CATALYZE

To: Illinois Power Association

Catalyze thanks the Illinois Power Agency for the opportunity to provide feedback on the proposed approach for Cost Collection and respectfully submits the following comments.

<u>Question #1, Phase I</u>

Catalyze interprets the IPA's proposal to "collect aggregated project data by program category and size range" as asking for an average dollar amount per category and size range. Collecting a series of averages from many developers increases potential rounding errors as the IPA performs the calculations necessary to update the REC pricing model. An alternative to the proposed approach would be to ask developers to provide a dataset of their costs associated with projects that have been accepted into the program and allow the IPA to perform the calculations needed to update the REC Pricing Model. Catalyze believes the latter approach will alleviate administrative burden on developers and result in a more accurate REC Pricing Model. This approach also aligns the methodology of Phase I with the methodology of Phase II, which, as proposed, will require project-specific data to be submitted to the IPA as part of the Part II Application.

Catalyze agrees with and appreciates the IPA's treatment of such data as confidential.

<u>Question #1, Phase II</u>

Catalyze cautions against using an approach that may increase administrative burden on developers as they provide data. One way that administrative burden may be reduced is to allow developers that submitted data for relevant projects in Phase I to check a box indicating that they provided the data during Phase I instead of requiring them to input all of the data a second time.

<u>Question #2</u>

Catalyze agrees with the IPA's proposed approach to collect cost data on a per watt DC basis. Many developers already incorporate discussions and modeling data around a per watt DC basis, so this will reduce administrative burden on developers as they provide the data to assist with updating the REC Pricing Model.

<u>Question #3</u>

NREL Cost Category 'F - Permitting, Installation, and Interconnection' comprises more and different types of expenses than 'F - Interconnection' in the CREST Cost Category. Expenses in the NREL Cost Category F contain expenses associated with permitting needed to install the project and permitting needed to interconnect the project. Catalyze recommends splitting NREL Cost Category F between the CREST Cost Categories 'Interconnection' and 'Development Costs & Fee.' The costs associated with interconnection should be placed in 'Interconnection', and the costs associated with permitting for installation, including all permitting fees by Authorities Having Jurisdiction (AHJs), should be placed in 'Development Costs & Fee.'

Catalyze questions whether NREL Cost Category 'J - Net Profit' should be included in any of the CREST Cost Categories. Developers may be particularly concerned about reporting net profits, and they may report them in different ways. The CREST model already assumes a 12% Target After-Tax Equity (IRR) for projects. The CREST model should defer to the 12% IRR assumption instead of collecting net profit data from each project.

Footnote 8 indicates that the CREST model assumes a single equity investor will take both a project's cash and tax benefits. This assumption is incorrect, as tax benefits can be monetized separately and resold to a second buyer. Every time that tax an additional party acquires the tax benefits, additional financing costs are incurred, which depress returns. The model should assume that at least two parties take the cash and tax benefits.

<u>Question #4</u>

With President Trump being re-elected and Republicans gaining control of both Chambers of Congress, there is much uncertainty around the fate of the federal Investment Tax Credit (ITC) and its adders. Catalyze recommends that the IPA consider various assumptions around the value of the ITC and urges the state to continue fostering a robust market for distributed generation and community solar in absence of federal support.

Sincerely,

Allison Conwell
Manager, Policy and Regulations