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Michael Judge
Director
Renewable and Alternative Energy Division
Department of Energy Resources
100 Cambridge St; Suite 1020
Boston, MA 02114

Dear Mr. Judge:

Thank you for all the hard work and creative thinking that the Commissioner, you, and the other members of the team have put into the straw proposal for a new solar incentive program presented on September 23, 2016 (the "Proposal").

Ameresco, Inc., a Delaware corporation ("Ameresco") headquartered in Framingham, Massachusetts, is a leading independent provider of comprehensive energy efficiency and renewable energy solutions for facilities throughout North America and the United Kingdom. Ameresco has been a leader in the highly successful growth of solar development and jobs in the Commonwealth, building more than 30 MW of solar PV projects, with 25 MW in construction and an additional 40 MW awarded and moving towards final approvals for construction. These projects are predominantly, but not exclusively, public projects for municipalities and government agencies.

Ameresco appreciates the way in which the Department of Energy Resources ("DOER") has tried to address some of the current market difficulties such as the caps in the net metering program, among others. While Ameresco thinks that that Proposal presents a strong launching pad for a new solar incentive program, there are some areas that may require additional thinking, clarification or tweaks to avoid some unintended consequences.

The proposed Block Structure and application process must continue to recognize the difference between Public and Private project development timelines and commitments.

Currently, the net metering application process operates with separate public and private caps whereas the Proposal would have all solar projects competing for the same block space within each distribution company. From experience, Ameresco believes a single block presents insurmountable challenges for public projects to advance.

As DOER is aware, when public entities such as municipalities procure a solar facility either on a building or on land such as a landfill for a ground mounted system, the municipality is required to follow state procurement law, either Chapter 30B or DOER if the solicitation is under Chapter 25A



which requires a series of reviews and approvals, local approval processes, and, in the case of landfill sited projects, Department of Environmental Protection regulations for the Post-Closure Use Permit. Often a town meeting vote may be required, which can add several months to a project's timeline depending on the town's annual schedule. A municipal project often takes two years to develop to the "Notice-to Proceed" into construction stage once the town or city decides to begin the procurement process

In recognition of the municipalities' timeline, we recommend different eligibility criteria for public versus private projects, or separate blocks. More specifically, to the extent that DOER is considering using the same application requirements as MassACA to apply to for this program, site control presents a particular challenge for public entities. To date, MassACA has NOT accepted a bid award as sufficient evidence of site control, although it does allow private entities to submit lease options. Ameresco suggests that in the public context, a bid award is tantamount to a lease option and should be sufficient documentation for block submission.

A related but additional concern is, when municipalities require price proposals, the bidders will have to make decisions about which block (and the relevant incentive rate) will be available to that project. If bidders are continually unable to secure block space until after a significant time has passed since bid submission such that the block has moved on, it may result in the bidder having to cancel, creating unnecessary inefficiencies and obstacles for public projects. To address some of these issues, the application process could allow for a municipality to reserve block space, so that bidders know which block the project will be in, and the municipality will have a period of time to award the reserved space to its winning bidder. At that point the reservation clock will begin running.

Especially for municipalities, the MW block reservation criteria must accommodate the distribution companies' long Interconnection Service Agreement process, including the long Interconnection Study process

After a municipality decides to start the procurement process by contacting DOER under Chapter 25A, engaging a consultant, going through the municipalities' review and approval process, and then bidding and awarding the RFP, at least one year will have transpired. By the time the awarded developer is able to complete the electrical design for the distribution company and submit an Interconnection Service Application ("ISA") ahead of receiving an executed PPA from the municipality -- additional months have passed.

To date, Ameresco's experience has been that even small-sized projects (under 500 kW), especially in central and western Massachusetts, which are even interconnected directly behind an existing customer meter (not net-metered) have still required detailed utility engineering studies and ultimately a requirement for expensive utility substation upgrades. A reservation system based on the ISA study timeline, which includes stopping the timeline if any minor or de minimis changes are required to the submitted documents, places the proposed municipal projects outside of the developer's and the municipalities' ability to timely file for block reservations. For municipal or government projects, Ameresco requests that the pre-application study be required for the MW block reservation. DOER may impose criteria on the distribution companies for performing these pre-application studies.

The 200 MW block size is too small, especially for the first block.

With respect to the size of the blocks, Ameresco appreciates the simplicity of setting up 200 MW blocks split over service territory, but it may not represent the most effective way to allocate block space, especially with the first round where there is bound to be greater demand from the end of SREC II. As DOER thinks about some of the categories that may need separate blocks or carve-outs, it may make more sense to distribute capacity differently, weighting it more in the beginning of the program. In addition to the carry-over demand from the end of SREC II, it will take time to attract investors to this new model. Making the first block or two larger to allow projects and investors to grow into and acquire comfort with this new model may provide for a smoother transition. Setting the initial blocks at 400 MW – 800 MW is not unreasonable given the probable pent up demand from the SREC II expiration.

Ameresco asks DOER to clarify the structure of the incentive payment (i.e. what product(s) are being purchased).

Ameresco appreciates the tariff structure providing a level of price certainty that is harder to achieve in energy and related markets. Ameresco believes that as proposed, the new tariff essentially provides a payment by the distribution companies for the RPS Class I RECs net of energy, and that the utilities are not purchasing ISO-NE capacity credits or rights to the projects' ISO-NE capacity.

As contemplated in the proposal, a solar project will have to (1) take service under the relevant distribution company's net metering of qualified facility tariff for the energy or (2) otherwise participate in ISO-NE energy markets. In the first scenario the incentive payment will be net of the energy compensation received under the net metering or qualified facility tariff. The distribution companies are required to purchase the energy under those tariffs by relevant state or federal law, ultimately recovering those costs from ratepayers through the appropriate reconciliation process. In the second instance, where the project is selling the energy directly into the ISO markets or selling directly to municipal or corporate customer, the distribution company is not taking title to the energy, nor are ratepayers ultimately on the hook for that cost. The project is taking the risk of bidding into dynamic energy markets. In that instance, Ameresco believes that projects should receive the full incentive rate of the appropriate block, without netting the utilities' ISO-NE Qualifying Facility tariff cost, since the distribution company is not paying for the energy in this instance.

The participation of municipal light plants in the incentive proposal should be further explained.

As the Proposal presents a new regulatory structure separate from DOER's RPS program which by statute exempts municipal light plants ("MLPs") from its requirements, Ameresco asks DOER to clarify how projects located in MLP service territories will be able to participate.

- Will the MLPs be required to adopt tariffs to provide incentive payments to solar projects? If so, the block structure may need to be tweaked since the minimum size per MLP would likely be too small for projects to bid in, or aggregate the MLPs into a single block.
- If the MLPs are not required to offer tariffs, will they be required to wheel power to a neighboring distribution company and would that project be eligible under the relevant distribution company tariff?

Ameresco notes that the enabling statute states that DOER is to develop a “statewide solar incentive program to encourage the continued development of solar renewable energy generating sources by residential, commercial, governmental and industrial electricity customers throughout the commonwealth.”¹

Since one of the statutory purposes and named goals of DOER in putting together the Proposal is to expand solar access and ensure diversity of projects, ensuring that customers in MLP service territories can continue to participate in the development of solar projects seems a necessary part of any successful program.

The proposed land use restrictions require both clarification and exploration of the potential impact for certain landowners.

Ameresco appreciates that as the solar market matured, DOER adjusted its SREC program with incentives that prioritize certain land uses over others (e.g. brownfields over green fields). As outlined in the Proposal, DOER has taken the additional step of prohibiting participation of solar projects located on certain types of land.

Ameresco requests clarification that defines any land use prohibitions or limits more precisely.

- What is the basis for definitive characterization of the location of restricted land types and will the parcels that are partially covered by such land types be fully excluded or only the relevant portion? For example, a landowner has a large parcel of land of which the north west corner is deemed prime forest land, but she wishes to lease the south east portion for a solar development.
- Is it permissible to locate the solar array on a portion of the parcel so long as its footprint does not fall on that part of the parcel deemed prime forest land?
- Can trees that border permitted land, but are located on prime forest cut if such trees cause shading on the permitted land?
- What happens if there is a parcel of land that is designated both a landfill and prime forest land? For adders, but more importantly with respect to any prohibited location, it is imperative for project planning that such limits be clearly delineated.

Ameresco seeks further clarification on the energy storage incentive program in the next Proposal draft.

Based on its review of the Proposal, Ameresco has the following questions for clarification:

- Are there any minimum or maximum limitations on the energy storage size (kW of Power Capacity or kWh of Energy Capacity) to receive the incentive energy storage credits?
- Are there any stipulations on how the energy storage systems must operate or the minimum charge/discharge requirements to be eligible to receive the storage incentives?

¹ Stat. 2016, c. 75 §11 (emphasis added).

- Please confirm that the energy storage incentive (\$/kWh) is based on the annual generation of the PV system.
- Are there any limitations on the types of storage technologies that will be eligible for this incentive (for example, Li-ion, Flow, Lead Acid, Flywheel)?

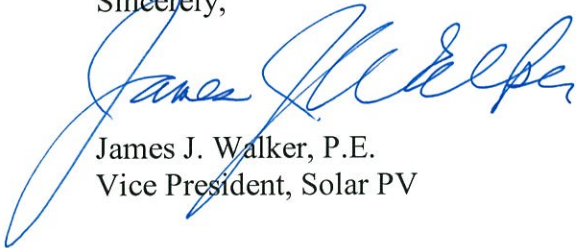
DOER should consider extending the SREC II program while it works with stakeholders to further develop the details of the new incentive program.

Ameresco recognizes all the groundwork DOER has laid in undertaking the creation of this new program, but believes there are important details to be worked out with stakeholders to address some of the questions raised by commenters and ensure that certain classes or projects are not disadvantaged or other unintended consequences. As a result, Ameresco asks DOER to extend the SREC II program so that there are not unnecessary gaps in solar development and the attendant economic consequences such as job loss until the Proposal is finalized and put into effect.

Finally, as the Proposal process moves forward with DOER's emergency regulation, it will be helpful for the developers' financial modeling as well as ensuring continuity in the development of solar in the Commonwealth, to provide a proposed tariff to be ultimately submitted to the Department of Public Utilities. Such a model tariff will allow more time to get investors comfortable with the new program structure and help mitigate the development lag between SREC II and the Proposal program.

Thank you again for the opportunity for Ameresco to submit these comments on the Proposal and work with DOER in the development of this new incentive program.

Sincerely,

A handwritten signature in blue ink, appearing to read "James J. Walker".

James J. Walker, P.E.
Vice President, Solar PV