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January 29, 2014

Michael Judge  
Massachusetts Department of Energy Resources  
100 Cambridge Street, Suite 1020  
Boston, MA 02114

Re: **Second Phase of the RPS Class I “Solar Carve-Out”**

Dear Mr. Judge,

On behalf of Palmer Capital, I thank the Governor and Department of Energy Resources for their leadership in building a vibrant solar market in the Commonwealth via the initial SREC program. We appreciate this opportunity to submit comments on the second phase of the solar carve-out intended to achieve the Governor’s goal of reaching 1,600 MWs of solar by 2020.

Speaking as both a developer and as an investor in solar projects, the more certainty the program creates with regard to long-term financing, the more likely the Governor’s goal will be reached in a timely fashion. The recent success of the initial 400 MW program does not necessarily mean that SREC-II will achieve similar results given its current design. In that regard, we would like to submit the following comments on the current design of the SREC-II program:

- First, we believe a solar megawatt hour should not be discriminated against whether it’s from a large or small installation. The fact that more, larger installations are now in line to be built is in large part the result of the additional time, effort, and cost – including interconnection and permitting – that such projects require. To suggest that this trend will continue based on historical data may not be correct.
- At a minimum, Eligible Landfills and Brownfields should be included in Market Sector B as opposed to Market Sector C. Besides the sound public policy reasons to promote beneficial uses of these sites, the permitting, designing and siting issues involving these types of solar installations dramatically increase capital costs and as such the economics require a higher SREC factor than the one currently proposed.
- If DOER insists on establishing SREC ‘factors’ among market sectors, then the megawatt hours which do not get ‘factored’ should at least be able to receive compensation as Class I Renewable Energy Certificates. Simply put, the production of these zero-emission megawatt hours should not be treated as the equal of megawatt hours derived from fossil fuels. At a minimum the non-factored MWhs should be treated as Class I RECs due to their environmentally friendly characteristics – DOER’s current proposal ignores this public benefit.

- The expiration of federal tax incentives for solar in 2016, namely the investment tax credit, could severely hamper the future development of solar in the Commonwealth even with the proposed SREC-II program. In order to “make hay while the sun shines” we would suggest a more front end loaded approach to the installed capacity targets. A target of 200 MW per compliance year through the end 2016 would provide the administration with half of its MW goal and possibly not burden ratepayers with future program adjustments to develop the remaining MWs in the Commonwealth.
- As we head into SREC-II many investors and lenders are having second thoughts about the ability of solar projects in the Commonwealth to provide a market return (or even service their debts) given the continuing oversupply situation in which SREC pricing is below the auction fixed price of \$300. Even though DOER purchased the remaining 2012 SRECs after the 3<sup>rd</sup> round of the auction (which we applaud), this needs to be codified by DOER in order to help remove uncertainty in the marketplace. The SREC-II program could experience a severe slowdown in the program if such a safety net is not provided – it’s time to make the Solar Credit Clearinghouse Auction-II fixed price an actual floor price.
- Since DOER will have greater control over the growth in this program, we believe DOER should also serve as a balancing mechanism during any oversupply and undersupply conditions. Specifically in an oversupplied market DOER should purchase any stranded SRECs (per the Solar Credit Clearinghouse Auction-II fixed price schedule). In undersupply conditions, DOER should be able to sell any of the SRECs it had previously purchased to entities required to buy SRECs or those entities would pay the higher ACP rate. Since the ACP rate schedule is higher each compliance year than the auction fixed price schedule, DOER should be able to self-finance this program. We believe this program would be much more helpful to the solar community than the financing program currently proposed in 225 CMR 14.05(9)(p). By acting in this capacity, in concert with growth management, DOER would help to moderate swings in the pricing of SRECs (which fluctuated wildly during the initial SREC program).

Thank you for allowing us to share our comments with you and we look forward to seeing the continued growth of solar power in the Commonwealth.

Sincerely,  
PALMER CAPITAL CORPORATION

A handwritten signature in black ink, appearing to read "Scott S. Kaplan", with a stylized flourish at the end.

Scott S. Kaplan  
Senior Analyst