

Long-Term Renewable Resource Procurement Plan Update

Stakeholder Workshop

Illinois Solar for All

June 20, 2019

Workshop Goals

- The purpose of this workshop is to take stakeholder input on the update to the Illinois Power Agency's Long-Term Renewable Resources Procurement Plan.
- The Agency will also issue a written Request for Comments after this workshop.
- **Discussion of potential approaches to the update of the Long-Term Renewable Resources Procurement Plan should be considered preliminary in nature.**
- The Agency plans to release a draft Plan update for comments (August 15), and file a Plan update for approval by the Illinois Commerce Commission (September 30).

Illinois Solar for All Overview

- Goal of Program is to:

“bring photovoltaics to low-income communities in this State in a manner that maximizes the development of new photovoltaic generating facilities, to create a long-term, low-income solar marketplace throughout this State, to integrate, through interaction with stakeholders, with existing energy efficiency initiatives, and to minimize administrative costs.”

(20 ILCS 3855/1-56(b)(2))

Illinois Solar for All Overview, cont.

- Four Sub-programs

(A) Low-income distributed generation (for residential on-site solar projects)

(B) Low-Income Community Solar

(C) Incentives for non-profits and public facilities

(D) Low-Income Community Solar Pilot Projects (with distinct rules and incentives)

Illinois Solar for All Overview, cont.

- Income eligibility for residential customers is 80% or less of Area Median Income (AMI)
- Requirements for “tangible economic benefits”
- Targets 25% of incentives to serve Environmental Justice communities

Program Status

- Approved Vendor Registration opened April 15
 - 14 Approved Vendors
- Project Applications opened May 15
 - Initial application window for community solar closed June 13, 45 applications
 - Initial application window for distributed generation and non-profit/public facilities closes June 28
 - Low-income community solar pilot project procurement expected later this year
 - Grassroots education efforts starting soon
- For more information visit www.illinoissfa.com

Funding/Program Scale

- Sources of Funding
 - Renewable Energy Resources Fund
 - Approximately \$150 million available, no new funds being collected
 - Utility Renewable Resources Budgets
 - Greater of \$10 million or 5% of utility renewables budget (estimated \$11.7 million) annually
 - Supplemental Funding Plan
 - If there is a “funding shortfall” allows for additional allocation of utility renewables budgets
 - Plan developed and approved in 2018, determined that there is not a need to allocate additional funds to Solar for All from utility Renewable Resources Budgets. Includes mechanism to reopen if needed

Funding from Initial Plan

Table 8-2: Illinois Solar for All Budgets

| Program Year | Renewable Energy Resources Fund | Utility Funding | Funding Shortfall | Total Funding |
|--------------|---------------------------------|-----------------|-------------------|---------------|
| 2018-2019 | \$20,000,000 | \$10,000,000 | To be Determined | \$30,000,000 |
| 2019-2020 | \$20,000,000 | \$11,708,367 | To be Determined | \$31,708,367 |
| 2020-2021 | \$20,000,000 | \$11,694,637 | To be Determined | \$31,694,637 |

Table 8-3: Delivery Year 2018-2019 Illinois Solar for All Funding Allocations

| Funding Source | Low-Income Distributed Generation Incentive | Low-Income Community Solar Project Initiative | Incentives for Non-Profits and Public Facilities | Low-Income Community Solar Pilot Projects |
|----------------|---|---|--|---|
| | 22.5% | 37.5% | 15% | 25% |
| RERF | \$4,500,000 | \$7,500,000 | \$3,000,000 | \$5,000,000 |
| Utility | \$3,000,000 | \$5,000,000 | \$2,000,000 | |
| Total | \$7,500,000 | \$12,500,000 | \$5,000,000 | \$5,000,000 |

Note that these funding allocations include program administration expenses, grassroots education funding (up to 5% of available funds), as well as payments for RECs.

Program Year Timing

- Plan allocated funds by program year. Should this be synced to energy delivery year or state fiscal year?
- Given time between project application, contract approval, project completion, how should budget amounts accrue?
- How to account for low-income community solar pilot project allocation?

Allocation from Renewable Energy Resources Fund

- Initial Plan envisioned spending down RERF over 7 to 8 years
 - Is this spending rate appropriate, or should it be adjusted to reflect project demand?
 - Would need to sync with annual state appropriations process
 - After RERF funds are used, program budget will shrink significantly

Consideration of “Tangible Economic Benefits”

- Plan includes a standard that:
 - No upfront payments
 - Cash flow positive experience
 - “Savings accruing to each participant, net of any ongoing participation fees, are at least 50% of the value produced by the solar system through avoided usage or net metering credits”
- What updating/refinement is needed for this approach?
 - How this is calculated
 - What should be excluded from upfront/ongoing payments?
 - Challenges related to net metering credit value due to variety of supply options (e.g., default service or ARES offers)

Multifamily Building Considerations

- Alternative approach in Initial Plan
 - Master metered buildings
 - “building owner/manager will need to commit to passing along at least 50% of the energy savings from net metering to the tenants through reduced (or not raised) rents, or by other means. The commitment should also include a description of how this will be accomplished.”
 - Non-Master metered buildings
 - “same demonstration of passing along benefits to tenants as for master-metered buildings”
 - “must commit to offering tenants the opportunity (at no additional upfront cost levied by the landlord) to participate in net metering pursuant to the provisions of Section 16-107.5(l)(1)(B) of the PUA, which allows for net metering of “individual units, apartments, or properties located in a single building that are owned or leased by multiple customers and collectively served by a common eligible renewable electrical generating facility”
 - Do these need refinement?

Distributed Generation REC Value

- Based on Adjustable Block Program REC Prices with following adjustments
 - Debt financing set at 0% (compared to 45%)
 - Net metering benefit 100% for 1-4 unit buildings, 50% for 5+ unit buildings (compared to 20%)
- Group B under 10 kW:
 - ABP Block 1: \$72.97
 - Solar for All 1-5 Unit: \$143.09
 - Solar for All 5+ Unit: \$118.20
- Do these adjustments accurately capture the differences between programs and provision of “tangible economic benefits” to participants?

Low-Income Community Solar REC Pricing

- Based on Adjustable Block Community Solar REC prices with following adjustments
 - Financing term of five years (compared to 15 years)
 - Debt financing reduced to 35% (compared to 45%)
- Including a 75% small subscriber adder, prices approximately 20% higher than ABP Block 1 prices
- Do these adjustments accurately capture the differences between programs and provision of “tangible economic benefits” to participants?

Non-profits/Public Facilities REC Value

- Initial Plan included an approach to REC pricing that assumed project is non-taxable entity and thus compared to Adjustable Block Program REC prices are significantly higher due to not capturing the investment tax credit or accelerated depreciation
- Does this approach to considering value proposition for this sub-program need to be changed?
 - Many non-profits and public facilities applied to the Adjustable Block Program
 - Do leases or PPAs allow tax benefits to be captured by third parties?
 - The value proposition may connect to project eligibility requirements

Approved Vendor Requirements

- Approved Vendor Registrations are scored through a rubric
 - Are the questions and documentation requirements sufficient
 - Is the rubric scoring properly weighted?
 - How should the requirements for Approved Vendor applications be distinguished from the requirements submitted for project applications?
- Does the Aggregator/Aggregator Designee model provide appropriate balance between business models and program goals?
 - No Aggregator applications received to date

Distributed Generation Sub-program Requirement

- Site Suitability Requirements
 - Are there additional site suitability requirements (or refinements) that should be codified in the Plan?
 - How should site suitability assessment fit into the process of project applications?
 - Do we need additional procedures or requirements for homes not physically suitable?
- Are requirements for multi-family buildings to remain low-income/affordable sufficient?
- Consumer Protections
 - Are the additional consumer protections for Solar for All compared to the Adjustable Block Program sufficient?
- Coordination between income verification and project application
 - Income verification currently a separate process. Do they need to be coordinated differently (and what differences are there between single and multi-family buildings?)
- Coordination with Energy Efficiency programs
 - Are additional efforts needed to coordinate with energy efficiency programs?

Eligibility Requirements for Non-profits/Public Facilities

- Initial Plan included that projects must:
 - Document that the project meets the standards described in Section 8.11 [of Plan] related to projects having sufficient connection to, and input from, low-income community members; or
 - Demonstrate that the project is located at a facility owned by an organization that is a critical service provider for the community (e.g., youth centers, hospitals, schools, homeless shelters, senior centers, community centers, places of worship, affordable housing providers including public housing sites).
- Additional Program Development added
 - Must be located in low-income or environmental justice community
 - Refined list of critical service providers
- Given limited funding (currently 15% of total Program budget), what additional refinements are needed for eligibility?
- How to ensure that facility remains occupied by a non-profit or public facility?

Low-Income Community Solar Sub-Program

- Anchor tenants
 - What flexibility should be allowed for changes in anchor tenants?
- Project siting
 - Should projects have to be located in the same community as intended subscribers?
- 100% subscriber owned model
 - No applications received for this model
 - What is really intended by this model and how should that intent be recognized?

Managing Program Demand

- Current model is to have a project application window and then score projects on criteria including
 - Environmental Justice community
 - Low-income community
 - Utility service territory, project size, MWBE status, participant savings, applicant type
- Should scoring include commitments rather than measurable project attributes?
- What level of transparency into project application and scoring?
- Should there be multiple application windows per year versus an initial window and a rolling basis if funds available?
- How should projects not selected be treated for subsequent application windows (e.g., waitlists)?

Job Training Requirements and Linkages between Programs

- Plan requires
 - 33% of DG projects use trainees
 - At the Approved Vendor level, 10% of hours worked in first year are by trainees, increasing to 20% in year two, and 33% in year three
 - Allows for request of waivers
- Are these levels appropriate?
- Have we defined “other qualifying programs” appropriately?
- Is the vintage of 36 months for FEJA workforce development programs and 24 months other qualifying programs for accepting job training graduates appropriate?
- Is the waiver process rigorous enough?
- Is there additional coordination that can be done with job training programs?

Income Eligibility

- For Distributed Generation
 - Single unit: household verification
 - Two to four units: at least two units have household income verified
 - For five plus unit buildings, half of units have household income verified, or building meets definition of “affordable housing”
- For Community Solar
 - Household verification, or
 - Lives in a “Qualified Census Tract” plus affidavit that household is below 80% of AMI
- Do the approaches for multifamily and community solar need refinement?

Verification Approaches

- Three methods
 - Third-party qualifying programs
 - SNAP, LIHEAP, etc.
 - Tax return verification
 - IRS Form 4506-T
 - Tax returns or pay stubs
- Issues for consideration
 - Defining who is in a household
 - Should households be able to pre-qualify for income eligibility separate from project or subscription application?

Review of Environmental Justice Communities and self-designation process

- Environmental Justice Community designation process
 - Based on CalEnviroScreen using data from USA EPA EJ SCREEN
 - Top 25% of census block groups designated EJ community
 - Self-designation request process
- Should methodology be updated?
- Who can request self-designation?

Grassroots Education Priorities

- Initial Grassroots Education Funding
 - 21 applications received, 10 funded (\$500,000 budget, \$442,000 awarded)
- Does community-based organization eligibility need additional definition?
- How can/cannot organizations receiving grassroots education funding coordinate with Approved Vendors (or their affiliates?)
- Should the range of topics for potential funding be narrowed?

Other Topics from Stakeholders

- Section 1-56(b) of the IPA Act includes:
 - “a party may propose an additional low-income solar or solar incentive program”