



January 29, 2014

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

Re: SREC-II Comments on Proposed Regulations regarding SREC II

Dear Mr. Judge:

I am the President of Solventerra, LLC a Massachusetts-based clean energy development and consulting company. Started in 2009, Solventerra has successfully developed and financed more than 13 MW of solar power here in Massachusetts. We are but one of the many small, locally-based, solar developers, owned and operated by Massachusetts residents who have been working to help build the clean energy infrastructure that will power the Commonwealth into the future.

We are submitting these comments to the proposed Regulatory Changes to 225 CMR 14.00 RPS Class I regarding SREC II program ("SREC II changes"). As a small business, it is challenging for us to devote resources necessary to actively engage in regulatory proceedings. We know there are many similar companies who don't have the resources or capabilities to effectively participate. We ask DOER to consider the interests of these companies like ours who are participating in the solar market, but are not effectively making their voice heard.

As a prelude to these comments, we would like to draw some focus on the broader context in which we are acting. We support continued implementation of the Green Communities Act; the Global Warming Solutions Act; and other laws and regulations in Massachusetts that are making the clean tech sector a real driver for growth and innovation in the Commonwealth. We applaud the vision and leadership shown by Governor Patrick and the Legislature to adopt nation leading laws and policies which have helped make Massachusetts a clean tech leader. We appreciate the work that DOER has done to implement these laws and help make the Massachusetts solar market one of the most active and attractive in the country today. Smaller entrepreneurial companies like Solventerra have been formed here in the Commonwealth to answer the challenge of making our Commonwealth more energy competitive and clean. Companies and investors are coming to Massachusetts in large numbers to participate in the market. We look forward to further development of the market and the next phase of



growth. We think it is important that we keep the broader policy goals in mind as the laws and policies are put into effect. One very important objective of these policies is to support and promote the growth of Massachusetts' clean energy sector as a cluster of innovation and driver of economic growth and job creation. With this context in mind, we offer the following comment and proposal.

An underlying premise of the SREC II Changes is to manage and balance the growth in the solar sector and favor certain types of solar projects over others. The ground mount, mid-size facilities that dominated SREC I -- because they were most cost efficient to both develop and build -- are now in a "Managed Growth Sector." These projects are now significantly disadvantaged, both economically and quantitatively, compared to other types of projects, most markedly those in Market Sector A. The DOER has articulated a number of reasons for making these policy determinations including the character of the projects comprising the solar market. Another stated reason to disfavor ground-mounted solar projects was to address concerns that mid-scale ground mounted solar projects were going to blanket the Massachusetts landscape and take up available open space, farmland and forest.

To best meet the policy objectives expressed and articulated in the Green Communities Act and other legislation, and the many policy pronouncements we have seen in recent years, we urge that additional consideration be given not only to the character of the solar infrastructure that is built, but also important is the character of the companies doing the development and building. Under any policy regime, some companies and structures will be better suited and have competitive advantages over others in different Market sectors. Perhaps nowhere is this more apparent than in the residential solar sector, where large, mature, well-financed corporate entities dominate the market due to economies of scale in financing, administration, advertising, distribution, and importantly, policy advocacy. The third party PPA and leasing programs of these large integrated solar companies are often the best option in the residential solar market.

From our perspective, the strong competitive advantage enjoyed by the larger more mature solar companies erodes as you move down the Market Sector scale. In the Managed Growth sector small, Massachusetts-based start-up entrepreneurial developers like Solventerra and many others can, and have, most-effectively competed and helped to develop and build the solar sector.

It is thus somewhat ironic and disappointing that one consequence of the SREC II market design is that the largest incentive and benefit will largely go to those who need it least: the large, well-funded nationally based solar companies that are headquartered in other states.

So while we understand the DOER's rationale for favoring some projects over others, we also believe that there is an important role to be played by locally owned, Massachusetts based businesses



and projects. We are fully invested in the Commonwealth because we live here, we are members of the community, we are raising our families here. Accordingly, we try to be sustainable and responsible in the way we develop projects.

For example, we try to situate our projects in ways that minimize tree cutting, visual impact, and use of land. We live here and we understand the importance of maintaining the character of a community or neighborhood. One clear example of the importance of local community ownership relates to open space. While concerns have been raised about the impact of large scale ground mounted projects on the landscape and open space of Massachusetts, the goal of preserving open space can actually be promoted by responsibly designed ground-mounted solar projects. Solventerra intentionally adopted a sustainable development strategy where we sited projects on portions of much larger parcels or tracts of land. We believe that we are helping preserve the rural character and existing uses of land where we operate. In Palmer MA, we developed a solar project on 6 acres of a 33 acre field that the farmer plans to continue farming for hay. Situated behind a small ridge, it is largely hidden from the local road and set down in a valley. Without the solar project, the farmer might well have been forced by economic necessity to sell the entire plot to a housing or commercial developer. Similarly, Solventerra's projects at the Brookfield Orchards in N. Brookfield, MA, required roughly 15 acres, which are no longer in productive use, and will help preserve the operations of the Brookfield Orchards, a 100 year old Massachusetts business on an additional adjacent 341 acres of land. There are other cases in MA where ground mounted solar projects can be shown to be part of a larger contiguous landholding and thus preserve open space and existing uses.

Another important aspect of local and community ownership is the impact on economic development and jobs. Governor Patrick has often noted the \$20 billion a year that Massachusetts citizens export to pay for imported energy. By keeping our energy dollars in the Commonwealth through investments in home-grown renewable energy, we can support and foster more economic development here. This means more growth, more jobs, and a more developed Massachusetts industry. While building solar projects in Massachusetts doesn't require solar companies be based here, companies headquartered abroad will be here only as long as the program lasts. To the extent that we can build Massachusetts based businesses, as the solar market evolves and expands across the country and globe, locally based businesses will continue to drive innovation and growth here in the Commonwealth. Therefore, we suggest DOER should consider among the important variables the impact on the residents and ratepayers in Massachusetts who also own and run Massachusetts-based solar businesses.

The evolution of the Solar industry in the US is characterized by spurts of solar power development in states that adopted the incentive regimes necessary to spur investment and



development. When an attractive program is launched, there is a flurry of investment and activity and it lasts until the program ends. Then the developers and investors move on to the next state and opportunity. It is not a surprise that many of the nation's leading and largest solar companies are headquartered in California and New Jersey. These states were first to promote solar. Less than a decade ago, several of the largest solar developers were small companies finding their legs. And they were able to prosper and drive economic growth in their home states. As new states adopt attractive solar incentive programs, these companies move from state to state, capitalizing on their experience and size to capture large segments of market share. All this is a good thing. But we suggest that while those companies were growing their businesses in California and New Jersey, they were not subject to an incentive regime that favored larger, stronger companies from out of state. For Massachusetts to create a lasting economic impact, it is important that Massachusetts based businesses are supported and encouraged. At a minimum, they should not be disfavored or discouraged.

One final critical contextual point is that while Massachusetts is promoting an orderly path of development to reach the stated goal of 1600 MW by 2020, there are larger macro policies and forces at work that will impact the solar business, perhaps dramatically. First, the Investment Tax Credit is slated to expire at the end of 2016. This will increase the cost of solar by 30%. Second, another anti-dumping case has recently been filed by a German solar manufacturer with a plant in Oregon which closes the so-called "Taiwan" loophole that mitigated the impact of the prior anti-dumping case and holds the prospect of significantly raising the costs of solar panels imported into the US. Third, there is ongoing political debate about the utility of green energy and the value of continuing to promote the growth of a clean tech sector both at a national level and here in Massachusetts. There will be a new Governor in a year and we could see a dramatic shift in support for renewable energy. We have seen several other states dramatically reverse course on renewable energy policy after a change in leadership. For these broader reasons, we support and echo some of the comments offered at the recent public hearing that DOER should manage growth, but encourage more room for earlier, faster solar development. This is not to say abandon management of growth, but rather that DOER should take steps to create more room for development in the next few years.

We hereby propose a solution to meet these concerns and challenges in a way that is consistent with the SREC II regulatory changes that have been proposed, and not disruptive to the market as it has, and will continue to develop. The answer is simple and elegant. To support and encourage the continued development of sustainably developed, locally owned solar power projects by residents of the Commonwealth, the definition of "Community Shared Solar Generation Unit" should be expanded to include projects that are locally owned¹ and meet other desired characteristics:

¹ Defining a community project to include projects that are majority owned by residents has been done in other states. For example, in 2009, the State of Maine passed a "Community-based Renewable Energy Act" which



1. A majority of the ultimate owners of the project are residents of Massachusetts. One could include in the definition of qualified community projects a variety of associations and organizational structures, including partnerships and Massachusetts organized companies and limited liability Companies where a majority of the owners are Massachusetts residents.
2. Are 1400kw (dc) (or 1000kw(ac)) or less;
3. Do not take up more than 50% of a given parcel or tract of land; and
4. Are endorsed by the community where they are located through Town Meeting or other applicable local legislative body – i.e. Town Council.

As an additional or alternative idea, DOER could create a separate class or Sector to define Community Owned projects with an allocation of 75 MW per year for qualifying ground mount, Community/Locally owned projects. Additional criteria could then be added for qualification as a way to test different market structures and mechanisms. For example, there have been recurring challenges of coordinating the SREC program with the Net Metering law. For ground mounted projects without substantial on-site load, the need for net metering is vital but it is purely economic. There are substantial benefits as well as costs to the distribution system from locally sited generation, but these can be realized through an enhanced SREC factor. It would be more efficient and simpler if ground mounted projects could receive a sufficient SREC revenue to not require the economic benefits of net metering treatment but act as in IPP. If Massachusetts followed the Maine approach, a Community Shared system could receive 1.5 SRECs/MWH on condition that it agreed to forego Net Metering.

We thank you for the opportunity to provide these comments and look forward to working with the DOER to move the Massachusetts solar market to continued rapid growth.

provides a 1.5 times factor on RECs from qualifying projects and includes a definition of a community based project to include the following:

1. Community-based renewable energy project. "Community-based renewable energy project" means a locally owned electricity generating facility that generates electricity from an eligible renewable resource.

2. Eligible renewable resource. "Eligible renewable resource" means a renewable resource as defined in section 3210, subsection 2, paragraph C, except that "eligible renewable resource" does not include a generator fueled by municipal solid waste in conjunction with recycling and does include a generator fueled by landfill gas. "Eligible renewable resource" includes a biomass generator whose fuel includes anaerobic digestion of agricultural products, byproducts or wastes.

3. Locally owned electricity generating facility. "Locally owned electricity generating facility" means an electricity generating facility at least 51% of which is owned by one or more qualifying local owners.

4. Program participant. "Program participant" means a community-based renewable energy project that is participating in the community-based renewable energy pilot program established in section 3603.

5. Qualifying local owner. "Qualifying local owner" means a person or entity that is:

A. An individual who is a resident of the State;

B. A political subdivision of the State...;

C. A department, agency or instrumentality of the State;

D. A federally recognized Indian tribe located in the State;

E. A nonprofit corporation, organized under the laws of the State, including a unit owners association organized under Title 33, section 1603-101;

or

F. A business corporation, organized under the laws of the State, at least 51% of which is owned by one or more residents of the State.



Sincerely,

Roger M. Freeman
President,
Solventerra, LLC