solar design associates

October 29, 2016

Commissioner Judith Judson and
Director Michael Judge
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, Ma. 02114

Dear Commissioner Judson and Director Judge,

Thank you for the hard work and endless hours that your team has invested in creating this new solar incentive straw proposal as presented on September 23rd, 2016 and for the opportunity for Solar Design Associates to comment on it today.

In general, we appreciate the desire to maintain a robust solar industry in Massachusetts at a reduced cost to taxpayers and ratepayers. We feel that the Commonwealth has created very successful programs since 2010 with the SREC I and SREC II incentives. Considering the recent reduction in the net metering credit values to the private sector and the current proposed minimum monthly reliability charges (MMRC), the new incentive will need to be priced accordingly in order to maintain stability and certainty in the marketplace. Considering that the pricing presented at the September meeting did not consider the MMRC, we think that the Department should re-calculate pricing accordingly.

Our major concerns with the proposal are as follows:

1) The Department should begin by establishing a solar generation goal or overall Megawatt capacity target, consistent with the Kain vs. Department of Environmental Protection decision by the SJC, the Global Warming Solutions Act, the recent Executive order 569, and the Green Communities Act. 1600 additional MW of PV solar to make a cumulative total of 3,200 MW, is only about 8% of our total electrical generation capacity in the Commonwealth. In order to achieve a goal of 100% renewable power by 2050, we need to get much more aggressive in our transition from natural gas to renewables in the near term. Setting a goal of 5,000 MW to 6,000 MW of cumulative solar generation by 2022 would be closer to meeting these goals and is an achievable target given adequate incentives. One benefit of a larger goal would be to reduce the frequency of reformulating these programs every two or three years and not perpetuating the boom and bust cycles of the Massachusetts solar coaster. How best to get there at the lowest cost is the key question. Given that the Federal Investment Tax Credits (ITC) will be sun setting in this same time period, it would behoove the Commonwealth to maximize leveraging the 30% Federal contribution in this time period. An aggressive goal would create and maintain thousands of well-paying clean energy jobs, keep Massachusetts energy dollars circulating in state with a 2:1 or greater multiplier effect, and a reduction of air pollution and health related costs such as fewer asthma cases and other respiratory illnesses caused by fossil fuel combustion for electric generation in places like Everett and Salem.

2) Lack of an interim program:

   The current SREC II program effectively ends on January 8th 2017 with some extensions through May 2017. For all intents and purposes, new early stage project development has effectively stopped. Until there is some certainty of the new incentive program rates and start date, no investor is willing to take the risk and expense of developing any new projects.

   SDA recommends extending the current extension of the SREC II program (SREC 2.5?) until the effective start date of a new incentive program, either by issuing a new

emergency regulation or adopting the good cause extension clause of the current emergency regulation. Since there is no certainty as to when the current Solar Incentive Straw Proposal or even a modified version of an SREC III program would begin, this extension of SREC 2.5 would allow for continuing project development in the interim. We leave the decision of exactly how to extend this SREC 2.5 to the Department, but strongly encourage that something be done soon to address this issue.

3) Land Use:

The current straw proposal land use restrictions could potentially remove 98% or more of the land area in Massachusetts from greenfield solar development. Although we agree that a balance is needed between overdevelopment of forests and farmland and creating clean energy generation close to the load, this proposal is excessive and overly restrictive. We strongly encourage the Department to not also restrict solar development in any areas that would allow other forms of development such as roads, subsidized housing, commercial development or power generation stations. Farms with non-productive land that could through solar development supplement their incomes and make these farms more economically stable should be encouraged, not discouraged. Sensitive areas are already protected through local solar by-laws, conservation restrictions and wetland protection acts, zoning by laws and the Natural Heritage & Endangered Species program. We urge the Department to find a compromise position that addressed the concerns raised by the environmental community and preserves the rights of developers to build distributed generation at the appropriate sites.

4) SREC III vs. A Declining Block Tariff:

Although the Department is seeking responses specifically on the merits and flaws of the current incentive proposal that is essentially a declining block program, we encourage the Department to also consider the merits of modifying the current SREC structure. At the DOER listening session at the Massachusetts College of Art, the majority of respondents suggested a modified SREC program over the declining block structure. By establishing a solid SREC floor price, though a system of requiring the compliance buyers to purchase whatever SRECs remain after the third auction at fixed floor price, there would be no arbitrage and speculation in the market. That would allow the ACP and floor prices to be reduced significantly, thereby reducing the costs to the ratepayers. This structure would be easily and quickly adopted through a regulatory process, not requiring the DPU involvement and would still provide access for the Municipal Light Plants to participate. Conversely, if the Department adopts the declining block program approach, the Department is creating a new learning curve for all involved, thus further complicating an already over complicated and extended process.
We do appreciate the Department's efforts to create a workaround for the net metering caps. However, we feel in an ideal world the best solution is to eliminate the net metering caps through legislative action. Given that this may now be politically impractical without utilities support, (even though the utilities have previously offered to do so), we understand and appreciate the current effort for a workaround to net metering.
We do feel that the QF adder would need to be greater in order to compensate for the loss of the net metering credit.

5) Block size and New Declining Block System of Assurance:

In order to forecast a financial pro forma for a utility scale project, there will need to be some system of assurance to guarantee a spot in a future 200 MW block that will allow for a 1-2 year timeline for permitting and the utility interconnection process to occur. Also larger MW blocks would prevent sudden shifts in value. There should be a carve-out for

smaller (<250 kW) projects and residential scale projects (<25 kW) to prevent larger projects from using up the entire capacity of any given block.

6) Project economics:

   Any evaluation of the project economics must work for the last block, not only the first block. Too much attention has been focused on the first block, not the last. The current adders with 15 year terms could be extended without changing values to a 20 year term to provide extra value. Conversely, the 10 and 15 year terms could be maintained but with higher adder values.

7) MLPs:

   Currently the MLP territory enjoys the current SREC II benefits without paying for these benefits. This is an unfair cost shift onto ratepayers in the IOUs territories. One option is to offer an opt-in option to these communities to pay into a fund to participate in a statewide program. Although this is a highly political issue, there should be a recognition of the barriers to the DPU regulating the MLPs and the legislature should take up this issue as it is beyond the Department's purview or responsibility.

8) Community Shared Solar:

   Recognition and distinction ought to be made between a member-owned community shared solar project and one where the membership are only off-takers. As it takes more organizational effort and management cost to operate a truly member-owned community shared solar garden, as in Harvard, the adder should be priced accordingly.

   There needs to be clarity as to the method of attribution of the credits for community shared solar participants and the effective tax impact of this allocation as opposed to the tax free effect of receiving net metering credits only. The adder for low income community shared solar should be adjusted upwards as this goal, though laudable, is more expensive to execute and involves much greater transaction costs than a single off-taker PPA.

   Solar Design Associates appreciates the opportunity to participate in the ongoing formulation of these new policies and looks forward to further engaging in these discussions. We look forward to working with you to achieve the renewable energy goals in the Global Warming Solutions Act, the Executive order 569 and the Green Communities Act.

Respectfully,

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