



October 31, 2025

Grace Fletcher
SMART Program Manager
Department of Energy Resources
Commonwealth of Massachusetts

Dear Ms. Fletcher,

Thank you for the opportunity to comment on the 2026 Annual Report for SMART 3.0. We are supportive of the move from a declining block program in SMART 2 to an annual adjustable block program in SMART 3. However, we are concerned that the modeling that informed the 2026 Annual Report does not align with our experience of the market, and does not properly account for dramatic changes in federal policy that have taken place in recent months, and the ripple effects those changes have had throughout the industry. Unfortunately, very few of the projects in our pipeline are economically viable at the proposed 2026 rates; we are submitting a confidential attachment with further details on these projects. In addition, we are concerned by the substantial disconnect between the modeling performed by DOER's consultant BW, and Sustainable Energy Advantage, which performed its own analysis of needed 2026 rates at the behest of the Coalition for Community Solar Access. **We therefore recommend that DOER carry over the 2025 rates into 2026**, to allow for further stakeholder feedback on and refinement of the modeling methodology. The one exception to this recommendation is the Energy Storage Adder Multiplier, which, to our knowledge, was not modeled as part of the 2025 Annual Report. **For the Energy Storage Adder Multiplier, we recommend that it be established at the SMART 2 Tranche 1 level of .045, to be aligned with all other adders** (most of which were increased beyond the SMART 2 Tranche 1 levels).

As we noted in our previous comments on the SMART 3 guidelines, we believe that the total ratepayer cost that DOER is assuming for 2025 and 2026 with the rates as proposed is a significant overestimate. We believe that the total combined capacity of 1350 MW for 2025 and 2026 is far greater than the actual number of projects that will be ready to apply for PSOQs; perhaps as much as double. In light of this, we believe that if DOER holds the 2025 rates constant for 2026 with the exception of increasing the ESS Adder Multiplier to .045, the ultimate cost for ratepayers will still be less than what DOER has modeled and approved.

2026 Base Rates

Since the passage of the Federal OBBB Act, there have been major shifts in the solar industry that are affecting all projects, even those that are expected to maintain access to the Federal Investment Tax Credit.

First, we have observed a dramatic shift of **significantly increased hurdle rates** faced by our buyers, to reflect federal policy risk, tariff risk, and higher tax equity costs. Our standard assumption for investor rate of return increased by 2.25% across our entire Massachusetts portfolio; this change alone in our modeling wiped out more than half of the profit margin of our near-term SMART pipeline.

This modeling assumption has been corroborated by our recent experience trying to sell several projects we had been targeting for SMART 3. Unfortunately, **numerous potential buyers have responded that they do not consider these projects profitable in SMART 3**. This dynamic is even more pronounced for our Locational Adder projects. Given broad economic uncertainty, tariff risk, and timeline risk associated with retaining the ITC, our potential buyers are attaching a risk premium to any non-standard project, i.e. any project with a Locational Adder. This risk premium is more damaging for Floating and Building-Mounted projects, which typically have the tightest margins, so the proposed increases for those two adders are helpful, but not sufficient to offset the decreased base rates and low energy storage adder.

Energy Storage Adder Multiplier

As we noted in our October 15 comments on the SMART Guidelines, the proposed 2025 ESS Adder Multiplier is dramatically lower than we were expecting, and is the only adder that remained at the current SMART 2 level, rather than increasing to SMART 2 Tranche 1 or higher, as all other adders did. The proposed 2026 ESS Adder Multiplier is an improvement, but not a sufficient one. The SEA analysis indicates that the revenue requirement for paired storage is in fact much higher than SMART 2 Tranche 1 levels for most configurations. However, we are not asking for the adder to increase that high, simply for it to be raised to the Tranche 1 level of .045 for both 2025 and 2026. Energy storage in particular is likely to face increased supply costs as we learn further details on compliance with Federal rules on Foreign Entities of Concern. Furthermore, for most projects, it is not a practical alternative to seek an exemption from the storage requirement, as such a change would in most cases trigger an interconnection restudy.

Community Solar Adder

We agree with SEA's analysis that the 2026 Community Solar Adder does not need to be increased at this time. However, as we discussed in our October 15 comments, DOER should pay close attention to energy price forecasts when adjusting the Community Solar Adder in the future.

Agricultural Dual Use Adder

The 2026 Annual Report recommends an increase to the Agricultural Dual Use Adder, which is already among the highest adders. While we appreciate the recognition that Dual-Use projects have substantially higher capital and operating costs, we believe that an increase is not necessary, *as long as adjustments are made to the 2026 base rates and ESS Adder.*

2026 Capacity

As we noted in our October 15 comments, the total proposed capacity of 1350 MW for 2025 plus 2026 is likely substantially more than the industry will be capable of utilizing. However, there is still a chance that PY 2026 will be oversubscribed at 450MW due to the interplay of several factors.

First, **the ESS Adder Multiplier has a very significant impact on overall project valuations**. As noted above, New Leaf is currently trying to sell projects that we had planned to enroll in 2025, yet our buyers do not consider them profitable with the current 2025 ESS Adder value. If DOER does not change the 2025 ESS Adder Multiplier, but increases it to the SMART 2 Tranche 1 level for 2026, many projects would be more valuable in 2026 even if base rates remain as proposed in the 2026 Annual Report. Therefore it would be likely that many projects with storage would wait until 2026 to enroll. This could lead to overenrollment in PY2026, which would threaten ITC eligibility for any project that is waitlisted until 2027.

Separately, if there is low enrollment in 2025, there is a possibility that 2026 could be overenrolled in Eversource territory specifically. As we detailed in our October 15 comments, the existing backlog of projects is more substantial in Eversource territory due to both interconnection and the differing rates across utilities in SMART 2. Recent and future development, on the other hand, is likely to be more evenly distributed among service territories—as long as the Forest Carbon eligibility criterion is amended as proposed in our previous comments. Given the large amount of capacity made available for PY 2025, **we strongly recommend that the ESS Adder Multiplier be increased for 2025 so that that program year can serve to clear the backlog of projects** that have been awaiting the implementation of SMART 3. If that occurs, then we do not believe that there will be a strain on the proposed capacity of 450 MW for PY 2026. However, **if 2025 enrollment is very low, then it is likely that we will need additional capacity in 2026 specifically for projects in Eversource territory**.

Thank you so much for considering these comments. Please let me know if there is additional information we can provide to assist DOER in its decisionmaking on the 2026 Annual Report. Earlier this year we were filled with optimism about SMART 3, in spite of the attacks on solar at the federal level. Unfortunately, the various program details that have come out this fall have compounded the substantial headwinds we are facing from federal policy changes and broader macroeconomic uncertainty, and have left us with a pipeline that is largely no longer economically viable. We hope that DOER will find a way to make adjustments that will allow us to bring our projects to completion and contribute to achieving Governor Healey's stated goal of bringing substantial new solar resources online in the near future.

Sincerely,

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