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# Community Solar and Community Participation in Renewable Energy Projects

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# Roadmap

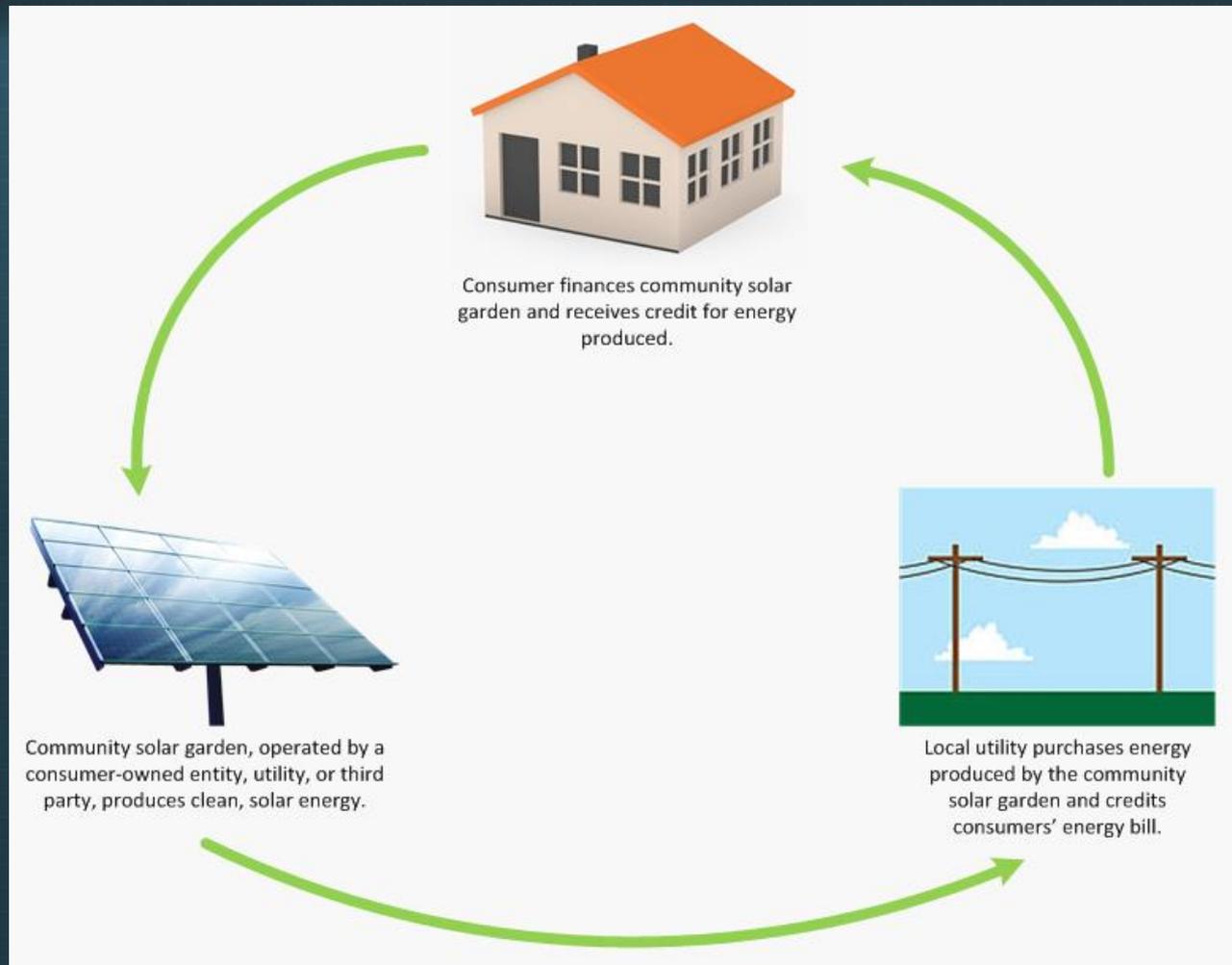
- I. The Community Solar Model
- II. Policy Mechanisms for Increasing Community Access

# I. The Community Solar Model

# Community Solar

- Three key characteristics
  - 1. A group of participants sign up to pay for a subscription to a community solar project located off-site
  - 2. Electricity produced by the project flows directly into the grid
  - 3. Participants receive an on-bill credit for the electric production commensurate with their subscription

# The Community Solar Model



# The Community Solar Model

- One sentence definition:
  - “CDG projects are defined as eligible generating facilities located behind a nonresidential host meter coupled with a group of off-takers who receive bill credits based on the generation of that facility.”
    - New York Public Service Commission, July 12, 2018, Case 15-E-0082

# Development of Community Solar

- 2006: First community solar program, run by municipal utility in Ellensburg, WA
- 2010: Colorado adopts comprehensive community solar enabling legislation that is subsequently widely imitated
- 2018: 16 states and the District of Columbia have adopted community solar enabling legislation

# Policy Rationales

- Enable solar access to customers who do not have the capacity to host panels on their property
  - Non-property owners; shaded roofs; space limitations; historic districts
  - Approximately  $\frac{3}{4}$  of residential rooftops are unsuitable for solar
  - Access to solar for low-income customers without sufficient credit for individual purchasing

# Policy Rationales

- Enable economies of scale superior to individuals hosting their own equipment
  - Administration and startup costs
  - Maintenance costs
  - Installation costs
- Enable simpler entry and exit
  - Customers can enter and exit community solar transactions at a lower cost, by buying or terminating subscriptions

# Key Legal Concepts

- Net metering
  - At the end of a billing cycle, a system's owner is billed for the "net" usage of electricity and credited for an excess of production over usage
- Virtual net metering
  - Allows project participants to be credited for their allocated share of the project production "as if" the system were located at their load site
  - Thus, the system's production is "virtually" net metered among many participants according to their share

# Community Access and Participation

- Wider accessibility of community solar versus net metered (“rooftop”) solar
  - No need for home ownership
  - No need for upfront capital
  - No need for tax appetite
- Community solar creates a revenue stream which supports financing
- Consumer engagement and access with community solar versus utility-scale solar

# A Potential Challenge: Securities Issues

- Both federal and N.Y. state securities law contain broad definitions of securities could potentially include a contract to participate in a community solar project
- This could trigger expensive and time-consuming compliance obligations
- This has not been an issue for most community solar projects, but it is something to be aware of
- The key is to ensure that projects are structured such that subscribers can reduce their electricity bills but cannot generate a profit from their subscription

# What Do the Following Have in Common?

- Scotch whiskey, self-improvement courses, cosmetics, earthworms, beavers, muskrats, rabbits, chinchillas, animal breeding programs, cattle embryos, fishing boats, vacuum cleaners, cemetery lots, coin operated telephones, health insurance, master recording contracts, pooled litigation funds, and fruit trees

# Mitigating Securities Risks

- Marketing and contract language focused on reducing the cost of electricity for the member's own consumption
- Contract language preventing use of subscription for profit
- Contract language preventing assignment or transfer of a subscription by subscriber
- Active monitoring of allocations to prevent buildup of bill credits significantly exceeding consumption

# Roadmap

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## II. Policy Mechanisms for Increasing Community Access

# Policy Mechanisms for Increasing Community Access

- Community solar makes solar accessible beyond those with the ability to install solar on their property
- However, extending access to community solar to low-income communities can be challenging
  - Projects will often set a relatively high minimum credit score for subscribers in order to obtain financing
  - Projects that rely serve higher-income areas and a significant proportion of large commercial subscribers can be easier to finance
  - Dense urban areas with substantial low-income populations can have few sites of adequate size for a viable community solar project available

# Policy Mechanisms for Increasing Community Access

- Several states have worked on developing policy mechanisms for increasing community access to community solar projects
- We will discuss New York's community solar program as a case study

# Case Study: New York's Community Solar Program

- New York Public Service Commission, Matter 15-E-0082, *Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions For Implementing a Community Net Metering Program*, July 17, 2015

# Terminology Note

- “Community Net Metering” – original terminology in PSC order creating NY’s program:
  - New York Public Service Commission, Matter 15-E-0082, *Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions For Implementing a Community Net Metering Program*
- “Community Distributed Generation” or “CDG” – terminology now used by PSC; inclusive of other technologies such as hydroelectric generation
- “Community Solar” – most common terminology nationally, terminology used by NYSERDA

# Community Access: Minimum Membership

- 10 member minimum to preserve community access
  - Other states have lower minimums
  - E.g. 5 member minimum in MN

# Community Access: Minimum Membership

- Community groups successfully pushed for a limited waiver of the 10-member minimum to make it easier to build a community solar project on the roof of a small multifamily housing building to serve the occupants of that building
- New York Public Service Commission, “Order Modifying Community Distributed Generation Membership Requirements,” March 13, 2017, p. 7.
  - Utilities ordered to “remove the ten member minimum requirement for Community Distributed Generation projects that are located on the site of a property serving multiple residential or non-residential customers.”

# Community Access: The 40% Rule

- “Anchoring” v. “Community Access”
- If any member allocations exceed 25kw in capacity allocation, the total percentage allocation represented by such members cannot exceed 40% of the project’s output
  - NY PSC, Order Establishing a Community Distributed Generation Program and Making Other Findings, Case 15-E-0082 (July 17, 2015) at 7-8.

# Low-Income CDG Access

- New York Public Service Commission, “Order Adopting Low-Income Community Distributed Generation Initiatives,” July 12, 2018
- Key Initiatives
  - Bill Discount Pledge
  - NYSERDA Income Verification Service
  - Loss Reserve

# Bill Discount Pledge

- “The BDP program would allow low-income customers to use a share of their monthly Affordability program bill discount towards the purchase of CDG subscriptions. While foregoing the benefit of the discounted bill, the participating low-income customers would instead offset a portion of their monthly bills through CDG bill credits.”
  - New York Public Service Commission, “Order Adopting Low-Income Community Distributed Generation Initiatives,” July 12, 2018, p. 4.
- If the CDG bill credits do not equal or exceed the amount of bill discount available under the Affordability program, the project operator must refund the difference to the subscriber. *Id.* at 17.

# NYSERDA Income Verification Service

- NYSERDA currently conducts income verification for its income-eligible programs
- To help CDG project developers to verify that potential low-income subscribers qualify as low-income, PSC ordered NYSERDA to develop protocols to allow CDG project developers to make use of NYSERDA's income verification service
  - New York Public Service Commission, “Order Adopting Low-Income Community Distributed Generation Initiatives,” July 12, 2018, p. 22.

# Loss Reserve

- “NYSERDA shall, through the Green Bank or other appropriate portfolio, create a loss reserve program for CDG projects serving low-income subscribers. NYSERDA shall engage with stakeholders in designing the program...[and] shall file a report on the status of loss reserve program development within 6 months of this Order.”
  - New York Public Service Commission, “Order Adopting Low-Income Community Distributed Generation Initiatives,” July 12, 2018, p. 24.

# Community Access to Renewables and Environmental Justice

- “Aligned Parties” community groups coalition active on CDG issues at the PSC
  - Alliance for a Green Economy, Association for Energy Affordability, Azure Mountain Power, Binghamton Regional Sustainability Coalition, Natural Resources Defense Council, New York City Environmental Justice Alliance, New York Lawyers for the Public Interest, Pace Energy and Climate Center, PUSH Buffalo, Solstice, Vote Solar, and WE ACT for Environmental Justice

# Community Access to Renewables and Environmental Justice

- “Low income and environmental justice communities have been subsidizing the costs and bearing the brunt of externalities of the energy system for decades...All customers must be given the opportunity to control costs and address climate issues through energy efficiency improvements to their homes and by moving their dollars to renewable energy.”
  - Aligned Parties, Comment, Case 15-E-0751, March 5, 2018

# Roadmap

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# Questions?

- Any questions on community solar or any of the issues raised in this presentation?  
Feel free to be in touch:
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