



RENEWABLE ENERGY MASSACHUSETTS LLC

January 24, 2014

Massachusetts Department of Energy Resources
1000 Cambridge St.
Boston, MA
By Email

RE: SREC 2 Draft Regulations Dated January 3, 2014

We appreciate the timely process that the DOER is pursuing in advancing the SREC 2 program. We are grateful for the opportunity to contribute our comments on the draft SREC 2 regulations issued by the DOER on January 3, 2014, as follows:

I. Expand the Transitional 2014-15 Managed Growth Sector Allocations to Address the Substantial SREC1 Project Overhang

Our primary concern is that the 2014-15 transition structure of the Managed Growth sector of the SREC2 marketplace is not sized appropriately to fairly and efficiently receive the substantial 300+MW overhang of projects that applied for SREC1 qualification as of June 2013 but did not have the obligatory executed interconnection services agreement ("ISA") as of June 7th to qualify under SREC1. No doubt a substantial number of these 300+MW of projects had site control and were underway with permitting and the interconnection process. Many projects, including projects we have under development, were developed in 2011-2013 at capital risk with the expectation of participating under the SREC1 program. In addition, we expect that many of these non-SREC1 qualifying projects will be ready to go through the SREC2 gates as soon as they are opened this spring. Additional projects have been identified since June 2013, such that potentially in excess of 400MW of projects may be viable candidates for the Managed Growth sector in 2014-15.

By comparison, the draft regulations propose to allocate only 26MW in 2014 and 80MW in 2015 to the Managed Growth sector. It strikes us as a particularly harsh transition into SREC2 to punish many mature, originally-SREC1 projects by delaying scores of them into an uncertain qualification process for 2016 or beyond. In other words, many of these mature transitional 2014/15 projects face expensive land option payments and ISA construction deposits, but under your draft proposal dozens of them will be left in limbo or die because of a potentially lengthy and uncertain SREC2 qualification fate. We would encourage a one-time expansion of the 2014 Managed Growth allocation to 80MW (with any unused capacity rolled over to 2015) and of the 2015 Managed Growth allocation (including any unused 2014 capacity) to 120MW. If the DOER truly wanted to regulate the SREC1-2 transition, it could limit participation in any expansion of the Managed Sector to projects that were mature as of June 7, 2013, by which we would urge as of that date (a) site control, (b) filed interconnection application and (c) filed permit applications. Receipt of the permits noted in (b) and (c) above would not be appropriate since those types of projects would already be covered under SREC1.

In short, if we are even half (50%) right about the estimated scale of the transition from SREC1, adjusting the 2014/15 Managed Growth sector to 200MW would allow mature June 2013 projects to proceed fairly to final construction rather than be thrown into a second zero-sum race with later-in-time projects that were conceived after the SREC1 cutoff date last June. On the other hand, if we are more than 50% wrong about the transitional scale, (a) again, the DOER can limit expansion to mature projects as of June 2013 and, (b) if not enough of them show up, the transitional allocation would die unused and thus not eat into the balance of the SREC2 program.

II. Industrial Sites Should Participate in the Unregulated SREC2 Market Along with Brownfield Sites

While we clearly understand the re-use objective of encouraging brownfield solar sites, we would encourage the DOER to adopt a broader definition of appropriate re-use sites to include industrial zoned properties. In broad brush strokes, brownfield and industrial properties are highly comparable. Most industrial sites are highly disturbed parcels, many of them more so than many of the brownfield spaces with buried materials that were tucked out of sight in the woods to avoid detection. In addition, industrial sites are located in areas that local planning officials have long designated as appropriate host sites for industrial installations like solar energy facilities. By comparison, not all brownfield sites are in industrial zones, again for the obvious original detection reasons noted. We note that there are brownfield sites located in residential or commercial areas that certain towns in the central part of the Commonwealth have declared ineligible for solar development under restrictive solar zoning bylaws limiting solar development to industrial zones. As a result, in these cases, the DOER's state-wide policy support for brownfield solar will be made inoperative by restrictive local zoning laws.

In terms of achieving a diverse geographic mix of solar energy sites, expanding the unregulated SREC2 classifications to include a new industrial sector would tend to give more densely populated areas (and their municipalities under PILOT agreements and net metering contracts) a greater opportunity to reap the benefits of solar energy.

In addition, there is the issue of brownfield remediation economics and associated landowner expectations. Many brownfield landowners will, rightly or wrongly, feel squeezed by the cost of brownfield remediation dictated by government environmental agencies and they will be looking for recoupment. Similarly, in cases where no PRP is available, MassDEP-funded remediation will have produced a cleanup lien of multiple million dollars, which will constitute a significant economic barrier to solar development. We have already witnessed this confluence with a brownfield site in northeastern Massachusetts. As the DOER knows, the economics of solar development under the less generous SREC2 program will leave solar developers with less budgetary room for land lease deals, not more, than SREC1. We anticipate that brownfield development will prove difficult for the DOER to accomplish its goals.

In the end, we believe the classification of solar host sites is about the appropriate reuse of industrial sites, whether brownfield-designated or not. Many industrial sites are home to end-of-life industrial buildings and equipment. Given the greater service, technology and professional-oriented future of economic development in the Commonwealth, many old industrial sites will not be re-developed for industrial uses. To the extent industrial sites are currently viable, solar developers would not dislocate them. Accordingly, we encourage the DOER to consider expanding the unregulated component of SREC2 to include industrial sites. Because

brownfields have a particular economic challenge as noted above, their favored .8 SREC2 factor seems appropriate, whereas an industrial zoned parcel may be more appropriately modeled with a .7 SREC2 factor. In the end, if an unregulated industrial sector of the SREC2 program develops too quickly, the DOER can readily limit future development by regulation akin to greenfield sites at any time. We submit that industrial solar sites would qualify, like brownfield solar, as a good reuse of industrial sites in appropriate zoned areas of the Commonwealth and should likewise enjoy a secure development path in SREC2.

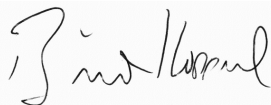
III. Net Metering Legislation that the DOER Should Promote.

Because the SREC2 program is not an island unto itself, we encourage the DOER to take a public role in promoting a 2014 legislative increase of the net metering caps to a level consistent with the goals of the SREC2 program. Specifically, since public net metering projects can be significantly larger under the DPU's net metering rules than private cap projects (2MW limit), it stands to reason that the public net metering cap should be increased more than the private net metering cap, potentially from 3% to 6% of the historic peak load. In order to address potential political concerns, the private net metering cap should perhaps be increased less aggressively insofar as it has seen less development. As part of a public cap expansion, we would urge the DOER, DPU and Legislature to consider expanding each municipality's 10MW net metering allocation in order to facilitate robust public cap development and municipal energy savings.

Finally, there is no doubt that geographic and land use considerations have driven greater solar development in National Grid territory than NStar. At the end of the day, the net metering program is a financial means to achieve the environmental and energy policy goals of the Green Communities Act. As a result, artificial land use and geographic considerations should not be a means to increase the comparative ratepayer net metering burden of National Grid customers compared to NStar ratepayers. Similarly, the large population in the metropolitan Boston area should be paying its pro rata share of the net metering cost. In addition, the larger cities in and around Boston should also be pushed to enter into net metering purchase transactions, not just municipalities in National Grid territory. Pulling all of these strands together, we would encourage the DOER, the DPU and the Legislature to consider converting net metering into a common credit pool, such that (i) net metering credits in any service territory in the Commonwealth would be creditable against any utility's bills and (ii) the net metering credit costs would be pooled and then divided among utilities based on their prorata market shares. We believe a common net meter credit system would distribute net metering obligations fairly and uniformly among all ratepayers in the Commonwealth; facilitate project development and efficient credit purchase transactions; and prevent a recurrence of artificial net meter imbalances currently existing in the net meter program.

We appreciate the opportunity to share our comments with the DOER.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Kopperl", is written over a light blue rectangular background.

Brian Kopperl, Managing Partner

Cc: Senator Ben Downing & DPU Chair Ann G. Berwick