

COMMONWEALTH SOLAR REBATE PROGRAM

2009 UPDATES AND MODIFICATIONS TO REBATE STRUCTURE

The Commonwealth Solar Rebate Program was launched on January 23, 2008 with an initial block of \$17 million; the first of four \$17 million blocks of funding. This first funding block was originally expected to support the rebate program until April 2009, but because of the early success and popularity of the program, funds have been awarded faster than expected. In order to maintain the continuous operation of the program and meet the expected demand, the Massachusetts Renewable Energy Trust Governing Board has authorized the release of the second \$17 million block of funds.

When the Commonwealth Solar Rebate Program was designed, it was assumed there would be adjustments to rebate levels over time to meet program goals and to adapt to changing market conditions. The program has been so successful that it has achieved 50% of the four-year goal for residential projects in the first nine months of the program. In addition, because of changes to the federal tax incentives for residential solar projects, the program expects to experience a surge in applications beyond budgeted levels if left unchecked. Therefore, the Trust has scheduled adjustments to rebate levels to meet the program goals and to adapt to these changing market conditions. Because the tax incentive for commercial installations was not changed by federal legislation, the larger change is to residential rebate levels.

There are many benefits to the Commonwealth from these changes to the rebates including:

- Lower state rebates per installed capacity will allow for more solar development because available rebate funds will be spread over a greater capacity and number of projects.
- Lower state rebates will increase the percentage of federal support in the form of federal tax credits received by local solar projects.
- Lower state rebates will help to keep the program within its target budget without sacrificing the amount of solar capacity installed.

The Commonwealth Solar Rebate Program is well ahead of goals set for 2008:

Goals Set For 2008 Actual Results Thru 12/10/08

Capacity of Awards 3.0 MW **4.6 MW**

Capacity of Applications * n/a **5.9 MW**

Number of Awards 300 **421**

Number of Applications * n/a **479**

Rebate Amounts Awarded \$10.5 million **\$14.9 million**

Rebate Amounts Requested * n/a **\$17.8 million**

Residential Component \$1.2 million **\$4.5 million**

Public Buildings Component \$2.5 million **\$3.3 million**

Completed Number of Installations 90 **172**

Rebates Paid For Completions \$3.1 million **\$2.9 million**

Capacity Installed & Interconnected 0.9 MW **0.85 MW**

* note: at any given time there are 50 – 60 applications in process at the Trust

DETAILS REGARDING THE REBATE MODIFICATIONS

Commercial Rebates

The tax credit change did not affect commercial tax credit levels. Therefore we are making only a slight reduction to the commercial (formerly known as “non-residential”) rebate structure.

Commercial Rebate Matrix				
	1kW - 25kW	25kW - 100kW	100kW - 200kW	200kW - 500kW
Old Rates (since 7/1/08)				
Base Incentive	\$ 3.25	\$ 3.00	\$ 2.00	\$ 1.50
MA Manufacturer Adder	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Public Building Adder	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
New Rates (effective 1/1/09)				
Base Incentive	\$ 3.15	\$ 3.00	\$ 2.00	\$ 1.40
MA Manufacturer Adder	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
Public Building Adder	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

Trust staff believes that these changes are prudent in the spirit of overall rebate reductions, while minimizing the impact to the third party ownership of public projects that are key to successfully meeting program targets in the public sector.

Trust staff believes that the changes for non-public sector (includes private non-profits and federal government) are also prudent in the spirit of overall rebate reductions. This new rebate matrix minimizes the impact to the mid-size projects that are key to successfully meeting our goals in the commercial sector.

Residential Rebates

We are instituting a larger reduction in the residential rebate levels due to the large increase in the available federal investment tax credit. Through 12/31/08 there is a \$2,000 cap on the federal investment tax credit for residential projects. The cap has been lifted beginning 1/1/09 allowing a full 30% federal income tax credit on the cost of the PV system.

Residential Rebate Matrix

Rebate Matrix (\$ per watt) **Old Rates** (2008) **New Rates**
(effective 1/1/09)

Base Incentive \$2.00 \$1.00

MA Manufacturer Adder \$0.25 \$0.15

Moderate Home Value \$1.25 \$2.00

Moderate Income Adder 1 \$1.00 \$1.25

Moderate Income Adder 2 \$2.00 N/A (included in above)

The reductions for Residential projects will generally be offset by the increased federal tax credit.

Trust staff believes that these changes are prudent in the spirit of overall rebate reductions, will prevent the Commonwealth Solar Rebate Program from expending the

program budget too quickly, and will maximize the leveraging of federal tax dollars for Massachusetts projects.

OTHER MINOR PROGRAM ADJUSTMENTS FOR 2009

All residential project awards in 2009 that are based upon the new rebate matrix will have project completion deadlines of 6 months from award date. Projects not completed by the deadline will be rescinded unless an extension is requested in writing and granted by Trust staff. Rescinded Applicants may re-apply at the rebate levels in place at the time of re-application.

Effective 1/1/09, all new residential project applications using the 2009 rebate matrix, including add-ons to prior projects, will be subject to a rebate cap based on the lesser of a 5 kW system or \$20,000 rebate total per project.

PV integrators and developers that market residential systems via a leasing or third-party ownership model will use the commercial rebate matrix instead of the residential matrix. Residential leasing or third-party ownership projects will be subject to the same residential caps of the lesser of a rebate based upon a 5kW system or \$20,000.

Developers of multiple residences via new construction of homes and buildings who are seeking to install PV as part of the construction project will use the commercial rebate matrix instead of the residential rebate matrix. These projects will also be subject to the same residential caps of the lesser of a rebate based upon a 5kW system or \$20,000 per residential unit or home.

TRANSITION POLICY TO NEW 2009 MATRIX

The deadline to submit Commonwealth Solar Rebate Program applications under the current rebate matrix is 12/31/08. Submittal deadlines will be enforced by either confirmation of physical delivery to the Massachusetts Renewable Energy Trust office at 75 North Drive, Westborough, MA 01581 via a signed acceptance receipt (certified mail, UPS, FedEx, etc) and/or a US Postal Service postmark on the sealed application package of no later than 12/31/08. Applicants are strongly discouraged from trying to hand deliver applications on the deadline date itself (New Years Eve) as due to the holiday, and the potential for inclement weather at that time of year, the office may not be accessible for normal business hours!

Incomplete and/or inaccurate applications that are submitted prior to 1/1/09 will be rejected but will be eligible to re-apply under the new 2009 rebate matrix, or whatever future matrix is in place at the time of re-application. Applicants, or their agents, are fully responsible to submit a complete, accurate, and thorough application. Renewable Energy Trust staff, at our sole discretion, reserve the option to reject applications as incomplete and/or inaccurate. There will not be an appeal process for rejected applications.

Due to the anticipated large volume of year-end applications, Renewable Energy Trust staff expect that it will be difficult to complete the reviews and approvals in the normal processing time.

WEB POSTING OF NEW MATERIALS & INFORMATIONAL TRAINING WEBINAR IN JANUARY

The new Commonwealth Solar Rebate Program application forms and program manuals will be posted on the Massachusetts Renewable Energy Trust website on **January 5, 2009**.

Trust staff will conduct an informational training **webinar on Wednesday, January 14, 2009** beginning at 9:00 AM. We will discuss all of the changes presented in this memo, as well as several other programmatic changes that we are developing in hopes to simplify and expedite the application process and the tracking and processing of insurance certificates. We will send details about the agenda and log-in information after the holidays. We also intend to record the session and post it on the Trust website for those that can't make that date or time.