Meeting Agenda (November 6, 2017)

1) Welcome/Introductions

2) Process/Procedural Matters

3) Presentation of Outline for Staff Report

4) Next Steps
   a) Staff paper submission date and call for public comments
   b) Research needs/additional work on issues that were not resolved in this group
   c) Wrap-up

5) Adjourn

Meeting Summary

Procedural Matters

Staff asked if there were any items that parties wished to discuss that were not included in the agenda. Rachel Stein from the Center for NYC Neighborhoods conveyed that they will be the ones managing the SEEDS project in NYC and can answer any questions that parties might have. NYSERDA mentioned that they have extended the deadline for comments to be submitted regarding their investment plan – parties should continue to send in comments whenever they are ready.

Outline of Staff Report

Marty walked through the slides outlining the Staff report, taking comments and providing clarifications:
[presentation was distributed to the working group on 11/6]

<u>Slide 2 – Ordering Clause from 3-9-2017</u>

Staff Comments:

This is the clause from the March Commission Order that created this process and describes the big picture of this working group's task.

Party Questions/Comments:

Jessica Azulay from Alliance for a Green Economy sees this working group addressing LMI issues from Phase 2 of VDER and thus goes beyond the scope of this Ordering Clause. Marty agreed that the working group has been addressing a wider range of issues than specified in the Phase 1 Order. He clarified that many of the solutions the group is developing for Phase 2 could also be applied to Phase 1, so the scope of the Staff report will capture these Phase 2 topics as well.

<u>Slide 3 – Interzonal Credit</u>

Staff Comments:

The Commission originally saw interzonal crediting as a way to facilitate LMI access. Once the working group process started, a consensus developed that if interzonal crediting were to be done, it made sense to do it for everyone, not just LMI customers. Therefore, the topic was transferred to the Value Stack working group for further discussion.

<u>Slide 4 – CDG as a Low Income Solution</u>

Staff Comments:

There are 800 MW of CDG in the pipeline currently, and chances are that two-thirds of that will not ever get built. For the remaining one-third, even if half of participants are low income, only about 50,000 customers will be served by CDG. Meanwhile, there are 2.3 million households in NY that are at or below 60% of the state median income. The utility low-income programs reach only about half of that number, and we are still grappling with how to identify and reach the other households. Thus, in the near term, we are not talking about serving a large number of low-income customers with CDG.

It can be challenging for planned CDG projects to reach completion, given their high costs and thin margins. If the goal is making energy more affordable to low-income households, then energy efficiency programs may be more cost-effective. We will not give up on CDG, but we need to keep looking for solutions to the challenges low-income CDG faces.

The MTC is going to decrease progressively as we move through the tranches (current utility tranches can be found at https://www.nyserda.ny.gov/vder). It is possible that costs will eventually come down and circumstances may change, but at the moment the evidence points to it being unlikely that CDG will provide electricity to broad segments of the low-income population.

Party Questions/Comments:

Kelly Roache from Solstice stressed that if NY is going to get to 50% renewables by 2030, community solar is going to have to play a major role. CDG has the potential to be a major initiative if we are willing to act on some of the policies that have been discussed in the working group.

Chuck Schwartz from Green Long Island mentioned that LMI CDG is not as inauspicious as it may seem, since its numbers are in line with those of weatherization and other programs.

Jessica Azulay suggested that we cannot necessarily tell all developers to have a certain percentage of their customers be LMI. It should be the task of NYSERDA and the Commission to set policies that make it possible to reach the goal of proportional participation. Rather than frame the process around how many people we will reach in the long run, we can frame it around achieving equity in the solar that is being developed. Marty agreed that there should not be portion quotas, but instead, there should be policies in place to make LMI customers more attractive.

Bob Wyman expressed that there are a number of costs related to CDG (cost of sales, cost of finance, customer acquisition/administration costs) that we could address with different policies. We have opportunities to signficiantly reduce these costs by designing a program, such as one currently in place in Rhode Island, where the CDG developer finds the opportunities and locations to develop power, presents a certain amount of load to the utility, and then the utility does the remainder of the work because the utility knows who can benefit from the load and already has the billing infrastructure in place. Such a program dramatically reduces the costs to CDG developers and increases the certainty of off-taking.

Brock Gibian from Ecogy Solar clarified that the RI model that Bob Wyman mentioned is not really an adder, but is a model that obligates the utility to accept the generation from the CDG developer and automatically allocates it to low-income customers. The developer contracts directly with the utility, which lowers the project's rate of return, but since the utility administers all of the program management the developer does not have to worry about churn and administrative costs. The model tells the private market that we can serve as many low-income customers as developers can build projects (using the utility's allocation).

Bob added that besides energy efficiency, beneficial electrification could be a low-cost approach to affordability – if you can make it cheaper to heat the house you are essentially making housing more affordable. Marty agreed that in the future many more end-uses will be electric powered, he is just unsure whether these issues belong in a CDG or low-income discussion.

<u>Slide 5 – Low Income Incentive</u>

Staff Comments:

Utilities know who their low-income customers are and so they would have a role in administering a LMI CDG fund and helping to guide developers to the eligible customers.

Party Questions/Comments:

Bob Wyman noted that there are two ways to motivate developers: 1) increase their revenues; and, 2) reduce their costs. Before it becomes relevant to increase their revenues by paying them on a per customer basis, we should first look at efficient cost reduction to avoid the need for additional payments that take away from the savings of low-income customers. We could explore an approach where developers can reduce their financing costs and their costs of sales and administration by having guaranteed offtakes and customer management provided by the utility. Marty agreed with these points and emphasized that this proposal has elements intended to address financing difficulties and customer acquisition costs.

Brock Gibian asked if the utility would automatically subscribe these customers, or if the task of customer acquisition would be on the developers. He wondered if this mechanism was meant to tackle churn by ensuring that if one low-income customer were to opt out the utility would automatically enroll another low-income program participant.

- Marty explained that this proposal intentionally incorporated designs to address the fact that people think there is more likely to be subscriber churn for the low-income segment than for other customer segments. Utilities would definitely not automatically subscribe customers – it would be the customer's choice whether to pledge his or her discount to the CDG subscription fee. The program would set up a verified pool of low-income customers that developers can access, where each customer has a guaranteed revenue stream that the developer could receive. Ideally, this mechanism would make low-income customers an attractive customer segment to serve and would create equity with the other customer segments.

- Brock followed up asking how private developers could seek out low-income program participants given that their information is private data within the utilities.
  - Marty acknowledged that the logistics need to be more thought out, but he knows that the utilities would not simply hand over lists of low-income customers to private developers for marketing purposes.

Sara Margaret Geissler from ConEd asked for clarification about whether utilities would play an eligibility verification role but not necessarily a marketing and acquisition role. Marty envisioned there being elements of both but was not sure how it would work mechanically. The starting point would be utilities surveying customers to see if there is even any interest in such a program.

- David Hepinstall from AEA suggested that utilities will know who becomes eligible for the discount program based on other programs in which they are participating. Therefore, the utility could notify the customer about what their options are, similarly to when a customer becomes a new utility customer and the utility notifies them that they have an ESCO option.
  - Sara Margaret emphasized that it would not be that simple – churn in low-income customers is multi-faceted, especially with their tendency to move around, so eligibility for the low-income discount program can change regularly.

Jessica Azulay wondered if there will be a guarantee that this initiative is bill neutral for low-income customers. She noted a weakness of the existing low-income discount program, namely that not all low-income customers can participate and receive bill discounts. Jessica hopes that beyond reaching the customers who are eligible for the low-income discount program, we will also target the customers not eligible for the low-income discount program. Marty confirmed that there is a guarantee of bill neutrality and that both of Jessica's points will be addressed in later parts of the presentation.

Another party was concerned about a situation where, because the CDG monetary credit is only applied to the electric portion of utility bills, the bill discount could be greater than the electric portion of the utility bill, and so some of the discount could go to waste. Marty clarified that this is also a problem for full-service utility customers, which is why the discount program enrolls customers in budget (levelized) billing, albeit with an opt-out.

Brock Gibian noted that as a developer or financier, he does not see revenue certainty. It seems like this initiative involves the developer signing up a number of customers, the utility confirming that a certain portion are participants in this low-income program, and the developer being guaranteed up to 50% of the discount as revenue – so the developer is guaranteed the subscription fee portion but perhaps not the remainder.

- Kelly Roache also claimed that from a project development and financing perspective, this proposal would not provide the certainty needed to lower the cost of capital, given that the churn would be particularly high for this low-income discount program. There is additional uncertainty from the lack of a contract term, so the program would not necessarily provide revenue certainty.
- Marty agreed that the program would not create an absolute sure thing, but is designed more to create parity with other customer segments.

Bob Wyman suggested that the issues of churn and privacy could be addressed by ensuring that the utilities are barred from telling the developers who is receiving the electricity. Churn is irrelevant to the developer if it is only visible to the utility, and privacy only becomes an issue if the developer discovers the identity of the low-income customers. Bob also added that he does not see the need for a subscription fee at all, unless a subsidy subsumed in a subscription fee is needed for the program.

<u>Slide 6 – Low Income Incentive (cont'd.)</u>

Staff Comments:

A portion of the incentive could also offset the host's subscription charges, in a manner dependent on the financial relationship between the developer and subscriber. There is no incentive for the low-income subscriber over and above what they would get from the value stack and MTC – the extra benefit goes to the developer to disperse appropriately.

There needs to be reassurance for low-income customers that if they pledge a portion of their discount to the developer their average bill will not exceed the same average bill they would have paid had they just stayed with the utility's program. The developer ends up bearing the risk of this rate cap.

<u>Slide 7 – Is this a Material Incentive?</u>

Staff Comments:

With the help of Max Joel from NYSERDA, Staff utilized NYSERDA's value stack calculator to put this table together. The table outlines whether the discount pledge proposal (using a 50% allocation) will be a material incentive for developers to serve low-income customers in certain utility service territories.

Marty explained that the tiers are discount levels offered by the utilities, with Tier 1 offering the lowest discounts and Tier 3 offering the largest discounts. Tier 4 is comprised of the lowest income customers, but these customers get additional benefits besides the discounts, so the discounts themselves are not as large as the discounts for Tier 3 customers. Tier 2 and Tier 3 are not distinguished based on income, but based on whether you get one (Tier 2) or both (Tier 3) of the add-ons – one add-on is income-based and one add-on is household composition based.

Slide 8 – Expanding Participation

Party Questions/Comments:

Adam Flint from STSW noted that transaction costs may be too high to do annual recertification. He proposed that instead of annual recertification, subscribers only must recertify if they leave the project.

Kelly Roache expressed concerned that by deputizing developers or customer acquisition entities to enroll people in the low-income discount program and HEAP, we would be creating additional costs for these entities.

Bob Wyman was troubled by the binary nature of the income qualification at the back end of the program, e.g., when a subscriber loses qualification. We should consider methods by which the departure from qualification is graduated progressively as income rises, or where qualification is phased out over time. There need to be ways to reduce the impact of this essentially high marginal tax rate that results from having more income and losing qualification.

- Marty acknowledged that wherever you set the bar for the binary decision there will always be people right above the bar, who are still struggling but have a little too much income to qualify for the benefit. While there is not much we can do for those customers, we can make it easier for the subscribers who start below the bar and then move above it at some later point. We can explore ways to smooth this back-end binary qualification with methods such as a grace period for customers who originally qualify but become ineligible later on.
- David Hepinstall wondered why it was so important to kick subscribers out of the program if they lose eligibility instead of allowing them to maintain involvement.
    - Steve Wemple from ConEd explained that we need to differentiate between the utility's incentive to the developer and the customer's ability to maintain a relationship with the developer. Our goal is to promote the low-income customer's relationship with the developer and to provide benefits for low-income participation. Thus, it is in line with our objectives to remove a subscriber when they no longer qualify as low-income.

Slide 9 – NYSERDA Programs

Party Questions/Comments:

Bob Wyman was concerned that with this program, NYSERDA is getting into the business of allocating electricity, which is supposed to be the job of the utilities. Marty reassured him that NYSERDA is not collecting money or distributing electricity, and is not taking over any of the utilities' functions. The investment plan is only satisfying what the Commission asked NYSERDA to do with the money, which is to increase participation opportunities in solar for low-income customers.

<u>Slide 10 – NYSERDA Income Verification Service</u>

NYSERDA Comments:

NYSERDA conveyed that they are currently trying to reduce costs by streamlining the administrative process for income verification. They are currently looking at costs per application between $10 – $15.

To avoid a situation where the developer would end up having to verify everyone, Marty suggested that there could be some preliminary screening done by the developer to narrow the pool of candidates.

<u>Slide 11 – Loan Guarantee/Loss Reserve</u>

Staff Comments:

This mechanism of a loan loss reserve directly addresses the financing barriers that have been discussed in this working group. It assures developers that they do not need to worry if a low-income customer does not pay their bill because the reserve will cover it. Further logistics will need to be explored, such as: how long the reserve would cover a developer; at what point a defaulting customer would be cut off and replaced with a new subscriber; or, what the costs would be to set up a loan loss reserve fund.

Party Questions/Comments:

Kelly Roache emphasized that there needs to be a responsible lead party implementing this mechanism.

<u>Slide 12 – Collecting/Reporting Payment Data</u>

Staff Comments:

Data must be collected to assess the initiative and the loan loss reserve. The hope is that data collection efforts as a part of this initiative will demonstrate that low-income customers are not as risky as they are currently perceived to be.

Party Questions/Comments:

Brock Gibian wondered whether data collection would be required if a developer signs up for the loan loss reserve, and if so, what the best way would be to administer this process. Marty explained that the duties of data collection and reporting will primarily fall on the utilities. Marty noted that we have not completely figured out the data requirements, but if a developer positions himself to access the loan loss reserve he or she will have to agree with whatever data requirements are associated with it. There will be some documentation the developer must show to prove that it qualifies for reimbursement from the loan loss reserve.

Steve Wemple asked for clarification on whether the proposal is predicated on consolidated billing. If so, he wondered why the payment backstop itself would be dependent on consolidated billing. Marty confirmed that this is predicated on consolidated billing, but that we can indeed move forward in a transitional phase without consolidated billing. Consolidated billing is not quite ready, so in the meantime, we must figure out what is involved in the data collection efforts when the utility is not doing all of the billing.

Based on data collection processes administered by the U.S. Department of Energy, one participant suggested that a viable sample size would be several thousands of customers over about 24 months.

<u>Slide 13 – Environmental Justice Component</u>

Party Questions/Comments:

Bob Wyman suggested we should not delay dealing with power plant and electrical infrastructure issues of environmental justice (EJ) despite the complexity of EJ and the current LMI program. He stressed that EJ issues significantly affect low-income people.

- Marty countered that it would be premature to come up with anything effective on EJ, as the issue is complex and there are many outstanding factors that would need to be dealt with.
- Other parties agreed with Bob, arguing that we should not dismiss an EJ component just because of the complex and technical issues. Parties suggested to start with preliminary steps in the Staff report; putting forward a framework with a few key points; and, a few recommendations for what an EJ component would look like.
    - Marty said he would consider laying out a general framework in the Staff report indicating the areas that need further study and pointing to the work that needs to be done. However, he did not want to mention a transitional adder in the report. There is too much work that needed on the transitional adder so anything that he puts down could end up being completely wrong. Additionally, there are too

many uncertainties regarding who gets the transitional adder and where the money would come from to support it.

Another participant wanted to reiterate that the Consensus Party proposal put forward at the previous meeting is a good starting point for a transitional EJ component, and may have some useful elements that could be included in the Staff report.

Slide 14 – Further Process

There was a consensus among parties that another meeting would be helpful to provide an additional round of feedback for Staff to incorporate before submitting the report. Staff will try to find a date for this final meeting. Parties will also have the opportunity for further comment after the Staff report is filed.

After meetings of this working group conclude, Staff suggests that participants who are still interested in addressing LMI issues could look into other Commission proceedings that deal with similar topics, or could try to get involved in rate cases.