

Cedar Energy Investors LLC

August 26, 2013

Mr. Dwayne Breger
Director, Renewable and Alternative Energy Development
Department of Energy Resources
100 Cambridge St, Suite 1020
Boston, MA 02114

Comments – SREC II Policy

Dear Mr. Breger,

Cedar Energy Investors is an investment company that finances, owns, and operates photovoltaic systems via power purchase agreements and net metering purchase agreements for small-to-midsized commercial and institutional facilities, typically 50 to 250 kilowatts.

Cedar's three principals have extensive PV experience in Massachusetts. Mark Farber was the co-founding CEO of Evergreen Solar and has served as President of SEBANE. John Harper leads Birch Tree Capital LLC, which advises developers and other market participants and specializes in solar and wind project finance. William Osborn has been a long-time consultant and investor in cleantech and currently manages Commons Capital LP and the Massachusetts Green Energy Fund, both Boston-based venture capital funds investing in clean energy companies.

We offer the following comments on DOER's August 12 proposal.

- **Incentive levels seem sufficient for residential and large commercial but may be challenging for the small commercial segment.** The small commercial sector is, in our opinion, the most economically challenging for solar at this time. Small commercial lacks the high energy rates of residential (due to demand charges) and further lacks the scale to drive down installed system costs, transaction costs, and other soft costs. With module prices stabilizing and slightly increasing, 2014 could be a particularly challenging year. That said, we believe the proposed approach can work for this sector if other policies, discussed below, are favorable. While increasing SREC prices from proposed levels is probably not merited, any decrease from the proposal would likely remove the small commercial sector from the market.
- **Assigning the highest SREC factor to all roof-mounted systems is necessary and consistent with encouraging solar for on-site usage.** We further support giving the highest SREC factor for ground-mounted projects intended for local consumption, though are concerned about the regulatory complexity to implement and monitor compliance with a criterion tied to the off-takers of the project output. A project selling net metering credits to one or more customers across the street or in the neighborhood is just as consistent with the state's existing policy goals as selling to

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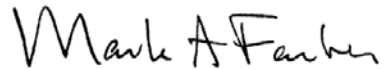
the owner of the project site. To assign a lower SREC factor in such cases would undermine the state's net metering laws and policies. Instead, we suggest that system size as the eligibility criterion can support the policy goal of encouraging on-site use, at far less regulatory complexity and potential for gaming. The state should not be obliged to verify individual sales contracts, which for net metering contracts at least can change off-takers frequently during the course of the contract. We suggest that most ground-mounted projects under 250kW are intended for on-site and local customers. If DOER desires to keep the 500kW threshold for competitive bidding, a middle tier SREC factor can be introduced for projects in the 250-500kW range.

- **The 10-year opt-in feature is critical to solidifying the floor price mechanism.**
- **SREC economics must follow building type, not ownership or financing type.** Specifically, rooftop systems and small ground-mounted systems using third-party-financing structures such as power purchase agreements, net metering agreements, leases, or other financing structures, must qualify for the same incentives as customer-owned systems. These structures have emerged in Massachusetts and across the country to meet the needs of customers unable to make effective use of tax incentives linked to ownership, e.g., house of worship, towns, schools, and non-profit entities, as well as the needs of moderate-income home-owners and local companies husbanding capital for their direct businesses. The state encourages third-party net metering agreements. The new policy should enable such ownership and financing structures to continue to broaden access to solar across the full range of public, private, and non-profit property and building owners.
- **We support DOER's ability to modify SREC factors if sufficient notice is provided.** Lead time of 6-12 months is necessary for commercial systems, probably 12-18 months for large ground-mounted systems. As we have stated in the past, the Massachusetts system, while quite complex, has successfully balanced the twin challenges of sufficient stimulus without undue ratepayer burden. Therefore, we support DOER's need for program flexibility to adapt to changing market conditions.
- **The continued viability of the small commercial segment depends on several other policies, only some of which are under DOER's purview.** In particular, the market will also depend on raising the net metering caps and confirming the solar property tax exemption for all rooftop systems and also for ground-mounted systems used primarily to generate power or net metering credits for on-site customers, even if third-party-financed. Recognizing the lack of DOER's direct jurisdiction, any opportunity for DOER to influence these policies would be extremely welcome.

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We appreciate the opportunity to comment on solar program design at this early stage.
We look forward to continuing to support our local market.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Farber". The signature is written in a cursive style with a large, stylized 'M' and 'F'.

Mark Farber
President
Cedar Energy Investors LLC