Case 15-E-0082
NY CDG Low Income Collaborative – Incentives Working Group - http://tiny.cc/CDGlowincome
October 28, 2015, 11 AM
Conference call (866) 394-2346, code 8467991713#

Agenda:

Attendance

- Present: Honor Kennedy - OCS (staff), Chelsea Kruger - OCS (staff), Max Joel - NYSERDA (co-chair), Michelle Andry - NYSERDA (co-chair), Ingrid Schwingler, Grid Alternatives (co-chair), Ben Cuozzo - Grid Alternatives (co-chair), Adam Conway - NYC, Adam Flint – STSW, Charmaine Cigliano - O&R, Tineesha McMullen - O&R, Clarke Gocker - PUSH Buffalo, Deb Kellerson - NYSEG/RG&E, Reggie Hoffman - NYSEG/RG&E, Evan Crahen – NFG, Janet Audunson – National Grid, Pat Rivers – National Grid, Krys Cail – DE2, Erik Walker - Erie County
- Not present: Donnel Baird – BlocPower, Doug Keddie – NFG, Jeff Stockholm – Solar City, Jessica Barry – CLP, Sean Garren – Vote Solar, Valerie Strauss – AEA

Deliverables

- Notes from calls for website
- Research tasks for November 10
    - Max/Michelle from NYSERDA to distribute specific questions on incentive mechanics for working group feedback. (*See Attachment 1, included at end of notes).
    - Research local governments engaging in solar and identify the incentives used.
    - Research the market rate for eligibility.
    - Possibility of technical assistance help for infrastructure upgrades
- Interim report – 11/17 meeting (Co-chairs provide verbal update)
- Final report – 12/7 meeting
    - Identification of barriers - issues
    - Recommendations to address the barriers – solutions
    - If applicable, different positions of working group participants, if no consensus is reached
    - Identify areas where New York State Public Service Commission input may be required
    - Next steps

Discussion

(LMI stands for low- to moderate-income and CDG stands for Community Distributed Generation)

NYSERDA designed targeted to low-income customers (e.g., NY-SUN)

NYSERDA representative (Max Joel) describes filed compliance filing for LMI solar programs that was recently approved by DPS:

- $13 million earmarked for LMI solar access per NY-SUN, half of which is for added incentive for rooftop residential solar
- $6.2 million earmarked for LMI in CDG solar projects ($550,000 for tech assistance and marketing; other details TBD)
- NYSERDA funding for Solarize campaigns now available, campaigns focusing on LMI communities and/or CDG projects are eligible
- Funds only for solar PV (part of NY-Sun Initiative) not other types of renewables

NYSERDA has a good sense for the goals and principles of the money earmarked for LMI in CDG solar. NYSERDA has already considered the framework of the existing rooftop residential solar program and how that may or may not work for LMI in CDG.

The Energy Democracy Alliance has a CDG focused working group and noted the value of studying different models in practice to figure out various tools we're talking about on these working groups in real time. NYSERDA or DPS may be interested in exploring further.
http://energydemocracyny.org/community-net-metering-shared-renewables/

Discussion of future NYSERDA funds beyond the $6.2 million already earmarked. Future additional funding is proposed for Clean Energy Fund.

WG members are encouraged to share their respective literature reviews as it relates to incentives framework in other jurisdictions (e.g. MASH in California, Boston Community Capital) to help brainstorm and answer the question of how can a state level program be effective and increasing LMI access to CDG. Send documents to Chelsea for inclusion on the DPS website.

Group discussion on some of the obvious ways incentives are successful – production tax credits, rebates. In all cases, using the incentives to remove the upfront cost barrier for LMI is crucial as upfront costs are a non-starter.

Suggestion by working group member that the incentive level be directly tied to the number of kWh being received by a LMI customer or party (e.g. affordable housing provider) – or tie it to savings. Build the mechanisms that can really serve LMI customers and the agencies/organizations that are providing housing/services. NYSERDA needs to hear from the WG how those mechanics can work out – actual numbers and examples (e.g. the residential rooftop incentive is simple sounding, but that framework took months of administrative work and legal implications and procedural implications. NYSERDA staff has to work out those operational practical details).

The proposed CleanCARE program would allow low-income ratepayers in California to shift the subsidy they receive from a direct rate discount to investment in shared renewable energy facilities. As

proposed by IREC, participating customers in such an initiative would receive the same or better bill discounts through credits associated with renewable energy shares as they would have received with the traditional rate discount. It was noted that CleanCare would require legislative and regulatory change. Specifically for NY, can we think of ways to analog the portability (e.g. being directly tied to utility bill); how can we make sure it's possible in NY and apply the proper level of funding based on the benefits to LMI? Mimicking CleanCare has been brought up by a number of parties.

Suggestion by working group member that NYSERDA's EmPower New York is a program that provides no-cost energy efficiency solutions for income-eligible New Yorkers. Can EmPower participation occur first, and that same customer be assigned a share in a CDG? It was noted that EmPower participation should not be the only criteria used for targeting LMI participation in CDG as EmPower is not always the right thing to do based on individual circumstances (e.g. senior citizen selling a home). Group consensus that EmPower participation should not a stipulation to receiving an incentive.

NYSERDA representative reports that discussions have been with administrators of EmPower and other LMI programs. A balance between how do we make this a win-win for the customer but recognizing that it's not one size fits all and customers have options. Will include in list of NYSERDA's questions.

Group discussion regarding what happens when a customer moves to a different utility service territory. Potential to model after healthcare open enrollment plans? Build a state energy exchange/web portal for customer information sharing to assist with relocation and enrollment in a different CDG? Build customer information sharing/releasing of usage data to assist with utility service territory re-location or automatic referral to EmPower program? OTDA (Office of Temporary and Disability Assistance) is the common ground that crosses utility service territory – they might have a master list.

Are there takeaways from the Commercial and Industrial Megawatt Block Incentive Structure that can be applied to LMI in CDG?

- *Research Task*: NYSERDA to distribute specific questions to allow for beneficial feedback as they further develop the framework for the $6.2 million that's been earmarked for LMI solar PV in CDG. (see Attachment 1, included at the end of the notes)
- *WG Draft Recommendation(s):* TBD
- *Previous Recommendations (from Comments on the DPS website):*
    - DPS and NYSERDA should consider an incentive regime that is scaled based on the percentage of the overall subscriber base made up of LMI customers, and that incentivizes developers to maintain this focus over the life of the project.
    - An incentive program for LMI subscribers to community DG projects. NYSERDA could establish a program through which eligible LMI households could receive a deeper discount on top of any existing discount the project provides to all customers in order to help overcome the cost of entry for LMI customers. This discount could be supported through NYSERDA funding to the community DG project organizer for every LMI

subscriber as a performance-based incentive. Such incentives could be used to offer deeper savings or to increase the profitability of the overall project, thereby making financing both cheaper and less risk-averse.

- Funding for pilot projects serving a majority of LMI subscribers. In order to figure out the most successful models for CDG projects that can serve LMI customers, NYSERDA could release a request for proposals for teams of developers and local not-for-profit or agency partners to develop projects serving a majority LMI customers. NYSERDA could provide grant funding for a portion of these projects in order to attract interest. A key eligibility criteria for pilot projects could be a commitment to building a self-sustaining business model for CDG projects that can serve LMI customers after an initial round of funding support.
- Incentives are essential to ensure that a low-income participation goal or carve out does not become a ceiling. Well-designed low-income incentives encourage low-income subscribers from a wide range of housing types (single-family residential, renters and multi-family). Upfront incentives (e.g. dollar per watt incentive) for subscriber organizations are most important, because upfront capital is a major barrier to successfully achieving low-income access to solar. This type of financial support may be assigned to the low-income subscriber or subscriber organization and maximizes benefits to families because they do not bear the cost of installation. Upfront incentives (comparable to rooftop solar incentives) allow developers to make a product offering that will be attractive to low-income participants, ideally at no up-front costs to low-income participants.

Coordination with NY Green Bank or other similar financial institutions

The New York Green Bank works with private financing providers and DER providers to address market barriers — real or perceived risk, like creditworthiness of LMI CDG customers. Green Bank model is by design very open, using a wholesale portfolio approach — private financing comes in alongside the Green Bank and receives market rate of return. The Green Bank is interested in working with LMI CDG projects, Green Bank staff has been participating in LMI working groups currently in motion, and credit support, CDFIs, and financial institutions are all within the Green Bank's purview.

Suggestion by a working group member that developers currently can't finance a project if anchor is limited to 40%. Investors might find problematic. Suggestion by working group member that NY Green Bank provide credit enhancement or loan loss reserve from the bank where there is hesitancy from developers/investors.

NYSERDA representative notes that Green Bank is very ready and open to talking with credit unions, developers, affordable housing developers, etc. Suggests that if people in this WG are engaged with

potential CDG financing partner that they work with NYSERDA representatives to put them in touch with the Green Bank. Doesn't have to be a credit union with a fully developed solar deal - can be a CDFI that's more interested in serving their customer base with CDG, for example. CDFI or mission-driven local bank could potentially work with Green Bank to overcome financing hurdles.

Working group members suggest presentation on CDFIs by relevant stakeholders.

- *Research Task*: N/A
- *WG Draft Recommendation(s):* Financial institutions and other project partners with interest in LMI CDG are encouraged to contact the New York Green Bank. NYSERDA working group representatives are available to facilitate communication.
- *Previous Recommendations (from Comments on the DPS website):*
    - Credit support for LMI customers. The New York Green Bank and/or NYSERDA, in coordination with financial institutions and charitable organizations, could work to support financing for low- and moderate-income customers who do not have the necessary credit scores to meet traditional underwriting standards. This credit support could be provided in several ways. It could be through a loan loss reserve or loan guarantee program. It could also go directly to projects with a substantial percentage of low- and moderate-income customers. Finally, it could go to LMI customers directly where there are community not-for-profit or agency partners that could conduct the outreach and financial education necessary to identify and prepare those customers.
    - NY-SUN and/or the Green Bank could provide credit enhancements for pools of LMI leases/PPA in order that developers could source debt with advance and interest rates that allow them to serve the LMI market at scale. One example of how capital costs for LMI CDG projects could be brought in line with the rest of the market is for the Green Bank to provide subordinate back leverage on terms that are typical of upmarket facilities. This would allow a private financier to come in on top of the NY Green Bank debt with a cushion that would provide greater comfort with advance rates and interest rates that are in line with current facilities for solar portfolios. This approach has recently been used by the CT Green Bank. Though the NY Green Bank would be in a more risky, first loss position, than in private market that would command much richer terms, this option could prove effective if the objective is to truly establish a scalable market for LMI participation in CDG.
    - Incentive program that encourages a mix of incomes in CDG projects will support the development of projects that will have the capacity to self-finance locally, eliminating a very real barrier to low-income participation that was discussed extensively in our first meeting, the unwillingness of traditional sources of financing to underwrite projects, especially those incorporating low-income participants.

- Loans made available through Community Development Finance Institutions (CDFIs), with again a Green Bank guarantee, could help connect low-income consumers with institutions that maintain programs for providing banking services for the unbanked, teaching financial literacy, and counseling low-income families on debt consolidation, credit-score building, and saving for education or self-employment efforts. In some cases, community banks, where they still exist, may have an interest in participating in local efforts to finance CDG for low-income consumers as a part of their community service efforts, or they may be able to partner with community foundations that may be able to provide mission-related investment funds as a loan loss reserve to enable lending at reasonable rates to low-income consumers. Where a suitable municipality or public authority, such as an IDA (Industrial Development Agency) were willing to act as a conduit of funds for a nonprofit sponsor of CDG projects, tax-exempt bonds might be issued, with an effort to sell those bonds within the locality, as well.

Grants/technical assistance for nonprofit developers/sponsors

Working group member provides example of the Cook County Department of Environmental Control will receive a federal cooperative award of $1.2 million to help bring "community shared" solar power in the region. The "Solar Market Pathways" project was one of 15 awarded nationally as part of the U.S Department of Energy SunShot Initiative. Example of technical assistance to a local government. http://blog.cookcountyil.gov/sustainability/2015/01/29/u-s-energy-department-award-will-enable-cook-county-partners-to-identify-opportunities-for-advancing-solar-power/

Working group member suggests that the Green Jobs – Green New York (GJGNY) Program is a clear way to think about incentivizing participation in project development space where they may not be a local actor – technical assistance for design, development through municipal or local governments.

Working group member suggests that Technical Assistance could also mean providing standard RFP language or a set of documents/procedures that could be used as a starting point in most places for things like PPA or contract review.

- *Research Task:* Examples and best practices of local governments engaging in solar.
- *WG Draft Recommendation*: TBD
- *Previous Recommendations (from Comments on the DPS website):*
    - Grants and technical assistance for not-for-profit developers and partners. Local not-for-profit and agency partners often have the exact customer acquisition and community knowledge to overcome the marketing, sales and verification barriers for entry into the LMI market. In order to assist non-profit organizations to develop or partner with for-profit developers to develop CDG facilities that are structured to serve LMI customers, NYSERDA could consider offering direct grants to help cover staffing to develop such

projects and technical assistance to build organizational capacity. Such assistance to nonprofit organizations will enable the creation of CDG facilities built in diverse locations and specifically designed for underserved communities.

- Funding for pilot projects serving a majority of LMI subscribers. In order to figure out the most successful models for CDG projects that can serve LMI customers, NYSERDA could release a request for proposals for teams of developers and local not-for-profit or agency partners to develop projects serving a majority LMI customers. NYSERDA could provide grant funding for a portion of these projects in order to attract interest. A key eligibility criteria for pilot projects could be a commitment to building a self-sustaining business model for CDG projects that can serve LMI customers after an initial round of funding support.
- Yes, upfront financing resources should be made available for nonprofit developers or subscriber organizations. Grants should be offered to organizations that develop Community DG facilities that exclusively serve low-income customers, because these organizations are best equipped to serve the target demographic and can often leverage additional nonprofit resources, such as in-kind equipment partnerships. Grants could also be offered to organizations targeting low-income customer acquisition, or supporting for-profit developers with customer acquisition. Technical assistance support may include project siting, program management software, permitting and other 'soft cost' reduction, and resources to support communication efforts with low-income customers.

Incentive structure corresponding with current NY-Sun MegaWatt Block (declining block) structure

Discussed in the context of NYSERDA's existing program and the pros/cons of replicating framework or certain aspects to LMI CDG.

- *Research Task:* N/A
- *WG Draft Recommendation*: N/A
- *Previous Recommendations (from Comments on the DPS website):*N/A

Rate for eligible low-income participants

- *Research Task:* Research the market rate for eligibility.
- *WG Draft Recommendation*: TBD
- *Previous Recommendations (from Comments on the DPS website):*
    - Yes, low-income requirements or guidelines should differ from "market rate" to provide immediate savings for the subscriber and to maximize bill savings. If the program is

providing higher incentives for low-income participation then the household savings should also be higher/maximized.

Establish specific reporting requirements

Group discussion that initial Phase 1 criteria won't extend past Phase 1. Point of this discussion is to incent LMI CDG going forward.

Group sees the value in setting a goal of LMI participation because it's hard to benchmark progress without a goal. And the goal may prove useful in the context of the incentive structure conversation.

- *Research Task:* N/A
- *WG Draft Recommendation*: N/A
- *Previous Recommendations (from Comments on the DPS website):*
    - Concerned that a reporting requirement not have unintended consequences by adding cost and burden in serving the LMI population. .
    - Every effort should be made to maintain a subscriber base of no fewer than 20% LMI customers for any individual project, we do not believe there should be a requirement to maintain this level of participation over the life of the project. This issue must be viewed in the context of the risks/rewards of serving the LMI population. On the one hand, sponsors projects meeting the LMI threshold are rewarded through eligibility to participate in Phase I of the program – a 5 month head start on the market more broadly. On the other hand, it is unclear what the consequence would be of falling below this threshold at some point over the life of the project. If DPS Staff is contemplating the project would lose its CDG status, we believe this poses an untenable commercial risk and project developers would be leery of serving this market. Rather than serving the LMI population, such an extreme penalty would deter developers from addressing this market.
    - Project-specific low-income participation goals and incentives seed the process in every locale, no matter how small or isolated, and encourage suburban enclaves of more well-to-do people to collaborate with under-resourced urban areas.

Economies of scale (impact on project size, funding)

Working group member suggests that comprehensive mapping of utility infrastructure beyond utility zones would greatly improve project development speed and cost. Working group member suggests that it would help with the "if greater than 100% capacity sizing" if utilities could incentivize infrastructure upgrades to allow these projects to get built and interconnected.

- *Research Task:* Possibility of technical assistance help for infrastructure upgrades

- *WG Draft Recommendation*: TBD
- *Previous Recommendations (from Comments on the DPS website):* N/A

Subsidy for differential incentives for upstate NY where rates are lower

Working group member suggests that incentives should be designed based on the rate of electricity delivery in each utility territory. Working group member refers to the impact of transition from monetary to volumetric net metering credits for remote net metering projects. Suggests goal that the LMI customer is not going to pay more for their electricity than currently paying and also ensure the CDG facility is profitable with customer savings.

- *Research Task:* NYSERDA representatives will provide updates on any changes to the overall NY-Sun incentive structure that occur prior to working group meetings
- *WG Draft Recommendation*: TBD
- *Previous Recommendations (from Comments on the DPS website):* N/A

Next call November 10, 2015 at 11 AM.

Thank you!

(Attached: Questions for Low Income Collaborative Incentive Working Group Members Regarding Incentive Mechanics)

Attachment 1

Questions for Low Income Collaborative Incentive Working Group Members Regarding Incentive Mechanics - Respond to NYSERDA by 11/10

Please answer the following questions from the perspective of yourself and your company/organization/agency. Please add any other comments or questions. If possible, please provide your name and contact info for follow up.

1. *Describe your company/organization/agency and the role you anticipate it playing in shared solar (community distributed generation) for low and moderate income households and communities.*

2. *What project models is your organization interested in implementing? Are you anticipating a short term (initial project development) or longer term (project sponsorship or energy purchasing) relationship with CDG projects?*

3. *What gaps in knowledge or capacity would you like to see addressed through technical assistance in order to effectively play this role?*

4. *Would you prefer an incentive tied to low-moderate income shared solar customers be paid directly to your organization/company/agency (if you play an active role in the project), or to another party? How could these incentives be integrated into other funding sources for your activities/projects?*

5. *Would your organization facilitate income qualification of low income CDG customers to establish eligibility for an incentive? If so, how could this be integrated into your existing processes?*