Comments / Concerns on Draft Proposal SREC – IPA – ABP – Vendor Requirements

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Draft-Approved-Vendor-Requirements-smooth-draft-10.1.18-v1.2

My thoughts on first read and now after Public Comments 10/10/18:

1. Very Burdensome for smaller installers versus the national companies.

2. ComEd customer service will not be able to backup any details of this program and will have to defer it all hopefully over to InClime / IPA.

3. Applying ARES requirements and or laws are outside the scope of FEJA. The Solar industry is better than the ARES markey and we should be treated accordingly.

4. Many procedural concepts have come up that are completely out of the scope and intent of FEJA. The source of the scope leaks should be thoughtfully considered as to their intent versus outcome.

Concerns:

1. any misdemeanor - job related: A solar branded crew truck gets a speeding ticket commuting to/from a job site? You think it would expressly exclude traffic violations but it does not.
2. List three current or prior customers who can act as references - no privacy protection is expressly guaranteed for these 3 like the financials are claimed off grounds for public scrutiny?
3. Provide company balance sheet and profit and loss statement for the last full fiscal year. Why not Tax returns? What is the financial risk model being deployed – Liquidity ratios are scored at 20% of a 100% score, etc. Local installers will not want to be banking depositories and SREC managers to this level.
4. Within the past five (5) years:
   a. bankruptcy?
   b. misdemeanor, felony, or any "legal troubles"
   c. found non-responsible on any contract - that would put a nail in some solar leasing companies coffin for sure - they would have to disclose all legal cases and status.
   d. IRS tax issues both personally and corporate
   e. Any consumer complaints filed with any jurisdiction?

5. All residential jobs require an onsite shading analysis. A good idea and best practice <u>but as a requirement is heavy handed</u>. An interconnection application could have this as a checkbox (optional) and put in the net resultant irradiance per 1KW DC to AC and percentage change from PVWatts optimal; no shading, premium panel, fixed roof mount, standard loss 14.08, true roof pitch, true azimuth. This should make for a better outcome for all parties to achieve proper balance of pv system production to client's needed load. Offset would have a much stronger footing among all parties.

6. Attestation – C, D, H, and M should be combined and sub bulleted. Links should be included to each detailed term and agreement pdf document.

   c. Training

   d. Program terms and conditions

   h. consumer protection guidelines published by the Program Administrator.

   m. comply with **all other** Program rules and Administrator **requests** (major catchall net - stretch statement).

7. Unless an explanation acceptable to the Administrator **and** IPA is provided. Should be only one to avoid conflict – The Administrator appointment has no due process behind them, while the IPA has some level of authority, legal jurisdiction, and due process.

8. The Administrator and IPA will use the financial statements as part of a ? **risk based assessment** of the potential Approved Vendor's ability to act as counterparty for the 15 year contracts it will be signing. Is it not the owner of the SREC who is the party and the other party is the buyer of the SREC. The installer being called a "counterparty"does not seem legally correct

Batch Process

The Batch process will be the most likely cause for local installers to decline from becoming "Approved Vendors" and allow for national existing REC aggregators to become the sole 2-3 players in the extremely low risk SREC transactions that were intended to flow directly to homeowners and project owners without large discount fees making an unplanned and unnecessary $75 million cottage industry over the next 5 years.

ABP-brochure-10-1-18.pdf

Illinois Adjustable Block Program Distributed Generation PV Brochure Text

Overall Comment(s):

1. Signed Brochure seems burdensome since none have occurred yet and the benefit of policing them does not seem cost effective. If there are customer complaints this would be the avenue to examine and go on offense to remedy. Making a brochure signature does not happen when purchasing a car? Should Solar be any different? We want to sell solar and make the SREC process as simple as possible to get the money to the customer. Making this burdensome is promoting PPA and leasing models that are not allowed in many states for the right reasons each state sees fit.

What information will you receive before you sign a contract?

Before you sign a contract for a solar purchase, lease, or other installation of a PV system selling its RECs into the ABP, your contractor is required to provide you with a standard disclosure form provided by the Adjustable Block Program. This form includes contact information for everyone who has a part in your solar contract, information about the timing and steps of the installation and application process, and an estimate of how much money you will save. Review this form carefully.

When deciding to install solar at your home or business, what are your financing and ownership options?

If you're buying the system, how much will you have to pay to have it installed?

Will you take out a loan to pay for the system?

What are the terms of the loan and how do those loan payments compare to reductions in your monthly electric bill?

Missing - What is the effective simple payback term in years

Missing - What is the levelized cost of electricity compared to the other methods of ownership?

Missing **the most important part** – "Purchasing the system has the lowest cost of electricity over its life and is usually the most cost effective of all options"

If you get solar panels, are you guaranteed to save money? What factors affect whether you save money?

You are **not** guaranteed to save money. The questions listed below will affect whether you save money, and if so, how much.[1] Some of these questions you can answer for yourself, and others can be answered by your installer or Approved Vendor.

- What per kilowatt-hour (kWh) rate are you paying for electricity without solar?

  The higher per kWh rate you are paying for electricity before you go solar, the more money you can potentially save. The per kWh rate you pay may vary depending on whether you buy electricity from your utility or have chosen to buy electricity from an Alternative Retail Electric Supplier.

MISSING: **What per kilowatt-hour (kWh) rate are you paying for electricity with solar**?

Get the solar company/installer's estimated traditional utility rate of escalation used for comparisons. The higher this number the larger the savings the proposal will enumerate making the system look more financially attractive.

Determine if present value or time value of money methods are used and what the implied rate of return that used in such calculations.

Determine the historical rate of escalation for your utility that should be published in this brochure for both total cost and fixed cost as two separate escalation numbers. Bullet un numbers #6 alludes to this and should be moved up to live next to the two cost of kWh before and after.

Determine the life of the solar components and their warranties with respect to both parts, and labor.

Inverter(s) and/or component future cash flow so as to determine a true cost per kWh.

Extra cost if not purchasing like maintenance fees, subscriptions, etc that would increase the cost and require additional future cash flow outlays.

• Is your roof good for solar? is it recently installed and in good condition? Is it south-facing? Does it get full sun?

• Your installer **is required** to perform a shading study of the site, and you should ask to see this study. (Not sure about "**required**" - HelioScope, pvsketch, pvsys, or other solar company EPC tools have reliable accuracy compared to an onsite, human Solar pathfinder like analysis done).

• Have your roof *professionally* evaluated to make sure the roof can support the weight of the panels and that **it won't need to be replaced during the life of the PV system**.

How much electricity will the system generate? Is this the right amount, given how much electricity you use?

○ If your system produces more electricity than you use over the course of an annual period, ***you may not receive credit for all the electricity it generates***. **Maybe 95% – Yes credit - 5% No credit**?

• **How much money will you receive for your RECs**?

○ The Approved Vendor will receive a certain amount of money from the utilities for the RECs and **will pass some** or all of the money along to you.

I did not know that the installer or some middle man was going to take a cut. How much are we claiming to cut here on average? The published fee in the ABP should be net of all fees and is the amount that is due to the rightful owner of the SREC – especially Res Rooftop.

How might a PV system affect my property tax assessment?

Under the Illinois Property Tax Code, if you *purchase* and install a rooftop PV system on your home or commercial building, your property tax assessment may **increase**. If you do not own the PV installation, it should not affect your property tax assessment. You should talk to your local county or other taxing authority for more information.

Debunk this myth immediately:

Source: ISEA

Solar systems should not increase your property taxes according to Property Tax Code § 35 ILCS 200/10-5 et seq. Illinois offers a special assessment for solar energy systems, but you may have to register with a chief county assessment officer or contact your local assessor. Solar energy equipment is valued at no more than a conventional energy system.

Eligible equipment includes both active and passive solar-energy systems.

Check your property tax bill, and if you feel your assessment increased due to your solar installation, contact your local assessor office who is listed on your tax bill.

Your assessor may request a completed State of Illinois PTAX-330 property tax form.

Property Tax Code § 35 ILCS 200/10-5 et seq.

(35 ILCS 200/10-5) - Division 1. Solar energy systems

Sec. 10-5. Solar energy systems; definitions.

It is the policy of this State that the use of solar energy systems should be encouraged because they conserve nonrenewable resources, reduce pollution and promote the health and well-being of the people of this State, and should be valued in relation to these benefits.

(a) "**Solar energy**" means radiant energy received from the sun at wave lengths suitable for heat transfer, photosynthetic use, or photovoltaic use.

(b) "**Solar collector**" means

(1) An assembly, structure, or design, including passive elements, used for gathering, concentrating, or absorbing direct and indirect solar energy, specially designed for holding a substantial amount of useful thermal energy and to transfer that energy to a gas, solid, or liquid or to use that energy directly; or

(2) A mechanism that absorbs solar energy and converts it into electricity; or

(3) A mechanism or process used for gathering solar energy through wind or thermal gradients; or

(4) A component used to transfer thermal energy to a gas, solid, or liquid, or to convert it into electricity.

(c) "**Solar storage mechanism**" means equipment or elements (such as piping and transfer mechanisms, containers, heat exchangers, or controls thereof, and gases, solids, liquids, or combinations thereof) that are utilized for storing solar energy, gathered by a solar collector, for subsequent use.

(d) "**Solar energy system**" means

(1)(A) A complete assembly, structure, or **design of solar collector**, or a solar storage mechanism, which uses solar energy for generating electricity that is primarily consumed on the property on which the solar energy system resides, or for heating or cooling gases, solids, liquids, or other materials for the primary benefit of the property on which the solar energy system resides;

(B) The design, materials, or elements of a system and its maintenance, operation, and labor components, and the necessary components, if any, of supplemental conventional energy systems designed or constructed to interface with a solar energy system; and

(C) Any legal, financial, or institutional orders, certificates, or mechanisms, including easements, leases, and agreements, required to ensure continued access to solar energy, its source, or its use in a solar energy system, and including monitoring and educational elements of a demonstration project.

(2) "**Solar energy system**" does **not include**

(A) Distribution equipment that is equally usable in a conventional energy system except for those components of the equipment that are necessary for meeting the requirements of efficient solar energy utilization;

(B) Components of a solar energy system that serve structural, insulating, protective, shading, aesthetic, or other non-solar energy utilization purposes, as defined in the regulations of the Department of Commerce and Economic Opportunity; and

(C) A commercial solar energy system, as defined by this Code, in counties with fewer than 3,000,000 inhabitants.

(3) The solar energy system shall conform to the standards for those systems established by regulation of the Department of Commerce and Economic Opportunity.

(Source: P.A. 100-781, eff. 8-10-18.)

(35 ILCS 200/10-10)

Sec. 10-10. Valuation of solar energy systems.

When a solar energy system has been installed in improvements on any property, the owner of that property is entitled to claim, by filing with the chief county assessment officer, an alternate valuation of those improvements. When a claim for alternate valuation is filed, the chief county assessment officer shall ascertain the value of the improvements as if equipped with a conventional heating or cooling system and the value of the improvements as equipped with the solar energy system. So long as the solar energy system is used in total or part as the means of utilizing solar energy improvements, the alternate valuation computed as ***the lesser of the two values*** ascertained **under this paragraph shall be applied**. When the solar energy system so valued ceases to be used as the means of heating or cooling those improvements, the owner of that property shall within 30 days notify the chief county assessment officer in writing by certified mail.

(Source: P.A. 80-430; 88-455.)

(35 ILCS 200/Art. 10 Div. 2 heading) - Division 2. Residential property

(35 ILCS 200/10-15)

Sec. 10-15. Condominiums and cooperatives.

In counties with 200,000 or more inhabitants which classify property, condominiums occupied by the owner as a residence for a minimum of 6 months during the year and created in accordance with the provisions of the "Condominium Property Act", as well as land with improvements owned and operated as a cooperative, shall be assessed on the same basis of assessment as single family residences in such counties.

(Source: P.A. 78-709; 88-455.)

(35 ILCS 200/10-20)

Sec. 10-20. Repairs and maintenance of residential property.

Maintenance and repairs to residential property owned and used exclusively for a residential purpose shall **not increase** the assessed valuation of the property. For purposes of this Section, work shall be deemed repair and maintenance when it

(1) does not increase the square footage of improvements and does not materially alter the existing character and condition of the structure but is limited to work performed to prolong the life of the existing improvements or to keep the existing improvements in a well maintained condition; and

(2) employs materials, such as those used for roofing or siding, whose value is not greater than the replacement value of the materials being replaced. Maintenance and repairs, as those terms are used in this Section, to property that enhance the overall exterior and interior appearance and quality of a residence by restoring it from a state of disrepair to a standard state of repair do not "***materially alter the existing character and condition***" of the residence.

(Source: P.A. 90-788, eff. 8-14-98.)

What is net metering and how do I enroll?

Net metering is the measuring and crediting system by which you are compensated for the electricity your PV system produces. If you buy your electricity directly from the utility, you will need to contact the utility to enroll in net metering. If you choose to buy your electricity from a retail electric supplier, you will need to contact it. If, at any point, you change your electricity supplier, you will need to re-enroll in net metering.

Flawed: PV System can produce electricity and stay on the customer side of the meter and be 100% consumed by customer's local loads. PV system electricity produced in excess of the customer's load is sent to the grid and is accounted for with a dual flow meter provided by ComEd at no additional cost. Compensation is different depending on the tarrif for residential service as defined by Rider POGNM for ComEd, etc.

Consumer Rights

If the application is approved, the Approved Vendor will receive payments from the utilities for the RECs generated by your system.

Not my understanding? Learn something new everyday. Now 5% Collateral requirements? How is the consumer going to feel about all these caveats?

Illinois-Block-Program-PV-System-Purchase-Disclosure-Form-10.1.18

System Purchase Information – part 2

Will the Approved Vendor pay a rebate to you for some or all of the value of the REC payment(s) received for your system? □Yes *OR* □No

The results of digging into tax law and questioning the IRS suggest that **residential incentives** (rebates, grants) **may not be taxable** under certain conditions

**As the counterparty to a REC delivery contract with an Illinois electric utility, the Approved Vendor will receive payment(s) for your system's RECs. Even if the Approved Vendor will not pay a rebate to you for some or all of the value of the REC payment(s) received for your system, those REC payments may be reflected in your overall system purchase price.*

Escalation rate:

36 years back ComEd = $0.072 (1982)

Up till 10/18 was approximately 0.135 – Escalation is 1.769%

Post October 2018 – escalation 2.29%

5% Time zero hold back on SREC avg system is approximately $538 – future value 8% APR 15 years is 1,706 – does this seem fair to the customer?

11% IRR enjoyed by ComEd turns this future value of $538 into $2,573