

Cedar Energy Investors LLC

January 28, 2014

Mr. Michael Judge
Massachusetts Department of Energy Resources
100 Cambridge St, Suite 1020
Boston, MA 02114

Comments – SREC II Policy

Dear Mr. Judge,

Cedar Energy Investors is an investment company that finances, owns, and operates photovoltaic systems via power purchase agreements and net metering purchase agreements for small-to-midsized commercial and institutional facilities, typically 75 to 350 kilowatts.

To put our comments in context, let me describe Cedar's model in Massachusetts. We invest in roof-mounted projects where the solar system is interconnected via a new stand-alone utility account in Cedar's name. Thus Cedar is the "Host" as defined by the net metering regulations. We then sell net metering credits, rather than electricity, to the site host. This structure allows us to serve multi-tenant buildings, like condominium complexes or shopping centers, and also commercial and non-profit entities with weaker or uncertain financial strength, because, in case of a payment default, we can reallocate net metering credits without a legal battle over control of the meter or missed payments.

We offer two comments on DOER's current proposal, both narrowly related to the definition of Market Sectors.

Clarify that Building Mounted Generation Units do not have an on-site use requirement to qualify for Market Sector B. Section 14.05(9)(1)(3)(b) defines system types for which SREC Factors shall apply, including:

“Market Sector B: any Building Mounted Generation Unit, or ground mounted Generation Unit with a capacity of greater than 25 kW for which 67% or more of its annual electric output is used on-site as prescribed in 225 CMR 14.05(9)(a).”

We understand that it is DOER's intent to impose the on-site use provision only on ground mounted systems. However, that interpretation relies entirely on the comma after “any Building Mounted Generation Unit”. Given DOER's stated desire to encourage such projects and the importance of third-party financing for projects serving small commercial and non-profit entities, we request that the SREC regulations as clearly as possible support the third-party financing model for rooftop systems. We urge a shift to language such as the following:

Cedar Energy Investors LLC

“Market Sector B: any Building Mounted Generation Unit. *In addition, Market Sector B shall include any* ground mounted Generation Unit with a capacity of greater than 25 kW for which 67% or more of its annual electric output is used on-site as prescribed in 225 CMR 14.05(9)(a).”

Broaden the language regarding on-site use for ground-mounted units to include consumption of net metering credits by the site host and by other building occupants.

Cedar has considered several small projects for schools, senior citizen facilities, and light commercial entities where the building’s sole occupant wants to buy the net metering credits, but the roof was too weak or old to support a system. Under the proposed SREC Factor Guidelines, if the system were built on land adjacent to and controlled by the building occupant, such a system would seem to not qualify for Market Sector B, as currently defined. Only a small fraction of the electrical output – far less than 67% – would be consumed by the inverter’s native load, with the remainder exported as net metering credits. At the same time, the building occupant could use 100% of the net metering credits from the system.

A similar problem arises for projects serving schools or other buildings with highly seasonal power consumption. Strictly applied, the 67% threshold could disqualify a school-oriented project from Market Sector B if too much of the production comes at a time when the school cannot make use of it. A good deal of power might be generated in the summer when school’s out, perhaps causing less than 67% of the electrons being used on site annually. In the same case, the school (or any other building with seasonal loads not meshing with expected solar production) can use 100% of the net metering credits in the course of a year.

A third situation is multi-tenant buildings with multiple meters, especially if the meters reflect tenants paying their own electric bills. A solar project can be sized and designed to service a building’s aggregate load. Small shopping malls, condominium buildings, and commercial offices with multiple tenants all fall into this category. Even if such projects meet the intent of Market Sector B, the proposed 67% threshold language may cause such projects to not qualify. A net metering credit framework, by contrast, can enable the landlord of an office building to use 40% of the output for common area loads and transfer 60% to on-site tenant accounts. Such a system would seem to meet the intent of Market Sector B, while extending support for host-oriented projects serving buildings with multiple tenants.

It appears that DOER intended to define Market Sector B as building-focused systems on the roof or the ground. Therefore we urge a change to broaden the definition of on-site use to include on-site consumption of net metering credits.

This change could either be done in the Market Sector B definition or in section 14.05(9)(a), which defines on-site use. It seems that “on-site use” is used beyond the

Cedar Energy Investors LLC

definition of Market Segment B. Therefore, it seems clearer to make the change in Section 14.05(9)(l)(3)(b), as follows:

“Market Sector B: any Building Mounted Generation Unit. *In addition, Market Sector B shall include any* ground mounted Generation Unit with a capacity of greater than 25 kW for which ~~67% or more of~~ the share of its annual electric output ~~is~~ used on-site as prescribed in 225 CMR 14.05(9)(a) *and the share transferred as net metering credits to electrical accounts whose interconnection points are on-site is 67% or more.*”

Whatever wording you choose, please encompass the situation where a mix of energy and net metering credit consumption achieves the 67% threshold.

Thank you for your consideration. We appreciate DOER’s continued efforts to grow the Massachusetts solar market smoothly.

Sincerely,



Mark Farber
President
Cedar Energy Investors LLC