



**Western  
Massachusetts  
Electric**

100 Summer Street, 23<sup>rd</sup> Floor  
Boston, Massachusetts 02110-2131  
(617) 345-1066  
Fax: (617) 345-1148  
E-mail: [klionsh@nu.com](mailto:klionsh@nu.com)

Stephen Klionsky, Esq.

November 5, 2009

VIA EMAIL

Michael Pleasant  
Department of Energy Resources  
100 Cambridge Street, 10<sup>th</sup> Floor  
Boston, MA

Re: DOER Solar RECs Carve-Out Proposal – Price Support Mechanism

Dear Mr. Pleasant:

On August 26, 2009, the Department of Energy Resources (“DOER”) held a public stakeholder meeting on a straw proposal to establish a renewable energy portfolio standard (“RPS”) for solar power.<sup>1</sup> WMECO participated in this meeting. On September 9, 2009, Western Massachusetts Electric Company (“WMECO”) submitted comments on the straw proposal. Subsequently, the DOER proposed a new structure for solar renewable energy credits (“S-RECs”) within the RPS. A public hearing was held on this new structure on October 23, 2009. WMECO also participated in this meeting. The new DOER structure sets out a Price Support Mechanism designed to provide price and revenue clarity for S-RECs sufficient to enable project development and financing. The DOER requested comments on its proposal by November 5, 2009. WMECO’s comments follow.

In sum, WMECO believes the implementation of the Price Support Mechanism and associated efforts will require considerable additional discussion in order to resolve key structural features and to provide for the integration of the mechanism into existing programs. WMECO believes that it would be a disservice to all involved to attempt to implement a mechanism like that proposed as early as January 2010.

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<sup>1</sup> Section 11F(a) of Chapter 25A of the General Laws provides that all retail energy suppliers in the Commonwealth must provide a minimum percentage of kilowatt-hour sales to end-use customers in the Commonwealth from new (that is, Class I) renewable energy generating sources. That percentage, or RPS, which increases yearly, is currently four percent. (WMECO does not separately solicit this minimum percentage. Rather, it is a requirement that is placed on the entities that are selected after a competitive solicitation and Department of Public Utilities (“Department”) approval to supply WMECO’s Basic Service load.) Section 11F(g) states DOER may specify that a certain portion of the RFP percentage shall be met through energy generated from a specific technology or fuel type (*e.g.*, solar energy).

In these comments, WMECO will not reiterate all the points it made on September 9, and will limit its discussion to DOER's Price Support Mechanism. Accordingly, WMECO offers the following points.

1. Timing of the Minimum Standard Growth Rate.

The Minimum Standard growth rate, as set out on page 6 of DOER's October 23, 2009 Powerpoint presentation, is a key element of the proposed design of the new mechanism. Under the current proposal, requirements can change substantially and unpredictably from year to year. If there is to be an adjustment to the Minimum Standard growth rate, it needs to be determined and communicated publicly at least one year prior to the date at which the adjustment is to become effective. If the rules associated with Basic Service procurements are not sufficiently clear in advance, including the quantity of S-RECs required to service future loads, suppliers will build in an additional risk factor to the prices bid. This additional risk factor will raise the cost of Basic Service to customers regardless of whether the risk being protected against ever materializes.

The need for a longer lead time is related to the timing of Basic Service procurements. WMECO's obligation to meet its RPS requirements is passed on through contract to the suppliers that provide WMECO's Basic Service. The Department of Public Utilities has mandated that 50 percent of Basic Service for residential and small commercial and industrial customers be procured during two solicitations approximately six months apart prior to the beginning of any rate period. To allow adequate time for the adjusted Minimum Standard growth rate impact to be understood by potential bidders for the first of the two solicitations, as well as to allow sufficient time for procurement approvals, the establishment of rates, and notice to customers, it is necessary to provide at least one year notice prior to the date at which the adjustment becomes effective.

Given the timing issue set forth, WMECO recommends rescheduling the implementation of the Solar RPS Solar Carve-Out to a date not earlier than 2011 to accommodate the needed lead time.

2. Impact of the Minimum Standard Growth Rate. DOER's proposal is to adjust the Minimum Standard requirement to provide a supply and demand balance that will provide greater incentives for solar power developers. However, the cost of these greater incentives will need to be paid by customers. It is therefore clear that this program will lead to higher electric rates for electric customers in the Commonwealth. The magnitude of the impact on customers should be ascertained and the plan should state that these impacts would be taken into consideration in any adjustment to the growth rate.

3. Consistency of DOER Proposal with Other Rules.

One element of the DOER's new proposal would increase the longevity of S-RECs (see DOER Powerpoint presentation, pages 7 and following). WMECO acknowledges that such an element would add some attractiveness to solar development. However, it is not clear to WMECO that the longevity proposal is consistent with existing New England Power Pool Generation Information System ("GIS") rules. Section 3.7(c) of the GIS Operating Rules provides

At the end of the fourth Trading Period for a calendar year (i.e., on June 15 of the subsequent calendar year), all Banked Certificates that have not been deposited into a Retail Subaccount or associated with an export transaction or a Reserved Certificate transaction shall be treated as “Unsettled Certificates” to be used to create Residual Mix Certificates, and shall otherwise *cease to exist* [emphasis supplied].

In order to avoid any conflict with the GIS Rules, WMECO recommends bringing in for discussion APX, the GIS system administrator, prior to any final decisions on implementation. If changes need to be made to GIS Operating Rules, those changes need to be worked out and put in place before program finalization.

4. Utility-Owned S-RECs Should Be Fully Eligible in any Program.

While not explicitly addressed in DOER’s revised mechanism, WMECO strongly believes that there should be no distinction with regard to S-RECs between utility-owned solar generation constructed pursuant to Section 58 of Chapter 169 of the Acts of 2008 (commonly referred to as the Green Communities Act) and non-utility owned solar generation. Excluding the utility-owned solar generation from receiving the S-RECs value that all other solar generation receives is inappropriate and discriminatory.

In conclusion, WMECO recognizes that Section 11F(g) of Chapter 25A provides for a carve-out for specific technologies and that DOER is proceeding down a path to implement such a carve-out for solar generation. WMECO believes, however, that any plan for S-RECs must be thoughtfully designed and constructed. It would be a mistake to rush into a plan such as that proposed on October 23, 2009 for implementation on January 1, 2010. Finally, in WMECO’s view, utility company S-RECs and non-utility-company S-RECs should be treated identically.

Thank you for the opportunity to submit these comments.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stephen Klionsky", written in a cursive style.

Stephen Klionsky