

September 18, 2019

Commissioner Judith Judson
Massachusetts Department of Energy Resources
100 Cambridge St, Suite 1020
Boston, MA 02114

Dear Commissioner Judson,

Thank you for the diligent efforts that you and your team are making for the SMART 400MW Review to ensure that the program effectively meets the Commonwealth's renewable energy demands in the coming years. Hexagon Energy, based in Charlottesville, Virginia, has made significant investments in developing distribution-level community solar projects under the SMART program, drawn to invest our time and resources from out of state because of the Commonwealth's proven commitment to clean energy and the predictable nature of SMART. Despite being headquartered outside of Massachusetts, we have invested heavily in the Commonwealth's economy, working with local engineers, environmental firms, and attorneys throughout our development efforts, and we will continue to do so.

The 400MW Review offers a chance to recalibrate the SMART program to address unexpected challenges that arose early in the program's implementation. The initial rush of enrollments, the immense challenges with interconnection queues, and the rapid decline in base incentive rates have proven challenging right from the program's launch last November. Under current regulations, late-block projects will face difficulty securing financing and therefore being placed into operation.

We thus offer the following comments and requests:

1. Increase SMART Base Compensation Rates

We request that the DOER set Base Compensation Rates for Blocks 5-8 to Block 4 rates. Additionally, we request that DOER reduce the step-down rate for any new blocks (past Block 8) from 4% to 2%. As currently proposed, solar projects in Blocks 5 and up will face significant financial challenges that projects in the earlier blocks do not and that will preclude many projects from being built.

At the DOER's 400MW Review Straw Proposal session in Lenox, you noted that while the Department is thrilled with the current SMART allocation of over 1,000MW, only 34MW of that allocation have been put into service. You emphasized that the DOER desires to ensure that the remaining allocated projects will also be constructed and placed into service. Likewise, at his session at Solar Power Northeast in February 2019, Mike Judge emphasized that the goal of SMART's declining blocks was not to prevent projects from being built and that pricing adjustments could be made to keep late-block projects viable.

Late-block projects are financially constrained on four specific fronts:

i. Declining ITC rates in 2020



- ii. Higher interconnection fees than earlier projects
- iii. Riskier and more difficult permitting and land-use challenges
- iv. Lower SMART incentive rates before industry costs have sufficiently declined to keep pace

The decline in ITC rates—unless avoided by federal extension—will particularly harm projects that are unable to begin construction due to long waits for utility construction crews to make required interconnection upgrades. Likewise, high interconnection costs for projects where the grid has become congested also severely limit project viability. Permitting challenges increase both the costs and risks associated with developing a portfolio of projects under the SMART program, and the increasing risks lead to a decrease in investment in new and existing projects. The convergence of low, late-block compensation rates with ITC reductions, high interconnection fees, and high-risk permitting erodes the financial viability of late-block SMART projects.

We do not seek to do away with the SMART program's declining block system, only to align the rate at which the incentive declines with market realities. As originally designed, the SMART program envisioned that the blocks would fill gradually over a period of several years. However, the rapid enrollment and filling of blocks negated the expected decline in project costs over time. Our proposed moderation will allow projects that reasonably expected an earlier block allocation but received a later one to maintain viability and help the Commonwealth meet its clean energy goals.

2. Revise Grandfathering Criteria for the Increased Greenfield Detractor

We understand and commend the department's objective in steering future SMART projects away from utilizing open space by increasing the Greenfield Detractor. This makes particular sense in rural and western Massachusetts, away from the Commonwealth's greatest load and population centers in the east. However, there are projects in Eversource East territory that have been held up in the interconnection queue for years with no immediate lead on when they will receive an ISA. These projects will feed power into the Commonwealth's high-demand regions while being located on overgrown farmland or retired cranberry bogs. Development started on these projects well before the original SMART program launched, and they were designed around the original SMART legislation. Applying a 5X greenfield detractor to these projects while they have been held up by slow interconnection studies would seriously limit their viability and may kill them out of hand.

We request that the DOER allow for projects in Eversource East territory that entered the interconnection queue prior to the launch of the SMART program in November 2018 to be grandfathered under the original legislation and avoid the 5X greenfield detractor. Projects that entered the interconnection queue after November 2018 should be subject to the increased detractor. This will help provide solar power to the high load zones of the state while still allowing the Department to steer future projects away from greenfields and on to other sites.

3. Increase the Solar Canopy Adder

We appreciate the Department's proposal to do away with the declining-block feature of the solar canopy adder and hold the adder steady at \$0.06/kWh. As SMART seeks to steer solar projects away from greenfield development and towards densely populated regions, solar canopies will provide perhaps the most obvious form of large-scale distributed solar generation.

However, the \$0.06/kWh adder is too low to support robust growth of solar canopies, even without stepping down by block. The increasing costs of steel for canopy systems, high labor and materials costs for refinishing parking lots, and high lease rates to convince property owners to forego other types of commercial development on their parking lots combine to make solar canopies expensive. The SMART program's prematurely low base compensation rates in Eversource West and National Grid territories also hamper the financial viability of solar canopies.

We request that, in addition to increasing base compensation rates as mentioned above, the Department increase the Canopy Solar Tariff Generation adder to \$0.10/kWh and hold the adder steady across all blocks. This increase will make solar canopy development attractive for developers and spur

continued solar growth in densely populated regions of Massachusetts while greenfield development subsides.

In closing, thank you again for the opportunity to provide comment on the SMART 400MW Review process. We are proud to partner with Massachusetts in its march towards clean power and grateful for the chance to provide feedback. We believe that increasing base compensation rates, providing more nuanced grandfathering protection for Eversource East projects from the increased greenfield detractor, and increasing the solar canopy adder will help the SMART program and all parties involved with it meet the Commonwealth of Massachusetts' energy goals and remain a national leader in solar power.

Sincerely,



J. Scott Remer,
Development Manager