August 26, 2013

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

Re: **SREC-II Final Proposed Design**

Dear Mr. Breger,

Solect Energy Development is focused on developing and installing commercial-scale, behind-the-meter solar projects having installed over 8 MW's of commercial solar in MA, and applauds the focus SREC II has brought to this market. While often times more difficult to finance, our market is focused on the most attractive application for distributed generation with the presence of significant electricity demand and the economies of scale that can be realized on large roofs. The Department of Energy Resources (DOER) needs to commit to and clearly articulate the Solar value proposition in order to attract investment capital and bring more financial institutions into the space. The DOER plays the critical role in explaining program features and benefits along with setting out a predictable future for the industry. Attached, please find our comments on the August 12th presentation that we feel will enhance the program.

Implement Regulations as Quickly as Possible

Project financing for >100kW solar projects has becoming increasingly difficult and will remain so until the new regulations are in place providing certainty with SREC II. The lack of clarity and certainty around larger-sized projects subsidies results in significant cash flow constraints to businesses like ours focused specifically on the market space that the State now chooses to promote. Delaying until Q1 2014 the release of new rules puts a hardship on firms like ours. Rule making must occur with haste and transparency while engaging market participants to encourage confidence and buy-in.

Incentive Levels

Incentive levels need a direct and verifiable correlation to the cost of installations. Solar activities around the world directly impact the cost of materials domestically and frequently change over the course of 3-6 month period and will continue to do so over time. However, incentive levels need to be indexed to current industry costs inclusive of materials, labor, local government and soft costs and held steady for the life of the project financing. While costs have dropped significantly over the past 3-4 years, it is unreasonable to project the same pace of decline. The DOER needs to insure that an appropriate index is established to insure the incentives levels are not contrary to the then current real world pricing. We would recommend the establishment of "floor pricing" (currently @ $285) remain the same for the entire ten year period to line up with financing versus a declining floor. Having a declining "floor" puts the project at risk in the latter years of financing and therefore will adversely affect the pace of project development.

DOER Discretion to Modify SREC factors

The ability to modify SREC factors cannot be arbitrary or subject to surprise notification. Transparency into the components of a modification calculation will permit the industry to track and analyze potential modifications in advance of the change. Solar developers and installers need the ability to inform the consumer, track likely modifications and advise on appropriate actions to take. In this case, transparency equals confidence which is critical for bankability. We recommend that any changes have a minimum of a six month implementation period with a mechanism to lock in existing projects under development.

Improve Bankability

While we applaud the State's acknowledgement of the impact of "solar farms" in terms of both economics and behavior, we would recommend that the State create a "Managed Growth factor" in advance that is transparent and would help the project owner to plan in advance. By announcing the "factor value" for Managed Growth in advance (minimally recommend one year for the following compliance year), the appropriate planning and development can occur. We also would recommend that this Managed Growth Factor be further segmented to address Municipalities, academic institutions, and overall size (i.e. 1 MW versus 6 MW's). For example, municipalities need to be able to net meter from a local "solar farm" site to their various properties throughout the Town and have an identified SREC factor for this type of positive solar development.

Technical Policy Analysis by Consultants

Improved real-time transparency of the process and data involved in the analysis would go a long way towards building confidence in the process. Additionally, we recommend that the invited audience extend from the developer and installation community to representatives of various financial services companies. Building confidence and familiarity in the financial community will serve to increase comfort levels and therefore willingness to participate in the solar economy. We recommend better outreach to the various constituents including financial community, real estate community, and property owners.

Conclusion

DOER cannot act quickly enough. The distribution of the SREC II rules and policies as soon as possible will prevent a delay in solar development in Massachusetts . Indexed subsidies tied to identifiable cost components and transparency into the calculations that drive the subsidies will help promote clarity and consistency so critical to the economics of making Massachusetts one of the top solar states in the U.S.

Thank you for your consideration.

Sincerely,

Solect Energy Development, LLC

Craig Huntley, Principal
Ken Driscoll, Principal
Jim Dumas, Principal
Alex Keally, Partner
Scott Howe, Partner
Steve Bianchi, Partner