



October 28, 2016

Commissioner Judith Judson
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: Comments on Next Generation Solar Incentive Straw Proposal

Dear Commissioner Judson:

Thank you for the opportunity to comment on the Department of Energy Resources' (DOER) Next Generation Solar Incentive Straw Proposal ("proposal"), which was presented to the public on September 23, 2016. BlueWave believes that this proposal is a good step in enabling the industry to develop, finance and build solar photovoltaic (PV) projects in support of continuing to provide the citizens of Massachusetts with access to the economic and environmental benefits that solar PV provides.

In reviewing the proposal, we have identified several issues that we believe should be addressed before DOER files its Emergency Regulations and the Department of Public Utilities (DPU) opens an adjudicatory proceeding on utility solar cost recovery. These issues include (1) the potential gap in incentive programs as a result of the regulatory process, (2) prohibitive site criteria on forest land and agricultural land, (3) the necessity of maintaining a non net-metered facility adder, (4) defining the mechanisms to qualify for Community Solar, (5) splitting the storage/wholesale adder into two different adders and (6) establishment of a statewide Municipal Light Plant (MLP) solar program.

(1) POTENTIAL GAP IN INCENTIVE PROGRAMS

BlueWave concurs with the concerns raised in the joint letter from SEIA, SEBANE, Vote Solar, NECEC, Coalition for Community Solar Access and the Energy Freedom Coalition of America that was sent to DOER on September 30, 2016 regarding the potential gap in incentive programs between SREC II and the new solar incentive program. We are concerned that the regulatory process required by both DOER and the DPU may extend beyond the May 8, 2016 deadline established as an extension to the SREC II program. As DOER is aware, the timing and transition from one incentive program to another impacts the development timeline for projects and more importantly the access to project capital. When there is a lengthy regulatory process or delay in that process, the uncertainty created can increase the cost of capital and cause the market to seize up.

In order to avoid the implications of a potential gap, BlueWave supports the three different options offered in the September 30, 2016 letter, which include (a) "adjust this extension

to expand extension eligibility to all projects which submit a Statement of Qualification Application (SQA) by January 8, 2017. Further, the extension for mechanical completion should be tied to the effective date of the new incentive program” (b) “introduce a new extension under 14.05(9)(s)4. Specifically, we propose that any project greater than 25 kW may retain its Statement of Qualification provided that it can demonstrate it is mechanically complete by the later of July 8, 2017 and the effective date of the new incentive program” or (c) “DOER could issue revised Guidance to clarify that the lack of a final, effective successor incentive program would constitute good cause for an extension for all projects that meet the criteria described above.”

Addressing the gap is a critical issue for the solar industry and we believe that the solutions suggested by the industry coalition letter referenced above provide DOER with flexibility in how it addresses the issue.

(2) PROHIBITIVE SITE CRITERIA

DOER’s site criteria under the proposal prohibits ground mounted solar PV systems on eight (8) land types. In some cases, such as MassDEP Wetlands and Permanently protected Open Space, existing rules limit or prohibit ground mounted solar PV on those land types. In other instances, as identified below, the proposal will prohibit ground mounted solar PV on land types currently allowed under the SREC II program. Under SREC II such projects have met rigorous local permitting requirements and have been responsibly developed consistent with the existing soil conditions and with the long-term preservation of the land in mind.

- a. Prime Farmland Soils** - If the siting criteria were to remain as currently proposed, they would prohibit the development of ground mounted solar from qualifying for solar incentives on land designated as Prime Farmland Soils. Under SREC I and II, BlueWave has worked with farmers to place a portion of their farmland into solar production, stabilize their income and keep the remaining land in agriculture. Without this mutually beneficial opportunity, farmers could lose their property, eliminating an active farm that could then be developed as residential or commercial buildings.

In order to address any concerns that exist regarding the development of solar PV on Prime Farmland Soils, thoughtful guidance that promotes the dual use of agriculture and solar PV generation should be established with input from the farming community and the Department of Agricultural Resources (“DAR”), as opposed to a complete prohibition as currently proposed. Establishing criteria that defines dual use and which includes consultation with DAR is a balanced approach which will ensure that projects which are supportive/complimentary of the agricultural activities of the underlying property proceed. This guidance could also contain a provision that encourages solar developers to consider long-term soils preservation in their development project plans and require that they manage their projects accordingly.

Today, over 500,000 acres of land are actively farmed in Massachusetts. It is estimated that the new incentive program will enable 1,600 MW of new solar PV, which, assuming 50% of the total is developed as ground mounted systems, would represent approximately 4,000 acres of farm land in the Commonwealth. This would amount to approximately 0.75% of the total acres of actively farmed land in

Massachusetts today. This in and of itself is an appropriate management plan and does not justify a complete prohibition. Moreover, solar PV facilities typically have an expected life-span of 20-30 years. A solar PV facility developed on agricultural land is therefore temporary and the land can be returned to agricultural use or open space once the facility is decommissioned and removed. It is also important to note that for the 20-30-year period solar PV remains on agricultural land, its impact on soil conditions is light when compared to pesticides and nutrients used in agriculture activities.

b. Prime Forest Land and Bio Map2 Core Habitat and Critical Natural Landscape

Similar to the Prime Farmland Soils, the proposal will prohibit the development of ground mounted systems on Prime Forest Land and Bio Map2 Core Habitat. The vast majority of projects that have been developed on these land types have been thoughtfully developed and reflect collaborative engagement with and site specific conditions required by the local permitting authorities and state agencies.

In an effort to address any concerns that exist, we believe that DOER, working with the solar industry, land use organizations and relevant environmental agencies, can develop guidance for ground mounted solar PV systems on these land types. Criteria could include the following:

1. Requiring baseline Biodiversity & Habitat Assessments
2. Integration of biodiversity management into project design
3. Execution of a biodiversity management plan

A final note on site criteria - as proposed, we believe it would run contrary to current law which protects a landowners' ability to install solar energy systems on their property. Specifically, MGL Chapter 184 Section 23C voids any instrument that "purports to forbid or unreasonably restrict the installation or use of a solar energy system or the building of structures that facilitate the collection of solar energy."

(3) NON NET-METERED FACILITY ADDER

BlueWave fully supports the location, offtaker and policy based adders included in the proposal. These adders enable a diverse portfolio of solar PV projects, expand citizen access to Solar PV and align with the public policy objectives of the Baker Administration. Moreover, the proposed adders maintain programs and system types incentivized in the SREC II program including landfills and brownfields projects, Community Solar, parking canopies and building mounted systems.

Our one concern relates to the ongoing reconsideration of the Policy Based Non-Net Metered adder. At the Tariff Working Group, it has been suggested that the Non-Net Metered adder is not necessary to facilitate the development of projects as Qualified Facilities (QFs) whether Tariff based or Wholesale. We disagree strongly with this view and strongly encourage DOER to retain this adder as part of the incentive program.

In support of our position, it is important to understand the economics associated with Non-Net Metered facilities. As an example, the value of kWhs drops by approximately half for Private net-metered projects and by approximately 3/4 for Public net-metered

projects post SIP relative to the Net Metered (NM) option. The adder compensates projects for avoiding the NM construct, reduces utility costs for managing NM projects, and doesn't materially change the cash flow that would accrue to a project, the adder simply modifies the timing of their realization. Overall project revenues for 20-25 years with the non-net-metering adder are not expected to be higher relative to a net metered project; rather, the adder shifts the shape of the project's revenue curve to increase revenues in the early years of a non-net-metered project's life, to partially balance the lower value of wholesale electric production relative to net metering after the project's term once the incentive program is completed. Simply put, the Non-Net Metered adder enables the solar market to transition from a net metered structure with cap limitations to a more flexible and sustainable solar market without increasing ratepayer costs over term.

In addition to the revenue side, on the cost side, developing a QF involves incurring significant costs to register and maintain compliance with ISONE requirements. There are significant operating and capital requirements to deal with ISONE. The adder is necessary to compensate for this required expense of setting up and operating a non-net-metered project.

Being able to build larger systems under the successor program and the level of saturation at the distribution level could also mean that some projects may be required to connect directly to transmission lines rather than to the distribution network. There are significant additional costs to building dedicated interconnections to transmission as this usually involves building a dedicated substation, which can add millions of dollars to required project investments. The adder can also help compensate for this additional required expense.

Finally, consistent with the General Court's intent, the proposal incentivizes Community Solar through a specific adder. In the case of a net metered facility, the proposed Community Solar adder is sufficient to enable projects that will provide Community Solar to residents and small businesses in the Commonwealth. However, as intended by the proposal and due to the constraint of private net metering caps in Eversource and National Grid utility territories, the majority of new Community Solar projects will likely be built as either Utility QFs or Wholesale QFs. As articulated above, given the added expenses related to compliance with ISONE and interconnection, the Community Solar adder alone will not be sufficient to enable Community Solar projects. As such, retaining the Non-Net Metering adder or alternatively increasing the Community Solar adder, is critical to building new Community Solar projects in Massachusetts under the new incentive program.

(4) DEFINITIONS FOR COMMUNITY SOLAR

Under the existing SREC II program, Community Solar projects have been enabled both through the Market Sector A SREC factor and Net Metering 1.0. The transfer of Community Solar benefits from the project owner to the customer has been effectively provided through net metering credits on customers' utility bills.

Under the proposal, Community Solar will be enabled through three different options (1) Net Metered Facilities, (2) Utility QFs or (3) Wholesale QF. In the case of Net Metered Facilities, the current on bill crediting process will continue to be available, limited only by the amount of net metering available. As it relates to Utility QFs or Wholesale QFs, which

are new mechanisms to enable Community Solar in the solar market, there is no defined structure to provide solar benefits to customers.

- a. **Utility QF Model** - We recommend that DOER establish rules that require the utilities, under the Utility QF model to provide an on bill crediting mechanism that provides credits/energy value directly to utility customers that are offtakers. The administration of this structure can either be through a third-party administrator working with the utility or by the utility through its existing API system.
- b. **Wholesale QF Model** - As it relates to a Wholesale QF, we believe that eligibility for Community Solar can be met through market based solutions such as a contract between the system owner and a competitive retail supplier. Without the utility on bill credit mechanism provided through net metering, other ways to provide benefits to customers must be defined. For example, DPU could consider requiring an on-bill rebate mechanism or DOER could provide standards for customers to receive monthly payments from the system owner. Alternatively, we recommend that DOER provide flexibility in the eligibility requirements to enable other market based solutions that provide Community Solar benefits directly to customers.

(5) SEPARATING STORAGE AND WHOLESALE INTO TWO ADDERS

As it relates to wholesale with storage, it is important to split the adder (allow them to be stacked) and provide adder values that will support the development of storage. Storage adoption supported by solar will be extremely limited without “splitting” the adder categories to enable wholesale projects to be paired with storage. This structure update would align closely with the Administration’s focus and goals related to storage growth and cost-effectiveness; without it, solar plus storage progress could be minimal.

(6) MUNICIPAL LIGHT PLAN PARTICIPATION

As indicated in the proposal, implementation of the tariff will leave MLPs without access to a solar incentive program. We understand that DOER is actively engaging MLPs on how best to address this issue. Our only comment on this issue, is that whatever solution is proposed, it is our hope that it will enable equal access to developing solar PV across all forty-one (41) MLPs in the Commonwealth.

OTHER COMMENTS

We would also like to emphasize our strong support for the following provisions of the proposal including (1) expressing system project size in alternating current (AC), (2) consistent tariff rates across the state, (3) prioritization of Community Shared Solar and Low Income, (4) integration of storage into the incentive program, (5) maintaining the eligibility established in the SREC II program for brownfields, landfills and parking canopies. We also encourage DOER to consider establishing a locational adder where solar can provide benefits to the local grid, as identified by the utilities, according to guidelines from DPU

We applaud the Executive Office of Energy and Environmental Affairs for its comprehensive approach to developing the proposal. Important benefits of the new program include decoupling the solar incentive from net metering, providing price certainty through the tariff structure and

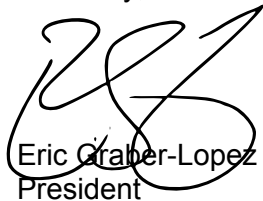
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maintaining public policy priorities. The Commonwealth of Massachusetts is a national leader in clean energy and land use and is poised to become a leader in battery storage. Ensuring that the solar incentive program continues to support these activities in tandem with each other is important for us all. We believe the proposal, with meaningful revisions as provided in this letter and through other public comments will support that goal.

Thank you for your time and the opportunity for us to provide these comments. DOER's consideration of our comments is greatly appreciated.

Sincerely,



Eric Graber-Lopez
President



Mark D. Sylvia
Managing Director