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August 26, 2013

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

Re: **SREC-II Updated Proposed Design Comments**

Dear Commissioner Sylvia,

On behalf of Palmer Capital, I would like to thank the Governor and Department of Energy Resources for their leadership in building a vibrant solar market in the Commonwealth via the initial SREC program. We appreciate this opportunity to submit comments on the design of the SREC-II program to achieve the Governor's current goal of reaching 1,600 MWs of solar by 2020.

Speaking as both a developer and as an investor in solar projects, the more certainty the program creates with regard to long-term financing, the more likely the Governor's goal will be reached in a timely fashion. The recent success of the initial 400 MW program does not necessarily mean that SREC-II will achieve similar results given its current design. In that regard, we would like to submit the following comments on the SREC-II presentation given by DOER at the August 12, 2013 stakeholder meeting:

- First, we believe a solar megawatt hour should not be discriminated against whether it's from a ground mounted or rooftop, residential or commercial installation. The fact that more, larger installations are now in line to be built is in large part the result of the additional time, effort, and cost – including interconnection and permitting – that such projects take. To suggest that this trend will continue based on historical data may not be correct.
- If DOER insists on establishing SREC 'factors' among market sectors, then the megawatt hours which do not get 'factored' should at least be able to get compensation as Class I Renewable Energy Certificates. Simply put, the production of these zero-emission megawatt hours should not be treated as the equal of megawatt hours derived from fossil fuels. At a minimum the non-factored MWhs should be treated as Class I RECs due to their environmentally friendly characteristics – DOER's current proposal ignores this public benefit.
- If DOER establishes SREC factors for other sectors, then the 'managed growth sector' should be assigned an SREC factor as well. Without an SREC factor, what percentage of the production is eligible to be called an SREC? Simply leaving it open to bid could provide larger projects with an unfair advantage. Someone wishing to buy SRECs will

find it more cost effective to purchase all the SRECs from a larger project rather than having to deal with contracts for multiple projects. A stated SREC factor will allow for a level playing field among all projects in this sector and the solicitation process can concentrate on potentially more important criteria (i.e., see next bullet point).

- DOER's presentation lists both a bid SREC factor and a number of 'non-price criteria' as the standards for which managed growth projects might be accepted into the SREC-II program. If DOER's goal is to allow for a steady annual amount of MWs of these types of projects, then considerations other than a bid factor should take precedent such as the status of power purchase agreements, interconnection agreements, permitting, developer experience and financing. Viewing SREC factors as a prime reason for a DOER award could prompt certain undeserving projects to simply bid lower rates than more robust projects. DOER and the goal of 1,600 MWs of solar will be better served by not relying on a project's potentially low ball SREC factor bid which might preclude a more shovel ready and viable solar installation in the Commonwealth. DOER should not enable questionable projects and/or developers to clog up the solicitation process.
- As we head into SREC-II many investors and lenders are having second thoughts about the ability of solar projects in the Commonwealth to provide a market return (or even service their debts) given the recent oversupply situation which saw SREC pricing below the supposed auction floor price. Even though DOER recently purchased the remaining 2012 SRECs after the 3rd round of the auction (which we applaud), this needs to be codified by DOER in order to help remove uncertainty in the marketplace. The SREC-II program could experience a severe slowdown in the program if such a safety net is not provided – it's time to make the floor price an actual floor price.
- Since DOER will have greater control over the growth in this program, we believe DOER should also serve as a balancing mechanism during any oversupply and undersupply conditions. Specifically in an oversupplied market DOER could purchase any stranded SRECs (at the floor price). In undersupply conditions, DOER should be able to sell any of the SRECs it had previously purchased to entities required to buy SRECs or those entities would pay the higher ACP. DOER would at least be at breakeven or possibly make a profit if the 2024 ACP rate equals the 2014 auction floor price. By acting in this capacity, in concert with growth management, DOER would help to moderate swings in the pricing of SRECs (which fluctuated wildly during the initial SREC program).

Thank you for allowing us to share our comments with you and we look forward to seeing the continued growth of solar power in the Commonwealth.

Sincerely,
PALMER CAPITAL CORPORATION

A handwritten signature in black ink, appearing to read "Scott S. Kaplan", with a long, sweeping horizontal line extending to the right.

Scott S. Kaplan
Senior Analyst