

November 5, 2009

Mr. Michael Pleasant  
Massachusetts Office of Energy and Environmental Affairs  
Massachusetts Department of Energy Resources  
100 Cambridge St., Suite 1020  
Boston, MA 02114

Dear Michael,

Thank you for the opportunity to comment on the MA DOER's S-REC Price Mechanism as presented on October 23rd. Our perspective at GreenBridge Energy for the comments provided herein is based upon our experience as solar developers and Power Purchase Agreement integrators within the Commonwealth as well as the financial advisory expertise of our affiliate at Global Structured Finance Advisors ("GSF Advisors"), which has advised utilities, developers, and investors on many of the largest renewable energy projects including large solar PV systems completed in the US to date. Hence, our collective expertise covers the spectrum of small distributed generation to very large utility scale projects.

**Our fundamental feedback is that the DOER's Price Support Mechanism does not make development of small to medium sized distributed generation systems viable. If the objective is to promote very large systems within the Commonwealth and allow utilities and large developers to build out the target 20 MW of additions in 2010 and the growth to follow, then we believe this can be accomplished. But our thoughts about the limiting factors for the prospects of developing smaller systems for schools, non-profits, and other commercial hosts include the following:**

1. Absence of Compulsion for S-REC Purchasers to Participate in the Auction. Regulated utilities will be incented to negotiate S-REC contracts outside of the Auction which meet their RPS requirements on a cheaper basis than the floor price in the Auction. This will promote opportunities for very large developers who can deliver large amounts of generation or self-development of similar sized systems by the utilities themselves. Where counterparty risk varies by host and developer, the S-REC purchasers will be reluctant to deal with large numbers of small sellers either within the Auction or in advance of it. Also the 20 MW of target volume represents approximately 24,000 MWh per annum which at the full ACP rate is only \$14.4 million. Where the total retail electric sales in Massachusetts are 57,000,000 MWh, the S-REC component is only .04% of the total and equates to only a few dollars per rate payer. This does not seem to be of the magnitude to incent the utilities to take on the counterparty risk with dozens of small owners and host site locations. Furthermore, the \$7 million that is saved by acquiring S-RECs at the auction floor price versus the ACP amount represents a minor impact to either rate making or earnings per share regardless of whether such de minimis costs are passed through to



customers or shareholders.

2. Bank Financing is Not Available without Long Term Contracts. We have reviewed preliminarily the proposed Price Support Mechanism with several bank lenders in this sector and have confirmed their willingness to securitize cash flows only from S-RECs which are contracted directly with a counterparty. Their concern will be that utilities do not option to the Auction for whatever reason. We are working, as we have discussed with some of your colleagues, on a presentation to some of these lenders that explores the compulsion arguments set forth by the DOER and we will work toward arranging direct discussions between our lenders and the DOER. While we are not optimistic that traditional asset based lenders will become comfortable enough with the Auction process to advance funds in reliance on that process, this reluctance may be limited to the bank marketplace. Other developers may find that funding projects with equity or through venture capital or private equity sources is viable. These sources are obviously more expensive capital sources by a significant degree and by limiting the potential for bank financing, the overall cost to hosts and rate payers will be much higher for the target volume of 20 MWs plus 30% growth per annum.

In terms of potential modifications that could help the small scale market, our one thought is to require that the Auction fill the first requirements of S-REC buyers, after which they would be free to negotiate contracts with third party sellers. This could provide some certainty to the banks and other funding sources if it helps to facilitate the creation of a trading market because the S-RECs posted in the Auction would be the first purchases to meet the RPS requirements. The effect could be to create market makers or brokers, who have commodities trading backgrounds and are often investment banks or natural resources companies that could offer strong credit quality for the counterparty risk under a long term S-REC contract.

We look forward to continuing the dialogue about this program and seeing the next set of details that are released.

Sincerely,



E. R. Jenkins  
Chairman  
GreenBridge Energy Consortium

