

## **Stimulus Essentials: Deadline Looms for Comments on Massachusetts' "Solar Big Bang"**

April 1, 2009

Hundreds of millions of dollars are flowing into Massachusetts as a result of the American Recovery and Reinvestment Act of 2009 (the "ARRA"), creating tremendous business opportunities for companies in the solar industry. Governor Deval Patrick hopes to leverage some of this money to help Massachusetts reach its goal of 250 MW of installed solar capacity by 2017. On March 26, 2009, the Department of Energy Resources ("DOER") announced that between \$40 and \$100 million of ARRA dollars may be used to fund as much as 30 MW of new solar photovoltaic ("PV") installations across the state. Before requests for qualifications ("RFQs") will issue for these projects, however, DOER is inviting companies that have experience designing, installing, or managing large (>100 kW) PV systems to submit comments related to what financing models should be used, how solicitations should be bundled and selected, and the likely impacts of the prevailing wage and "Buy American" ARRA provisions. How these issues are resolved could significantly affect the financial attractiveness of these projects, and businesses that participate early and actively in the process will likely be better positioned to benefit from this opportunity.

### **Massachusetts' Share of ARRA Funds**

On March 26, 2009, the U.S. Department of Energy ("DOE") announced that Massachusetts will receive over \$42 million in Energy Efficiency and Conservation Block Grants. Together with the allocation of \$122 million for Weatherization Assistance Programs and nearly \$55 million for State Energy Programs, announced by DOE on March 17, Massachusetts will receive almost \$220 million in ARRA funds for energy-related investments.

Money allocated for [Weatherization Assistance Programs](#) will be used for residential upgrades, including installation of more efficient heating and cooling systems and home insulation. The goal of this program is to help low-income homeowners, thus, grants are generally subject to a maximum income requirement of 200% of the federal poverty level (\$44,100 for a family of four).

The \$54.9 million in [State Energy Program](#) ("SEP") funding provided by the ARRA is nearly 73 times the \$753,000 that Massachusetts received in 2008. Projects eligible for these funds include the development of renewable energy and energy efficiency systems for public buildings, as well as some consumer-oriented programs such as rebates for energy efficiency installations. SEP funding will be distributed in four phases:

- 10% at time of initial award, to provide funding for plan development
- 40% upon DOE approval of the revised state plan
- 20% when the state has obligated at least 50% of the funds awarded previously (and is complying with reporting requirements and creating jobs)
- 30% upon demonstration of continued progress in obligating previously awarded funds, complying with reporting requirements and creating jobs. If deficiencies are found, no further funds will be provided until such deficiencies are corrected.

Nine days after issuing nearly \$177 million in Weatherization Assistance Program and SEP awards, DOE announced that Massachusetts will receive an additional \$42.23 million through the Energy Efficiency and Conservation Block Grant program ("Block Grants"). These funds are allocated to states and municipal governments for renewable energy and energy efficiency projects that reduce energy use and fossil fuel emissions. DOER will receive over \$14.7 million, and the remaining \$27.5 million will be divided among forty-four city and tribal governments. The DOE announcement includes a list of the cities receiving Block Grants.

## ARRA Funds Rapid Solar Deployment

On the same day that DOE announced the Block Grant awards for Massachusetts, DOER issued a Request for Information (“RFI”) outlining its plans to expand public investment in ground and roof-mounted PV installations. Leveraging the SEP and Block Grant funding, as well as money from the State Revolving Fund for Clean Water and Drinking Water, the RFI establishes a goal of installing between 15 and 30 MW of new PV capacity in projects across the state. Currently, Massachusetts has between 8 and 10 MW of installed PV capacity.

The RFI describes fifty projects identified by the Governor’s Energy Task Force as potentially suitable PV developments. Although some of these projects are relatively small (e.g., 9-20 kW), twenty four are projected to have a capacity of 100 kW or larger, including a 2 MW solar array on the Boston Convention and Exhibition Center. These fifty projects represent over 13 MW of new potential PV capacity, at a total estimated cost of \$114 million. In addition to the projects identified by the state Energy Task Force, a separate Municipal Task Force has also identified several potential PV sites that comprise the remaining 2 to 17 MW of potential capacity.

DOER looks to move quickly to realize its PV generating goals. According to the tentative solicitation schedule, RFQs will issue mid-April, contracts will be awarded by mid-May, and projects will be underway by July 1. Solar businesses wishing to take advantage of this opportunity must move quickly to understand the solicitation evaluation criteria and develop compelling bid responses. Adding complication to urgency, several key issues – including financing mechanisms, project bundling, and procurement procedures – remain unresolved.

### April 3 Deadline for RFI Comments

Solar businesses have a significant opportunity to provide input on key issues that will appear in RFQs, but **comments are due by Friday, April 3**. For example, DOER recognizes that many financing tools are used to make PV installations economically viable, including third-party ownership, Clean Renewable Energy Bonds, and cash purchase of equipment. The RFI asks commenters which model “would provide the best value for the Commonwealth?”

A proposed set of bid evaluation criteria are also being offered for comments. The proposed criteria include qualifications that companies must demonstrate, including experience designing and installing PV systems larger than 100 kW, experience with the public procurement process, and financial viability. The company must also provide information about its project backlog and its ability to deliver projects on the aggressive schedule that DOER is pursuing. Finally, a bidder will likely need to provide cost estimation information. As currently proposed, this would come in two forms. First, companies would need to provide firm bids on three to five specific projects from the list of 50 projects identified by the state Energy Task Force. Bidders would also be required to provide not-to-exceed costs. Although not among the proposed criteria, DOER’s interest in which financing model provides the best value for the state suggests that how costs are incurred may be an additional metric on which bids are evaluated.

Rather than bid out each project individually, the state may create packages of projects to be issued as a single award. How such packages are assembled and bid on may be an important issue for solar companies. Similarly, how project sites are assessed and pre-qualified, including how much information is made available during the RFQ, could affect the successful development of the projects being solicited.

Solar businesses face a unique business opportunity as a result of ARRA funds rapidly flowing into Massachusetts. However, major questions remain unresolved, and companies that wish to influence the process must act quickly to provide their input.

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