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**BY ELECTRONIC MAIL**

November 5, 2009

Michael Pleasant  
Department of Energy Resources  
[michael.pleasant@state.ma.us](mailto:michael.pleasant@state.ma.us)

Dear Mr. Pleasant:

I am writing today on behalf of NSTAR Electric Company (“NSTAR Electric” or the “Company”) in response to issues discussed at a public stakeholder meeting held on October 23, 2009, at the Department of Energy Resources (“DOER”), regarding DOER’s second straw proposal for a solar carve-out within DOER’s RPS Class I regulations (“RPS Solar Carve-Out”). DOER’s second straw proposal (“October 23<sup>rd</sup> Proposal”) modifies DOER’s initial straw proposal from August 26, 2009 (“August 26<sup>th</sup> Proposal”), and, in particular: (1) makes renewable energy certificates (“RECs”) generated by electric distribution company (“EDC”) owned solar generating facilities eligible for the proposed solar renewable energy certificate (“S-REC”) market; and (2) eliminates any requirement that the EDCs enter into long-term contracts as the method of providing security to solar energy project developers. The Company appreciates DOER’s ongoing efforts in this regard and is pleased to offer its comments below.

As an initial matter, the Company supports DOER’s recognition of the importance and equity of making RECs generated by any EDC-owned solar generating facilities eligible for the S-REC market. As the Company noted in its comments to DOER on September 9, 2009, the Company believes strongly that any RECs generated by solar generation facilities owned by the Company and other electric distribution companies should be explicitly eligible to qualify as S-RECs because utility-owned solar projects have the potential to spur development of the solar market as much or more than any other investment in solar generation. The inclusion of RECs from EDC-owned solar generation units in the S-REC market means that the EDCs and project developers will compete on a level playing field. This level playing field will, in the long run, benefit ratepayers by keeping costs as low as possible.

The Company is also pleased that DOER has moved away from long-term contracts as the preferred method of providing the level of security that solar energy project developers assert that they need in order to secure financing for projects. DOER’s October 23<sup>rd</sup> Proposal instead includes a Price Support Mechanism with four primary features: (1) an initial minimum standard, a target solar installation annual growth rate and ACP rate; (2) an auction account; (3) program

triggers and adjustments; and (4) a minimum standard cap. DOER's October 23<sup>rd</sup> Proposal appropriately allows the EDCs and solar energy project developers to enter into contracts for a length of time that matches each party's obligations in the market.

The Company is pleased with the modifications noted above and the Company remains committed to working with DOER to establish practical and workable regulations for the RPS Solar Carve-Out program. However, although the October 23<sup>rd</sup> Proposal represents a major step in the right direction, the Company offers the following comment on issues of continuing concern.

#### I. ACP Rate

As an initial matter, the Alternative Compliance Payment ("ACP") rate continues to be too high. DOER's August 26<sup>th</sup> Proposal set the initial ACP for 2010 at \$700/MWh. DOER's October 23<sup>rd</sup> Proposal sets the ACP rate at \$600/MWh in 2010 and gives DOER discretion to reduce ACP rates by 10% in any given year. As the Company noted in its previous comments regarding the August 26<sup>th</sup> Proposal, an ACP rate of \$700/MWh is too high and would unfairly burden ratepayers. The Company believes that an initial ACP rate of \$600/MWh is likewise too high and would also unfairly burden ratepayers. Since solar costs have dropped significantly over the past 12-24 months, the Company believes that it is unnecessary to set the ACP so high. The ACP should also be reduced because, in the case of S-RECs, the Company could very realistically be forced to pay the ACP through no fault of its own. In other words, if sufficient solar energy generation units are not constructed because of issues unrelated to economics, thereby forcing the Company to pay the ACP rate, then, in effect the Company and its ratepayers will be penalized for reasons completely beyond its control.

As the Company has noted, several states in the Northeast and mid-Atlantic region have instituted solar requirements that have ACP rates much lower and more reasonable than what DOER has proposed. As an example, Maryland's ACP is \$400/MWh in 2010, \$350/MWh in 2011 and decreasing by \$50 bi-annually. Based on these considerations, the Company believes that DOER should further reduce the initial ACP level in order to more adequately minimize the impact on ratepayers.

#### II. Price Floor

As noted above, the Company agrees with and appreciates DOER's assessment that long-term contracts are an inappropriate way to provide solar energy project developers with the financial security required to attract financing for their projects. As an alternative to long-term contracts, DOER's October 23<sup>rd</sup> Proposal contains a Price Support Mechanism that includes a floor price for S-RECs of \$300/MWh. In light of the many triggers at DOER's disposal to control the price of S-RECs (e.g., the Minimum Standard Growth Rate, minimum load percentages, etc.), the Company submits that a floor price is unnecessary as a means to control prices and that, in any event, a floor price of \$300/MWh seems high. The Company asserts that these triggers should be enough to allow DOER to maintain S-REC price levels high enough to provide security to solar project developers and to stimulate new growth in the solar industry in Massachusetts. By only utilizing triggers such as growth rates and minimum percentages to

control the price of S-RECs, DOER could also eliminate much of the confusion expressed by various stakeholders caused by many elements of DOER's October 23<sup>rd</sup> Proposal (e.g., extended life S-RECs).

### III. Banking Rules

DOER issued a Program Design and Analysis Document along with its October 23<sup>rd</sup> Proposal (the "Design Document"). In the Design Document, DOER proposes to limit the amount of S-RECs banked by retail electric suppliers to 10% of its current year obligation instead of the 30% limit allowed for in the general Class I RPS program. Adding another wrinkle to the RPS obligations could lead to unintentional errors and confusion. Thus, for the sake of simplicity, the Company submits that S-RECs should be treated just like all other RECs for the purposes of the compliance banking allowance.

### IV. DOER's MW Goals

DOER's October 23<sup>rd</sup> Proposal sets forth a Minimum Standard Cap of 400 MW of energy from solar generating units. The Company notes that DOER's goal is significantly more aggressive than the Governor's goal of 250 MW by 2017. NSTAR remains concerned about the cost impacts to ratepayers that will result from such ambitious goals.

### V. Conclusion

In closing, the Company notes that successful markets are those that are simple for administrators and have clear, unambiguous rules for participants. With the October 23<sup>rd</sup> Proposal, NSTAR Electric believes that DOER is on the right path. The Company offers the comments above in order to further improve the RPS Solar Carve-Out program and to further ensure that the program is a success. Thank you for your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read "Cheryl M. Kimball". The signature is fluid and cursive, with the first name being the most prominent.

Cheryl M. Kimball