

April 5, 2013

Commissioner Mark Sylvia
Department of Energy Resources
100 Cambridge St., Suite 1020
Boston, MA 02114

Re: Post-400 MW Solar Policy Development

Dear Commissioner Sylvia,

We applaud your pro-active efforts to establish sound solar incentives beyond the rapidly approaching cap on the existing SREC program. The current SREC program has worked well in rapidly growing the solar market in the Commonwealth, but can be improved as we work to increase solar electricity to a more meaningful share of our energy mix. The overarching goals of any changes to the program should be mindful of the following precepts: any detrimental, retroactive changes to the existing program will cause a total loss of confidence by potential investors in the next program; simplicity can sometimes be just as important in growing investment as the actual dollar figures; banks require certainty to lend against; the longer the runway for an incentive program, the more investment will go into growing the industry. We will elaborate on these and address specific program design considerations below.

Expanding the Existing Program vs. Implementing a New One

As the 400MW goal is rapidly approaching and legislation is time consuming and risky, we advocate expanding and improving the existing program in ways that do not require new legislation. If the Department believes new legislation could result in a superior incentive scheme, it should be pursued at a time when there is no time pressure.

SREC Factor Proposal

This proposal does add additional complexity to an already complex program. However, this proposal is capable of both lowering the incentive levels over time while maintaining the SREC floor for investors in the existing program. It also avoids the complexity and uncertainty of pre- and post-400MW SRECs. So we support this solution as a way to rapidly expand the program beyond the current 400MW goal. As mentioned above, keeping the \$285 floor for 10 years for investors in the existing program is of paramount importance.

Another benefit of this proposal is the natural ability to incentivize investment toward behind-the-meter projects and projects on under-utilized or degraded land versus on

prime agricultural or natural landscapes by giving different Factors for different kinds of projects. Today utilities and most citizens of the Commonwealth prefer solar development on roofs and near demand loads, but without varying incentives, much development is going into fields far from demand loads because of the economies of scale and inexpensive land in rural areas. As more solar is developed in these areas, transmission infrastructure costs will inevitably increase, while behind-the-meter systems decrease utility infrastructure costs. These costs should be taken into account in development of the SREC Factor.

Incentive Reduction Mechanisms

The cost of solar installations will continue to decline over time. However, the ability to predict the exact pace of this is beyond anyone's power. The cost of solar today is affected more by interest rates, Federal incentives, the tax code, labor costs, building codes, land costs, and regulatory compliance than the cost of solar panels. These things are all nearly impossible to predict, so the Department should not base SREC Factor changes on arbitrary time limits.

In addition, the market can change quickly, so any RPS or Factor adjustments need to be predictable, but also able to react much more rapidly than the current two-year RPS adjustment formula. Accelerating SREC minting to avoid the current quarter delay would also help the system react better to changing market conditions.

SREC Floor

As the Department has undoubtedly heard again and again, one of the biggest headwinds to the current program is that the SREC floor is not a firm floor. Making the \$285 floor absolute would help the program immensely. If lower ACP rates are required to make this happen it would absolutely be worth it.

Program Goal

The goal of the next version of the program needs to be large enough to make a substantial difference in the Commonwealth's energy mix (and associated carbon footprint) and give the industry a long runway to develop. Witness the US wind industry that could barely survive year to year until Congress finally put the Production Tax Credit on the books for multiple years. An absence of any cap would show a real commitment to the industry.

Opt-in Term and SREC Term Limits

If SREC Factors are introduced, changes to the opt-in term should be eliminated so that at least one variable is fixed in this already complicated incentive program. Ten years works well for financing solar projects and eliminating the change to eight years before July would be a benefit. However, if this change is to be made, it needs to be announced very soon and

explained carefully as there are many potential owners rushing to get their systems qualified ahead of the impending change, based on the advice of their installer.

SRECs beyond the opt-in term are of almost no value to investors today. If term-limiting SRECs coincident with the opt-in term can reduce the perceived program cost and enable other enhancements to the program, this should be done.

Marketing

The DOER and the SREC Program have done great things for the Commonwealth. Carbon emissions are down, many jobs have been created, and we are less dependent on dirty and foreign sources for our energy. However, few citizens recognize this. In fact, despite the collective efforts by all the stakeholders in the industry, relatively few residents are aware of all that we've achieved and all the benefits solar energy can bring to them. As a trusted state agency, the DOER could help the industry not just by creating incentives, but also by helping to grow awareness and understanding of them.

Thank you for your consideration.

Sincerely,

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