

Illinois Muni And Co-op Members Want In On State's Solar Boom

by Kari Lydersen

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A coalition of downstate Illinois advocacy groups, solar developers, and residents is pushing for changes to help municipal and cooperative utility customers take part in the state's recently rejuvenated solar boom.

The 2021 [Climate and Equitable Jobs Act](#) revived state solar incentives and specifically ensured the “right to self-generate” for everyone in the state, but despite that assurance, many barriers still exist for as many as 1 million customers of Illinois munis and co-ops.

Advocates and residents say the problems include requirements for expensive liability policies and special meters, bans on power purchase agreements and solar leases, poor net metering policies, and concerns about grid adequacy.

The barriers often stem from muni and co-op leaders' desire to protect their members or lack of understanding about the solar economy. Changing outdated rules is often complicated by policies that make it difficult for members to have input or change the status quo.

“Our renewable energy programs have always been available in co-op and muni territory,” said MeLena Hessel, a senior policy advocate for the Environmental Law & Policy Center. “However, those customers can only have access to them if the co-ops and munis put policies in place to enable their customers to get credit for the energy the solar systems produce.”

Hessel's comments were part of a Feb. 8 virtual town hall, hosted by advocacy groups and solar developers and attended by about 200 people. (Editor's note: Reporter Kari Lydersen moderated the panel discussion; a recording is [available here](#).)

Staci Wilson, government affairs director for the Illinois Municipal Utilities Association, said her group has been in discussions with the coalition and supports the expansion of distributed solar, and that “municipal systems and cooperatives continue making strides to support these programs.”

“Illinois law recognizes that municipal systems and electric co-operatives may reasonably implement different policies than investor-owned utilities,” added Wilson, in emailed comments that she said should also be attributed to Nick Reitz, vice president of government relations for the Association of Illinois Electric Cooperatives. “Our smaller customer bases means that we must balance the interests of generating and non-generating customers. We continue engaging in productive conversations with solar developers as we update our policies to ensure equity for all our customers and recognize the valuation of self-generation.”

Advocates say it's ironic that muni and co-op members have been left out of programs meant to democratize the spread of distributed solar, since the muni and co-op models are in theory more accessible and conducive to citizen control than the investor-owned utility structure. Munis and co-ops are typically governed by elected boards, and advocates are encouraging solar enthusiasts to run for seats. Meanwhile, unlike investor-owned utilities, munis and co-ops do not have shareholders who are expecting a profit.

“We have aligned incentives in the muni and co-op world,” said John Delurey, senior regional director of Vote Solar, during the town hall. “In all the ways that investor-owned utilities have to serve their ratepayers and their shareholders, municipal utilities and co-operatives are really designed and structured to serve their customers. It doesn’t always appear that way, it doesn’t always unfold that way — that’s why it’s our role in part to help nudge them in that direction.”

Fair compensation and financing options

The Future Energy Jobs Act created powerful incentives for distributed solar, and also a program called [Illinois Solar for All](#) meant to make solar accessible particularly to environmental justice communities most impacted by fossil fuels. But many munis and co-ops do not allow net metering at retail rates, which is crucial for participation in Illinois Solar for All, and usually necessary to make solar financially viable, even with the state incentives.

The Climate and Equitable Jobs Act calls for muni and co-op members to be able to interconnect solar to the grid in a timely fashion and to be able to deliver energy back to the grid and be fairly compensated. The law requires munis and co-ops to develop and publicly share related policies by March 14.

“But there’s no regulatory authority to enforce this,” Illinois Citizens Utility Board environmental outreach coordinator Scott Allen told the Energy News Network. “We expect there will be local court cases, and we will end up with precedent.”

Stephen Nickels is part of the Southeastern Illinois Electric Cooperative. He installed a 10-kilowatt solar array in 2019 but receives only wholesale rates for the energy he sends back to the grid, terms he doesn’t see as fair. Nickels said he gets about 3 cents per kilowatt-hour for his solar, whereas the Illinois Municipal Utilities Association has pegged the value of solar at 5.5 to 6.5 cents per kilowatt-hour.

“I’m a small solar array owner whose excess generation gets distributed no more than a few miles to help feed my neighbors’ loads,” Nickels said during the town hall. “I’m not a wholesale energy producer. Treating me as such is punishing me for doing the right thing for people and the planet.”

Investor-owned utilities reconcile net metering credits annually, which results in higher payments than the monthly or “real-time” reconciliation that munis and co-ops often do. Annual net metering lets customers bank solar credits from times when they generate more energy than they use — like in the summer — to offset their energy demand from the grid in a month like December when solar generation is lower.

“There is a regressive movement to implement real-time reconciliation, particularly in the southern cooperative territories,” said Michelle Knox, founder and owner of WindSolarUSA based in Springfield, Illinois.

Most munis and co-ops in Illinois also do not allow power purchase agreements, wherein a third party owns a solar installation and sells the power back to the property owner. Such arrangements are a common way to eliminate the upfront costs of solar and allow nonprofit entities — such as government agencies, churches and schools — to tap federal solar tax credits.

Knox noted that the municipal utility in the city of Naperville — for example — [bans such agreements](#) over concerns including that they would violate the utility’s right to be the area’s sole energy provider. Investor-owned [utilities in Wisconsin](#) and other states have made similar arguments, but the agreements are common and often explicitly allowed [in at least 29 states](#), including Illinois, according to North Carolina State University’s Database of State Incentives for Renewables & Efficiency.

Grid upgrades and upkeep

Munis and co-ops often refuse to interconnect solar installations to their grids, arguing that existing substations or distribution lines can’t handle the influx of energy. Advocates note that in some cases the grids are perfectly able to handle solar installations, and in other cases the munis and co-ops need to make the upgrades rather than simply blocking solar.

“Eventually, whether they like it or not, these utilities will have to upgrade their infrastructure to modern standards,” said Allen. “I don’t see any way around that in a state that intends to generate 100% of its electricity from renewable resources, and current infrastructure just can’t accommodate that. We would like to think that these utilities will voluntarily upgrade, but currently, there are no compliance standards for them.”

Knox said munis and co-ops often misinterpret the effect a proposed solar installation would have on the grid.

“They assume that the solar owner will put all the production back on the grid versus using some of the production behind the meter,” Knox said. “Self-generation works by feeding the load that is behind the meter first and only feeds excess generation back to the grid.”

Munis and co-ops have also made the same argument that investor-owned utilities nationwide invoke in opposing the proliferation of distributed solar: that customers with

solar are being “subsidized” by those without solar since customers with solar [don’t “pay their fair share”](#) to keep up the grid. Multiple studies have shown that more distributed solar actually makes the grid more resilient and ultimately can lower costs for everyone.

Knox said the “fair share” issue is particularly thorny amongst Illinois co-ops and munis since they may “hide” charges for grid upkeep in their kilowatt-hour charges. More accurate billing for fixed costs would alleviate the concern that customers with solar aren’t paying enough for the grid, she said. Munis and co-ops often assess extra monthly fees on customers with solar for grid maintenance, a practice that the state muni and co-op association has said must stop.

The Illinois Municipal Utilities Association recommends that its members do not levy an extra monthly fee on those with solar. But, Wilson and Reitz said, munis and co-ops do face extra challenges in making sure they have adequate revenue for grid maintenance.

“Our customer bases are much smaller than those of investor-owned utilities, and we must consider the utility’s ability to recover fixed costs, maintain grid reliability and ensure fairness when providing self-generating credits,” they said.

Coal commitments

Another reason some utilities may be reluctant to buy customer-generated power is that they are already on the hook for large fossil fuel purchases with no clear way to avoid paying for it even if they add solar power.

Customers of many Illinois municipal utilities are locked into paying for energy and debt from the Prairie State Energy Campus, the [controversial and troubled coal plant](#) that is essentially owned by nine public power agencies serving almost 300 municipal utilities and electric co-operatives in Illinois, Indiana, Ohio, Kentucky, Michigan, Virginia, Missouri and West Virginia.

A recent report by the Illinois Municipal Electric Agency shows that 46% of their 32 municipal utilities’ energy is from Prairie State, while only 7% is from wind, 1% from solar and only 0.2% self-generated by members.

Residents at the town hall asked the experts whether their munis’ obligation to buy power from Prairie State could make it harder for their munis to expand solar generation and access. Knox and others explained that even though the munis are contracted to get

a certain amount of power from Prairie State, residents should still be able to install their own solar. And some residents said their interest in solar is only heightened since they are upset about being forced to pay for power from [Illinois's largest carbon emitter](#).

Jean Korte, a municipal utility customer and resident of Highland, Illinois, thought Prairie State sounded like a good deal at first, since customers were promised low energy rates locked in over time. But she is now frustrated that the town is stuck buying power from Prairie State even as much cleaner renewables and natural gas are becoming cheaper.

“Our cities are in a tough spot because of long-term contracts with coal,” Korte said. “But renewable energy is the future. We need to find a path away from coal and a just transition for people and communities affected by coal closure.”

She said school districts in Highland and elsewhere have been prohibited by their municipal utilities from entering power purchase agreements to install solar.

“I hope munis and co-ops will adopt new policies that reflect the true value of solar and make it accessible to all customers,” she said.

Kari has written for the Energy News Network since January 2011. She is an author and journalist who worked for the Washington Post's Midwest bureau from 1997 through 2009. Her work has also appeared in the New York Times, Chicago News Cooperative, Chicago Reader and other publications. Based in Chicago, Kari covers Illinois, Wisconsin and Indiana as well as environmental justice topics.