

PROPOSAL TO INCREASE ACCESS TO SOLAR FOR LOW INCOME & ENVIRONMENTAL JUSTICE CUSTOMERS IN THE SMART PROGRAM

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SUMMARY

With nearly half of the SMART program's 1,600 MW total capacity already committed, projects serving low income communities and households are significantly underrepresented. Despite adders aimed at encouraging low income solar projects, only 2% of the SMART program capacity allocated to-date is for low income solar projects. This low level of participation is driven by several factors, including the SMART program's narrow definition for "low income customer," the need for complicated and potentially misleading or disadvantageous contracts, and an inability to equitably and cost effectively allocate revenue and savings from SMART-qualified solar projects amongst different parties. The proposal described below would overcome these barriers and expand access to solar for low-income and environmental justice community residents who are currently unable to directly benefit from the Commonwealth's solar incentive programs.

THE PROPOSED CHANGES TO THE SMART PROGRAM WOULD:

- Deliver on the program's mandate for equitable distribution of the benefits of solar by expanding access to ratepayers who live in certain environmental justice communities in addition to low income customers, to be defined as Energy Justice Customers, based on the criteria provided below.
- Create an "Energy Justice Option" that would apply to Energy Justice Generation Unit ("EJGU") projects and the Low Income Community Shared Solar ("EJCSS") and Low Income Property ("LIP") adders.¹
- Increase consumer protections for Energy Justice Customers participating in the SMART program.

COMPENSATION FOR ENERGY JUSTICE CUSTOMERS

- **For EJGU:** To qualify for the Economic Justice Option, EJGU projects would need to allocate a minimum of 75% of the value of the difference between 230% and 200% of the Base Compensation Rate ("BCR") at no cost to Energy Justice Customers **AND** 100% of project offtakers would have to be Energy Justice Customers.
- **For EJCSS and LIP:** To qualify for EJCSS and LIP adders under the Energy Justice Option, projects would have to allocate a minimum of 75% of the total value of the respective adder generated by the system at no cost to Energy Justice Customers, in the case of a EJCSS, and to low or moderate income housing, as defined under M.G.L. c. 40B, or the residents of such housing, in the case of a LIP **AND** 100% of EJCSS project offtakers would have to be Energy Justice Customers.²
- In all cases, the incentive value would be allocated to Energy Justice Customers as a direct bill credit.
- Offtakers would receive a predetermined credit per kilowatt-hour. For example:
 - EJGU Projects. If 230% of the BCR is equal to \$0.391/kWh, and 200% of the BCR is equal to \$0.340/kWh, then the difference between the two would be \$0.051/kWh, and 75% of this value, or \$0.038/kWh, would be allocated to Energy Justice customers based on the solar project's monthly production for the duration of the incentive period.
 - EJCSS Adder. If the adder value for a EJCSS project is \$0.060/kWh and the minimum allocation is 75%, or \$0.045, the value of credits to be allocated would always be \$0.045 times the solar project's monthly generation in kWh.

¹ The Energy Justice Option is designed to support projects that are set up as Qualifying Facilities, and so would not require changes to net metering regulation or expansions of net metering caps.

² Please note that a EJCSS project selecting the Energy Justice Option would require 100% of the offtakers be Energy Justice Customers instead of only 50% under current rules.

- Projects selecting the Energy Justice Option would be required to submit disclosure forms signed by all offtakers affirming that they are not being charged any money or incurring any costs for participation. Project owners would also certify to the solar program administrator that they will not charge any offtaker under this option. The solar program administrator would make these conditions precedent to the approval of the Statement of Qualification for SMART Incentives.
- Since there are no payments between the solar project owner and Energy Justice Customers under the Energy Justice Option, the potential consumer protection issues arising from complex, misleading, or disadvantageous contracts would be eliminated.

COMPENSATION TO PROJECT OWNERS

- Solar project owners would be compensated with cash payments for: (1) the energy value of the electricity generated, pursuant to the applicable tariff, and (2) the applicable SMART incentive, less the amount that is allocated to Energy Justice Customers.
- The total compensation for the solar project owners would remain constant during the SMART incentive period. (Although the compensation pursuant to the Qualifying Facility rules will vary, the SMART incentive compensation will adjust so that the total compensation remains constant.)

DEFINITION OF ENERGY JUSTICE CUSTOMERS

The SMART regulation's definitions would be expanded as follows (proposed changes³ to the current regulations are in red):

Energy Justice Customer. An End-use Customer that is on a low-income discounted rate of a Distribution Company, is a residential customer that has a service address located within an Energy Justice Qualifying Census Block, or is a Customer of Record with a service address in low or moderate income housing, as defined under M.G.L c. 40B.

Energy Justice Qualifying Census Block. Any census block where the median household income is at or below 80% of the statewide median income for Massachusetts and that meets any one of the criteria for an Environmental Justice Population. The Department may adjust eligible census blocks. The Department may only add census blocks: (1) that are adjacent to and located in the same municipality as a census block where the median household income is at or below 80% of the statewide median income for Massachusetts and that meets any one of the criteria for an Environmental Justice Population; and (2) where the median household income is at or below 100% of the statewide median income for Massachusetts.

Environmental Justice Population criteria.⁴ Census blocks where:

- 25 percent of the households have an annual median household income that is equal to or less than 65 percent of the statewide median;
- 25 percent or more of the population is minority;
- 25 percent or more of the households have English Isolation.

Minority. Refers to individuals who identify themselves Latino/Hispanic, Black/African American, Asian, Indigenous people, and people who otherwise identify as non-white.

English Isolation. Refers to households that are English Language Isolated according to federal census forms, or do not have an adult over the age of 14 that speaks only English or English very well.

³ The changes to the regulations are not comprehensive. Additional changes to the regulations will be required.

⁴ From Environmental Justice Policy of the Executive Office of Energy and Environmental Affairs, adopted January 31, 2017.