

August 26, 2013

Massachusetts Department of Energy Resources
1000 Cambridge Street
Boston, MA
By email

RE: SREC 2 Factors, Classification and Qualification Process

We appreciate having the opportunity to share our comments in follow-up to the SREC 2 hearing at the State House on Monday August 12, 2013. In general, we support the broad outlines of the SREC 2 policy framework, and we hope the following comments offer constructive ideas for the DOER as it moves ahead with the SREC 2 design process:

Strengthening The Auction. Our greatest concern is whether the continued SREC 2 auction mechanism will actually deliver buyers and liquidity. For all its understandable intentions, the fact remains that the recently completed 2012 SREC 1 auction held in late July and early August only delivered a total bid of 3 MWH up against an aggregate offer of over 38,000 MWH of 2012 SRECs. One must ask how the DOER will improve future performance of SREC 2 auctions (let alone SREC 1 auctions) so that they actually clear the volume of auctioned SRECs with market buyers. Will the DOER be forced to use ACP funds to clear the auction as it did with the 2012 auction? Does the DOER have the capacity to repeat such an auction clearing strategy at larger scale? In short, we believe the DOER should consider adding stronger incentives to ensure that the load-serving entities participate fully in all future SREC 1 and 2 auctions.

Fixed SREC 2 Factors for Projects Under Advanced Development on June 7, 2013. As we suggested at the close of the hearing on August 12th, we believe the proposed requirement that all large (over 500KW), ground-mounted systems must competitively bid to receive an SREC 2 qualification represents a substantial departure from the preexisting SREC 1's program's unregulated posture on solar site location. The June 7th deadline for SREC 1 qualification and the DOER's simultaneous outline of the SREC 2 preliminary design provided all parties with fair notice that a new policy of regulated SREC 2 site qualification would apply to larger ground-mounted systems going forward from that date. Not surprisingly, many larger ground-mounted projects were in advanced development on June 7th, but had not received a signed ISA as of that date's SREC 1 qualification deadline. Many of these transitional, ground-mounted projects have already gone through a year (or more) of development in reliance on the preexisting unfettered program, expending considerable capital in the process on site acquisition, utility interconnection, municipal off-take negotiations, and permitting costs. How should these transitional ground-mounted projects be treated fairly?

We recommend that the DOER handle this natural phase-in challenge by granting a fixed SREC 2 factor of .70 for all large, ground-mount projects that can demonstrate that on June 7, 2013 they had both (i) documented site control and (ii) a fully signed and utility-accepted interconnection application. If the DOER does not believe those two conditions are sufficient evidence of development maturity, it could require in addition as of June 7, 2013 both (iii) a fully signed system impact study agreement and (iv) permit applications on file with the appropriate local or other government permitting agency. We do not believe full permitting or completed impact studies should be a requirement for a project to receive a fixed .70 SREC 2 factor, insofar as the filing of permitting and interconnection applications represent the developer's statement of serious economic commitment to (and risk in) a project, whereas the issuance of permits and system impact studies rests within the unique timelines and processes of local boards and utilities.

We believe that granting a fixed .70 SREC 2 factor for all large, ground-mounted projects that were already in advanced development on June 7, 2013 will allow these mature projects to continue expedited development at this time and have them positioned for construction in late February - early March 2014, rather than forcing developers like ourselves to wait until a competitive SREC 2 bid process in the spring of 2014 to learn whether they have an economically viable project that merits further development. Granting a fixed .70 SREC 2 factor would eliminate potentially serious retroactive economic penalties on such projects, including forcing projects to make large interconnection construction payments to utilities of \$100,000 or more on projects with zero guarantee of SREC 2 qualification. That result would strike us as patently unfair. Finally, as a matter of scale, we note that our proposal would not expose the SREC 2 program to an open-ended number of projects that could satisfy the June 7, 2013 drop-dead date for demonstration of sufficient project maturity.

Solar on a Limited Percentage of Farm Land.

Stated simply, we submit that the SREC 2 program should continue supporting the economic relationship between farms and solar energy. We believe the DOER should reconsider the restriction it proposes to place on the ability of farmers to lease a portion of their lands for solar development. Our project at Bolton Orchards, for example, shows how ground-mounted solar facilities can support farm owners with meaningful, long-term income. In the case of Bolton Orchards and other Massachusetts farm owners, they face real economic challenges in maintaining long-term ownership of farm lands. The Commonwealth's Chapter 61 policy recognizes this hardship. The 6MW solar project in Bolton is currently being constructed on approximately 30 acres of land. The solar parcel at Bolton Orchards represents a relatively small percentage of the landowners' acreage, which includes 250 acres of actively harvested apple and fruit orchards. In short, the owners of Bolton Orchards are now in a stronger position to continue to own those fruit orchards and maintain their 75+-year harvesting operation well into the future. More specifically, we propose that the DOER should consider granting a fixed .70 SREC 2 factor for ground-mounted solar facilities on agricultural lands up to the lesser of 6MW or 25% of land holdings owned by a farmer in any two (2)

or more adjacent towns. The foregoing definition would prevent a farmer from developing solar on their entire property, and would also restrict farmers with lands in adjacent towns from developing multiple projects in close proximity. In terms of the definition of “agricultural” land, the DOER could refer to local agricultural zoning definitions or to Chapter 61 status. The DOER could also restrict this farm-land class by only qualifying an annually limited amount of solar megawatts (such as 40-50 MW in 2014), while fairly maintaining a wait-list for farm class projects that run over the annual allocation.

Municipal Land: Local Planning Discretion. Many towns across the Commonwealth own hundreds, if not thousands, of acres of land. A small portion of these public lands may be most appropriate for solar development and may not be located on a landfill. We believe the DOER should consider granting local planning boards and selectmen the authority to decide where best to locate solar facilities on their municipal lands. These local boards may decide that other parcels, such as close to DPW facilities or the local energy grid, are better suited than landfills for solar. We believe the local bodies should be given latitude to decide where best to locate solar, within some reasonable limit, such as a total of 10MW total solar development in any one municipality (consistent with municipal net metering caps). Under this proposal, the DOER would provide greater SREC 2 factors of .90 for municipal rooftops and .80 for municipal landfills, but allocate a lesser SREC 2 factor of .70 for all other municipal ground-mounted systems. As with our farm land solar proposal above, the DOER could restrict the annual allocation of SREC 2 factors on municipal lands and maintain a wait-list for the balance.

SREC 2 Factors for Large, Greenfield Ground-Mounted Systems. We believe the DOER’s proposed competitive bid process for large ground-mounted systems will necessarily favor larger, megawatt-scale systems that will enjoy greater economies of scale every time they compete against smaller 500KW+ ground-mount systems for a finite number of SREC 2 qualifications. For this reason, we recommend the DOER consider resolving this competitive disadvantage by (i) fixing the SREC 2 factor for large, ground-mounted systems at .60-.65 and (ii) forcing the projects to compete based upon the other factors that the DOER proposes to consider (e.g., public benefits, landowner benefits, developer diversity, geographic diversity, etc.) By fixing the SREC 2 factors for this larger class of ground-mounted systems, the DOER would simplify the development financial planning process while still allowing the marketplace to compete on the DOER’s important non-price considerations, such as encouraging a robust and broad-based solar industry. Alternatively, the DOER could divide the large, ground-mount projects into two more truly competitive classes, such as Class A projects between 500KW up to 2MW and Class B projects over 2MW and up to 6MW.

Minimal Requirements for Large, Ground-Mounted Systems to Compete for an SREC 2 Factor. Given the installed cost per watt of solar energy at this time, all parties expect that SREC 2 revenues will continue to play a critical economic role in the financial planning of large, ground-mount solar facilities in Massachusetts for the foreseeable future. Given this reality, we would expect that few if any solar developers would

expend any meaningful amount of risk capital on a project until such time as the project has qualified to participate in the SREC 2 program. In light of this economic constraint, we would urge the DOER to level the playing field fairly by only requiring projects to have documented site control (and, if necessary, an accepted, utility-signed interconnection application) in order to qualify for an SREC 2 factor. To require greater development maturity (and risk capital expenditure) would put smaller developers at a disadvantage by forcing them to proceed with interconnection and permitting costs without any guarantee of a viable project. Requiring a more mature development position would heavily favor better capitalized development firms and concentrate solar in fewer hands. In support of this proposed minimal qualification standard, it is worthy to note that the DOER proposes to require that large greenfield projects must be built within 18 months of an SREC 2 qualification grant. This timeline should provide sufficient time for all permitting and interconnection process to be wrapped up without requiring those applications and costs to be submitted prior to competing or qualifying for an SREC 2 factor. Projects that fail to meet the construction timelines would face disqualification and be replaced by a successor project at the same SREC 2 factor, with no meaningful impact on the overall objectives of the SREC 2 program.

We appreciate the opportunity to share our concerns and comments with the DOER and look forward to continued participation in the SREC 2 design process.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Kopperl". The signature is fluid and cursive, with the first name "Brian" and last name "Kopperl" clearly distinguishable.

Brian Kopperl
Managing Partner & Co-Founder