[Submitter 2 letterhead]

January 18, 2019

Illinois Power Agency
160 North LaSalle
Street Chicago, Illinois
60601

[Submitter 2]

[Submitter 2 address]

RE: Comments from [Submitter 2] on REC Collateral

[Submitter 2] appreciates IPA's consideration of the following comments that relate to the refundability of REC Contract deposits in the event of material and unanticipated increases in interconnection costs from current estimates.

[Submitter 2] believes a remedy is necessary to protect ABP program participants from forfeiting REC contract collateral if there is a material, unanticipated increase in estimated interconnection costs following application into the Adjustable Block Program (ABP) that makes a project uneconomic. [Submitter 2] fully supports meaningful upfront collateral deposits to deter speculative projects bidding into the ABP. However, where a program participant believes it has a viable project based on its reliance on the best available information and interconnection cost estimates provided by a utility, that participant should not be penalized and forced to forfeit substantial collateral when the program mechanics and utility's interconnection process result in a material, unanticipated increase in interconnection costs for that project. Our proposal addresses this issue while supporting IPA's intent to discourage speculative projects that have a high likelihood of not being built.

We propose that the master REC contract be amended to provide for the following: If the actual interconnection cost for a project increases by more than 25% from the utility's interconnection cost estimate in-hand at the time of application into the ABP, then the applicant should have the option to withdraw the project and receive a refund of the REC contract collateral.

Refundability of REC contract deposits in this limited circumstance would be in harmony with the consensus solution in ComEd's community solar waiver docket (18-1583) regarding interconnection deposit refundability. Allowing for similar refundability of REC contract deposits reduces the chances that a system will be eligible for a ComEd interconnection deposit refund but not a refund of REC collateral. While the 25% trigger is specific to ComEd's waiver, it is a sound principle and should be applied to all utilities. The 25% threshold applicable to ComEd's interconnection waiver does not encourage speculative projects but protects program participants that reasonably relied on the best information about interconnection available at the time of application.

To effectuate the proposed change, the IPA could revise Section 4.3 of the master REC contract to include the following:

> In the event that for a specific Designated System the most recent non-binding cost estimate provided by the interconnecting utility on the Trade Date increases by more than 25% through when the interconnecting utility releases its cost estimate following a detailed engineering study, upon request in writing from Seller to Buyer and the IPA or its designee with evidence of the same, Buyer will reduce Performance Assurance Amount by the Collateral Requirement for that Designated System and release the related collateral within 15 business days. For the avoidance of doubt, such notice and reduction of the Performance Assurance Amount shall not constitute an Event of Default.

Finally, we do not support a recently suggested alternative that would allow for a full or substantial refund of the REC contract collateral once final interconnection costs are determined even in cases where there has been no interconnection cost increase. This would remove any disincentive for wholly speculative and unviable projects from applying for limited incentives. Projects that are unreasonably risky, not adequately permitted, or uneconomic could be bid into the program without any risk, as there would be no non-refundable financial commitment until final interconnection costs are determined. There would be no disincentive to submitting a project where it is clear that high interconnection costs have no realistic chance of meaningful reduction, such as where a project is first in the queue but faces millions of dollars in substation upgrades or where a project's high interconnection cost is due to the project being located far from a sub-station on a single-phase distribution line that would require an upgrade.

In short, while not perfect, we believe that exceptions to the non-refundable nature of the REC contract collateral should be narrowly tailored. Moreover, the IPA should still require REC contract collateral to be posted 30 days after the ICC approves the REC contract batch.

Further, we believe that this proposal strikes a proper balance between the program's objective of deterring speculative projects and the risk to participants of forfeiting collateral when they have acted in good faith and in compliance with the program guidelines and spirit. We appreciate the IPA's consideration of these comments and the work it continues to put into this program.

Sincerely,

[Submitter 2 representative]