



**RESPONSES TO PROPOSED REC PRICES FOR LARGE DG CATEGORY NON-WAITLISTED PROJECTS  
REQUEST FOR STAKEHOLDER FEEDBACK  
NOVEMBER 4, 2021**

Thank you for the opportunity to provide feedback on Proposed REC Prices for the Large DG Category.

**Labor Costs**

As a “CONFIDENTIAL” Appendix, ENGIE is providing the IPA with labor prices for our Large DG projects that were bid in 2020.

For the majority of projects, ENGIE received bids for both “Union” / “Non-Union” pricing. This is not the same thing as “Prevailing Wage” / “Non-Prevailing Wage,” because especially in urban areas, Open-Shop (Non-Union) contractors often pay prevailing wage.

While this data does not directly address the delta between Prevailing Wage and Non-Prevailing Wage, it does illuminate the actual cost of installation labor for Large DG projects in Illinois. There is a large discrepancy between these real costs and the baseline “Installation Labor and Equipment” line item in the original REC pricing model. Even if 40% of the value of line items “EPC Overhead” and “EPC/Developer Net Profit” are allocated to the labor subcontractor,<sup>1</sup> the model inputs still fall far short of the prices ENGIE sees in the Illinois market.

Based on the original pricing model, “Installation Labor & Equipment” costs are:

- \$0.14 \$/W DC for a 500 kW system
- \$0.13 \$/W DC for a 2000 kW system

Assigning 40% of the “EPC Overhead” and “EPC/Developer Net Profit” line items to these numbers arrives at:

- \$0.26 \$/W DC for a 500 kW system
- \$0.24 \$/W DC for a 2000 kW system

For comparison, the actual bids received by ENGIE for Union / Non-Union pricing are attached in a Confidential Appendix.

**Component Costs**

While this comment is focused on labor costs, the pandemic and the resulting global supply shortages have created volatility in global commodities markets. In particular, the steel prices are at historic highs, which translates into significantly higher racking costs. Global trade dynamics and U.S. trade policy are likewise putting upward pressure on the price solar modules – both imported and domestic.

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<sup>1</sup> ENGIE is not certain how to assign these line items in order to compare apples to apples. However, in ENGIE’s business model (and that of others like us) ENGIE performs the “E” and the “P” parts of the EPC scope (roughly 60% of capex) and subcontracts the “C” (roughly 40% of capex). We are therefore assigning 40% of the EPC Overhead and EPC/Developer Net Profit to the labor subcontractor.

## **Recommendation**

All of these dynamics suggest that a re-run of the CREST model run with updated inputs is in order, ideally before the new blocks open on December 14. If that is not possible within the time frame, ENGIE encourages the IPA to at least “true up” the labor cost assumptions in the pricing model to reflect market realities. Thank you for your consideration.

