer Protections

Waitlist

Prior to the release of the Updated LTRRPP and pending legislation, the ordinal waitlist of the lottery results should remain intact, in the event projects dropout and funding is available. In the event a project is awarded from the ordinal waitlist and has already been involuntarily removed from the interconnection queue, the project should remain eligible during this interim period. Both utilities have adopted procedures for involuntary removal in order to manage the queue clearing process and allow for projects to remain eligible on the ordinal waitlist.

Upon the approval of the Updated LTRRPP, we recommend implementing the Joint Solar Parties' requirements to re-rank the ordinal waitlist.

Subjective criteria such as community engagement and involvement, and diversity will require additional definitions to ensure projects are evaluated equally. The program already has a mechanism in place to incentivize a range of project sizes and would not require further criteria to encourage the market. As described above, geographic diversity has been achieved, and one could interpret the ABP as having achieved great success awarding projects diverse in size and location throughout the State. Lastly, a pollinator-friendly habitat is not a unique criteria to distinguish projects from one another. Voluntary participation exists through SB 3214[2] in the form of a "pollinator-friendly scorecard" through the IL Department of Natural Resources.

Small Subscriber Adder

Pivot Energy recommends preserving the small subscriber adder. There is a cost to acquire and manage small business and residential subscribers.

In the event the IPA updates the small subscriber adder, we recommend the small subscriber threshold be capped at 50%. One level of an adder can alleviate budget uncertainty and limits the request from developers for different incentive levels. Additionally, subscriber diversity will increase if there is more capacity available for other rate classes to participate in community solar.

A capped threshold will also reduce the administrative work required to perform the quarterly updates and annual reporting requirements for community solar Approved Vendors.

Thank you for your time and consideration of our requests and feedback. We look forward to creating a successful program, which will establish Illinois as a leader in renewable energy development.

Sincerely,

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[2] Public Act 100-1022, SB3214 Pollinator Friendly Solar Site Act