November 4, 2009

Michael Pleasant
Department of Energy Resources
100 Cambridge Street
Boston, MA 02110

Re: Proposed Solar RPS Price Mechanism

Dear Mr. Pleasant,

On behalf of Pinpoint Power LLC, we appreciate the opportunity to provide comments on the Department of Energy Resources' latest proposal for Solar Renewable Energy Credits ("S-REC"). Pinpoint Power has been actively developing independent power projects in New England since 2002. We focus on projects that satisfy demonstrated needs of the bulk power system. For instance, during the 1990's principals of Pinpoint actively participated in the successful development of several large natural gas fired combined cycle projects. Subsequently, Pinpoint changed directions in the early 2000's and developed successful peaking and demand response projects. Now, Pinpoint is actively pursuing Class 1 renewable projects including utility scale solar power in the Commonwealth.

We would like to provide the following comments on the Department's October 23, 2009 S-REC Price Support Mechanism proposal. First, we commend the Department for seeking market based structures that support robust development of new projects. Clearly, the Price Support Mechanism proposal seeks to provide stable and predictable revenue streams to solar projects in the Commonwealth in order for them to secure financing in today's credit environment. While long-term contracts for S-REC's remain the gold standard for successful project development (certainly in the eyes of the financial community), a fixed price auction could work if projects actually receive a guaranteed floor price (proposed to be $285/MWh) for a fixed term (initially set at 10 years). However, we need to be able to answer two key questions from investors: (1) What happens if for any reason the auction does not clear? (2) How do we know the rules will not change again in the future (i.e., regulatory uncertainty)?

The first question might seem like a theoretical issue, but we have recently seen other markets experience unprecedented failed auctions.[1] In addition, S-REC buyers (the utilities and competitive retail suppliers) are actively hedging their future exposure by building their own solar projects. Under the current proposal a failed auction would be addressed by extending the S-REC's shelf life and holding another auction as soon as possible. As such, the Department appears to be relying on an increasing value of S-REC's able to be held in inventory. Unfortunately, we heard from at least one competitive supplier at the public stakeholder meeting who stated that since most retail supply contracts remain short-term, the risk of purchasing a stranded asset appears to outweigh the value of an extended term S-REC. As a result, from a financing perspective, it appears that the new Department proposal has not met one of the key principles contained in its first proposal – that the risk of certainty related to S-REC

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[1] The $200 billion auction rate securities market suffered widespread failed auctions for the first time in February 2008 and securities were frozen until investment banks involved in their marketing agreed to repurchase the securities under duress from investigations by state attorney generals' offices.

revenue be shifted from PV investors to the utilities/ratepayers.[2]

Regarding the second question, since the fixed price auction will at first be implemented by emergency regulations of the Department of Public Utilities, is it possible for the Department to guarantee that future regulatory changes will not affect existing projects? The history of contract law precedent provides assurances to investors that future changes in law will not abrogate pre-existing contract terms. The same level of comfort clearly does not exist in the absence of a written contract.

Assuming investor concerns about a failed auction and future regulatory changes can somehow be addressed, we offer the following additional comments:

1. The initial Minimum Standard should be increased from 20 MW to 30 MW to ensure robust development continues unabated. While achieving Governor Patrick's goal of 250 MW of solar power in the Commonwealth by 2017 will take considerable effort, reaching the Department's Minimum Standard Cap of 400 MW constitutes a daunting task. Given the following programs are already in place and making progress, we strongly recommend the initial minimum standard be increased to keep these efforts all moving forward; especially since substantial federal subsidies expire at the end of 2010:
    a. Utility owned solar generation pursuant to Section 58 of the Green Communities Act of 2008
    b. Long-term contracts pursuant to Section 82 of the Green Communities Act
    c. The Massachusetts Solar Stimulus Program (MaSS)
    d. Legacy development of residential and Commercial solar PV pursuant to

[2] See Slide #14 in the Department's August 26, 2009 Solar RPS Carve out Straw Proposal

the Commonwealth Solar Rebate program

2. The fixed auction price should be increased to $350/MWh with only a $10/MWh administrative fee. The only number that financing institutions will look at when evaluating project economics is the floor price. As a result, we recommend that the floor be increased – even at the potential expense of a commensurate decrease in the alternative compliance payment price. Further, a spread of $10/MWh should be sufficient incentive for generators to actively seek bilateral contracts (albeit short-term due to the current length of retail supply contracts) instead of simply relying on the fixed price auction for revenue.

In conclusion, the Department has demonstrated great initiative in creating a Solar Carve Out with a goal of increasing the development of solar power in the Commonwealth. As a renewable technology with fewer siting limitations, solar PV projects can offer unparalleled benefits to the Commonwealth. We encourage the Department to continue pursuing financeable market structures which will result in the development of a vibrant market for non-utility solar power.

Sincerely,

Thomas E. Att

Thomas E. Atkins
President