



04.30.2019

# **Response to Public Comments**

**Consumer Protections and Low-Income Distributed  
Generation Disclosures**



## Clarification that Disclosures are for Residential Low-Income Distributed Generation ONLY:

### CLARIFICATION

The Program Administrator believes that a number of comments submitted can be clarified without changes to the proposed documents. The responses below, shown in **red text**, provide that clarification. Three disclosure documents have been released for consideration: PPA, System Lease, and System Purchase – all representing Low-income Distributed Generation **only**. To further clarify, these represent only **residential** DG. A Non-profit/Public Facilities (Large DG) disclosure will be released prior to launch and the Low-Income Community Solar disclosure shortly after.

### COMMENTS AND CLARIFICATIONS

- Please clarify if this Disclosure is intended to be used for all PPAs, or only for certain types of PPAs. **The PPA disclosure currently under review is specifically for Low-Income (residential) Distributed Generation. Specifically, it does not apply to Low-Income Community Solar subscriptions.**
- Issuing separate disclosure templates for (1) PPA's applying to non-residential DG customers, and (2) PPA's applying to CS customers, would help ensure that projected savings are more accurate and not misleading to the consumer. Please clarify why the email and phone number of the site owner is required. **The property owner for Low-Income Distributed Generation is the program participant; i.e. the individual reading the disclosure. This will allow the Program Administrator the ability to more accurately associate and verify the disclosure data with the Part I project submission data. It also serves as a means for the participant to confirm the disclosure they are reading is intended for them specifically.**
- Page 5, Is Your Property Ready For Solar? - Please clarify that this section only applies "if you have selected a system design that will be located on your own property". **All Low-Income Distributed Generation projects must be onsite connected to the customer's meter. Hence, the site must be adequate for solar installation.**
- Because PPAs for CS systems are typically located offsite, we would suggest updating that sentence as follows..."With a PPA, the PV system is installed on your property and owned by a third-party". **This Disclosure Form is not for community solar subscriptions. All Low-income Distributed Generation projects must be onsite connected to the customer's meter. Hence, the site must be adequate for solar installation.**



- Page 12, last paragraph - Currently reads "It is important to understand that you may be responsible for obtaining insurance coverage," which is not applicable to CS projects utilizing PPA's because they are typically located offsite. **These Disclosure Forms are not for community solar subscriptions. These Disclosure Forms are for onsite residential installations. Hence, the potential for additional insurance requirements.**
- Page 13, If You Move section - We suggest clarifying that this section applies "If you have selected a system design that will be located on your own property." **These Disclosure Forms are for onsite residential installations. Community Solar has its own guidelines around if you move.**
- Page 14, Signature - If ILSFA's intent is to use this same disclosure for PPAs associated with CS projects, then we should suggest amending the opening statement such that it includes check boxes that allows selection of either DG or Low-Income Community Solar, as applicable. Otherwise, the opening statement will need to be amended as applicable for the CS PPA disclosure that ILSFA creates. **There will be a different Disclosure Form for community solar subscriptions.**
- Page 4, Table illustrating REC details - Please clarify if this is intended to show the value of the RECs associated only with each subscriber's PPA, or for the system as a whole. This comment would apply only to the disclosure intended for PPAs associated with low-income community solar. **These Disclosure Forms are not for community solar subscriptions. These Disclosure Forms are for single onsite residential installations.**

## Disclosures, Types:

### COMMENTS

- We would suggest that the disclosure replace the word "leasing" with "subscribing to", since not all PPAs involve a true lease. Using the words "subscribing to" should provide enough flexibility that it would still be accurate regardless of the financing structure used behind the PPA.

### CLARIFICATION

- **Because there are separate disclosures for residential PPA, System Lease, and System Purchase, it is appropriate to use the term "leasing" specifically for the Lease option.**



## Savings, the Term for Calculating:

### COMMENTS

- Please clarify why the disclosure references 25-year totals instead of 15-year totals. Since the REC contract is for 15 years, and an extension to 25 years is not certain, providing consumers with the 15-year totals would ensure the projected savings aren't overstated or misleading to the consumer.
- We are also concerned that the projection of benefits so far into the future could result in overcharging of participants. If applied as currently proposed, energy rate calculations would end up allowing system owners to charge low-income participants substantially more than 50% of the actual cost of electricity. For example, power supply charges in Ameren territory for residential users as published for Rider BGS-1 in 2018 were as follows:<sup>1</sup>
  - January through May – \$0.05140/kWh for Retail Purchased Electricity Charges, non-summer 0-800 kWh
  - June through September - \$0.03588/kWh for Retail Purchased Electricity Charges, summer
  - October through December – 0.03969/kWh for Retail Purchased Electricity Charges, non-summer 0-800 kWh
  - Taking a weighted average for these charges, the yearly rate for energy supply in Ameren territory was \$0.04328/kWh for 2018. If those customers were charged \$0.03/kWh, as allowed by the current proposal, they will have paid 69% of the cost of the power.

### RECOMMENDATIONS

- Determining the costs and fees for savings calculations is straightforward because the total represents all such costs and fees for the length of the stated contract term.
- The savings is determined by total costs, as well as total value based on projected net metering. While the ILSFA contract requirement is based on a 15-year term, the value received should be based on the term of the contract or the life of the system for the system purchase option. The value must, however, align with the term of the contract for accurate comparison. **The Agency and Program Administrator recommend that the**

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<sup>1</sup> Ameren Illinois. *Historical Retail Supply Charges: June 2016 - Present*, <https://www.ameren.com/illinois/residential/rates/electric-rates/historical-supply-charges-2>



**measured term of savings be changed to coincide with the term of the contract**, which is captured in the disclosure data collection form.

- For example, for a 15-year PPA, the savings should be based on 15 years of payments and 15 years of value received.
- Variances would include System Purchase projects, where the term of a loan may be 10 years, but value will be received for the life of the system.
- Another variance would be if a PPA term is 10 years, but system ownership is transferred to the host at the end of that period. The total cost would be represented by the total payments for 10 years plus any transfer fees, while the term of value received would be represented as the life of the system.
- See below for details on how to handle customer rates.

## Savings, Managing Rates, Escalation and Degradation Assumptions:

### COMMENTS

- [It would be] more reasonable to say that savings must be 50% of year 1 and cap that escalation as noted in (d) (energy and customer cost escalation).
- The current language as written should be acceptable to lenders for underwriting purposes, but it appears that there may be a situation where it could be in conflict with the 50% savings mandate (i.e., if actual energy price inflation falls at less than 2.5% in any given year, but the contract rate still escalates at 2.5%). For avoidance of doubt, it would be helpful for ILSFA to clarify that a contract escalation rate of 2.5% or less per year will be deemed to have met the 50% savings mandate regardless of where actual inflation may fall on a year to year basis during the PPA term.
- To avoid misleading the consumer, we suggest that the disclosure call out and include an estimated annual degradation rate of 0.5%.
- We argue that the administrator require pricing based on actual energy costs. For community solar, the benefit calculation should be based on the energy supply costs calculated from the Residential Rate BES for ComEd Territory<sup>2</sup> and Rider BGS-1 for Ameren territory<sup>3</sup>. The program

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<sup>2</sup> ComEd. *Current Rates & Tariffs*,  
<https://www.comed.com/MyAccount/MyBillUsage/Pages/CurrentRatesTariffs.aspx>

<sup>3</sup> Ameren Illinois. *Historical Retail Supply Charges: June 2016 - Present*,  
<https://www.ameren.com/illinois/residential/rates/electric-rates/historical-supply-charges-2>



administrator should calculate the applicable rates based on the weighted averages provided by these utilities on a quarterly basis and supply these to the community solar operators. Contracts should be required to include provisions that adjust charges to the low-income subscribers should the costs charged to the low-income subscribers exceed 50% of the value of the benefit. The community solar operator should provide yearly documentation that the project meets or exceeds the 50% requirement. Something similar can and should be implemented for DG projects under ILSFA.

- Currently reads "energy value will be based on an average statewide residential equivalent of \$0.06 per kWh used as an average net metering offset or credit value". Please clarify if that means an offered PPA rate of \$.03/kWh or less will be deemed to meet the 50% savings requirement, regardless of how the utility calculates the monthly net-metering credit for that particular customer month to month and year to year. Also, please clarify if this same rate applies to a non-profit or public anchor tenant in a CS project.

## RECOMMENDATIONS

- Comments express concern that allowing a 2.5% energy and customer cost escalation rate in the long-term savings calculation may have the effect of lowering true savings over time if actual energy costs escalate at a lower rate. This, coupled with a static customer electricity rate assumption, can result in actual savings significantly less than the required 50%.
- The challenge for the Program Administrator is developing a system of verification that is quantifiable at project submission, while at the same time allowing for fluctuations in energy costs over time. A verification system that requires ongoing rate changes and verifications is burdensome to the Administrator and vendor and presents a risk to customers.
- The Program Administrator and Agency instead recommend that we optimize our approach at calculating savings based on realistic parameters and an option to use actual customer rates. This will allow for better managing fluctuating customer rates and rates from Alternative Retail Energy Suppliers or Real Time Pricing customers.
  - We recommend using the average energy escalation rate of 1.7% instead of the high-end projection of 2.5% to calculate participant savings to measure against the required 50%. The disclosures will continue to show a range of savings based on low, average, and high energy escalation to illustrate to the participant how actual savings may vary. But project approval will be based on the average.



- We recommend providing customers and Approved Vendor the choice of using the statewide average residential rate of \$0.1248 per kilowatt hour<sup>4</sup> or actual customer electricity rates instead of a static, statewide average rate. Using actual customer rates will require the Approved Vendor or its agents to determine an average annual rate for each customer based off of electricity bills from the most recent 12-month period. The release of the Approved Vendor Manual v2.0 prior to program launch will provide more detail on determining rates and calculations for savings.
- The Program Administrator will require a standard annual degradation rate of 0.5% for disclosure and project submission.
- A commenter suggested using a flat \$0.06 per kWh for a PPA rate to satisfy the 50% savings requirement based on the \$.01248 average retail rate. This may be an accurate rate to use to achieve the savings requirements. But, a number of other factors come into play. For example, the contract may have additional fees (although not upfront), and energy or customer rate escalation must be factored in.

## Consumer Protections, Brochures:

### COMMENTS

- The marketing behavior section (8a in the low-income community solar document) requires the brochure to be given at first contact. However, since the brochure has not been released, this should be adjusted to first contact after the brochure release.

### RECOMMENDATION

- The Program Administrator will change the language to reflect first contact after the brochure release.

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<sup>4</sup> The statewide average residential rate of \$0.06 per kWh alluded to by some commenters is the average *energy supply* rate rather than the average full retail rate including transmission and distribution; this energy supply rate would be relevant for calculating net metering value to be realized by a Low-Income Community Solar project subscriber, but not a Low-Income Distributed Generation system host.



## Consumer Protections, Enrollment

### COMMENTS

- The Working Group continues to have concerns regarding whether specialized culturally-sensitive enrollment training will be sought and utilized by Approved Vendors to ensure consumer protections and in some cases, enrollment itself. Thus, we highly recommend that best practice training be provided to Approved Vendor staff who will function in this capacity.

### RECOMMENDATIONS

- The Program Administrator recognizes the risks of a market-driven program that serves a vulnerable population, where messaging and customer acquisition is managed outside of program administration by multiple market players. Managing this risk is complex and requires multiple processes, including detailed checks of contracts, standard disclosure data, system design, installation, etc.
- In addition, providing specific, targeted training to Approved Vendors on required processes and best practices will be critical, as will one-on-one support and performance management of over time.
- An Approved Vendor training will be provided by the Program Administrator before project submission launch that addresses the integration of consumer protections into customer acquisition processes, as well as culturally sensitive best practices for outreach and engagement to low-income and environmental justice communities specific to energy programming. Similar training and/or materials will be provided to Grassroots Education providers to ensure consistent messaging and processes for program participants.
- The Program Administrator recognizes that there may be a role for them in the enrollment process for a portion of participants who come to the program before they have identified an Approved Vendor. This may be the case for potential participants who learn about the program through Grassroots Educators, through the program website or who are referred through other programs. This will mean that the Program Administrator must also provide an enrollment and referral process that is culturally sensitive and effective in connecting potential participants with Approved Vendors.





## Disclosures, Complexity:

### COMMENTS

- The Working Group believes a disclosure statement is a good way to ensure that customers are well-informed about the solar agreements into which they enter under the Illinois Solar for All Program. However, we have some concerns about the length and complexity of the proposed disclosure forms, as noted prior in this response. At 14 or 15 pages in length, these forms are extremely long and contain a lot of complex information. The Working Group urges the Program Administrator to formulate a draft of a much more concise disclosure statement that would be useful for all Illinois Solar for All customers in understanding the contractual agreements they may be entering.
  - The Working Group notes that there is even a recommendation in the disclosure forms that potential customers might want to meet with their financial advisor or accountant before signing a contract. Unfortunately, for most low-income people, obtaining professional input and advice is a financial luxury they cannot afford. When you compound this with the normal intimidation by/aversion toward technical forms with legal components, the national research points out that the risk is that fewer people will sign up or they enroll without fully understanding and potentially will not utilize the consumer protections they are awarded (via a warranty, to name one example, or other included protections).
  - If disclosure requirements are not well crafted, they could undercut their goals by creating more confusion than clarity.

### RECOMMENDATIONS

- Comments about the length and complexity of the disclosure forms are well received. The Program Administrator recognizes that the risk in presenting overly complex materials and information to potential participants may be creating confusion rather than clarifying and losing potential participants rather than bringing them into the program.
- The Agency and Program Administrator agree that simplifying the disclosures in terms of length and language will be important in mitigating the risk. The final versions of the disclosures include the removal of some sections, simplification of language, and the rearrangement of content so the most relevant and immediate details are up front. While the final version was reduced and simplified significantly, the Agency and Program



Administrator balanced the need for simplicity with the need to ensure that critical information is made available.