

2013 Finance Priorities for Consideration

Based on the Finance Working Group's discussion, the following policy initiatives for consideration are listed in order of priority. Also noted are items of importance to the group, but which are handled by the Tax Working Group. It is important to note that the political viability of some of these options may change, pending the outcome of the November 2012 elections.

1. Continued Access to Long-Term, Low-Interest Debt

- Opportunities
 - In the near term, this goal is best achieved through the DOE Loan Guarantee Program. Fixes are needed to ensure the political viability of the program, which SEIA should help craft.
 - Sen. Murkowski (currently Ranking Member of the Senate Energy and Natural Resources Committee) has expressed a desire to amend the Loan Guarantee Program, and she is likely to introduce amending legislation in 2013.
 - Longer term, or perhaps at the state level, "Green Banks" or a clean energy deployment administration could satisfy the policy goal of providing long-term, low-interest debt.
- Challenges
 - The DOE Loan Guarantee Program is currently under intense scrutiny. The political climate around the program may not change by 2013, and we may be playing defense much more than offense.
- Market Impact
 - Low-cost debt for solar power plants and manufacturing facilities will enable solar market growth.

Commentary: Our effectiveness at maintaining and amending the Loan Guarantee Program will largely be driven by electoral outcomes in November. Pursuit of state-level "green banks" would require effort by SEIA's State Affairs staff.

2. Bringing More Equity to the Solar Market

- Opportunities
 - Lenders and investors are interested in solar, but do not have all of the information they need to make an informed funding decision.
 - SEIA can help educate potential lenders/investors through publications and establishing a "Help Desk" clearinghouse.
- Challenges
 - This undertaking will require building new relationships with entities SEIA hasn't dealt with before.
 - SEIA staff may not be the best source of detailed, technical information for the financial industry. We may need a cadre of volunteers from SEIA's membership to answer the difficult questions and serve as a resource to those who ask for help.
- Market Impact
 - Bringing more equity into the solar market – from a variety of sources – will remove a significant barrier to solar market growth.

Commentary: Investor and lender education is an important pursuit, but it does not fit the traditional definition of a policy priority. This may be an outreach activity better performed by External Affairs or the Solar Services & Consumers Division.

3. Other Comments

The Finance Working Group also discussed the importance of the following topics, which reside under the purview of the Tax Working Group.

- Real Estate Investment Trusts (REITs)
- MACRS/depreciation – be prepared to defend solar’s current treatment
- Consistent reporting requirements

2013 Siting & Permitting Priorities for Consideration

Based on the Siting & Permitting Working Group's discussion, the following policy initiatives for consideration are listed in order of priority. Items 1-4 were deemed HIGH priority, while items 5 and 6 are of the "nice to have" variety. It is important to note that the political viability of several of these options may change, pending the outcome of the November 2012 elections and leadership at the Department of the Interior. Even in President Obama is reelected, there is speculation that Secretary Salazar may not stay for a second term.

1. Mitigation Requirements for Projects on Private Land (Regulatory & State)

- Opportunities
 - Addressing mitigation is a key part of developing a solar power plant. To address this issue on a industry-wide scale, rather than project-by-project, would advance the goal of increasing solar deployment in the U.S.
 - In several western states (California, Colorado, New Mexico) concerns are being raised about the amount of land solar uses PLUS the amount of land that developers acquire for mitigation purposes, which does not contribute to a locality's property tax base and poses a threat to the agricultural lifestyle in many communities.
 - The California Energy Commission may be willing to help pull together a forum, particularly regarding agricultural lands.
 - The topic is not at an "imminent danger" level, so proactive outreach will be appreciated and has a higher chance of success.
- Challenges
 - The Farm Bureau is a well-organized and powerful stakeholder group.
 - This undertaking will require building new relationships with entities SEIA hasn't dealt with before.
- Market Impact
 - Educating stakeholders and reducing opposition to solar power plant development will enable solar market growth.

Commentary: Some of these activities will be outreach-oriented and will not take place within the bounds of a particular regulatory or legislative proceeding. This may be a project that requires effort by SEIA's State Affairs staff as well as Federal Affairs staff.

2. Competitive Bidding (Regulatory, possibly Legislative)

- Opportunities:
 - The Bureau of Land Management (BLM) has already signaled a move toward competitive bidding for solar and will open a rulemaking proceeding in late 2012. SEIA participation in this proceeding, formally and informally, is necessary.
 - SEIA can help shape a competitive bidding system that provides financial advantages to solar developers.
- Challenges:
 - BLM is poised to institute competitive bidding for the acres within the Solar Energy Zones it established in the PEIS.

- Some stakeholders (particularly Trout Unlimited) are very supportive of competitive bidding.
- Market Impact:
 - Crafting a straightforward competitive bidding process that results in lower payments for BLM-managed land will remove a significant barrier to solar market growth.

Commentary: Interest in developing solar projects on BLM-managed land is waning, but there are still SEIA members pursuing such developments. This is the best (and maybe only) opportunity we will have to weigh in on competitive bidding, so we should not let it pass us by.

3. Section 10 Consultations (Regulatory)

- Opportunities:
 - In 2012, the Department of the Interior (DOI) released a policy that allows project developers to reimburse the U.S. Fish and Wildlife Service (USFWS) for staff time spent processing Section 10 *Endangered Species Act* permits. USFWS Region 8 has also established an “ideal timeline” for processing Section 10 requests and issuing a Habitat Conservation Plan within two years. Neither system has been tested by solar developers yet.
 - SEIA should continue to pressure USFWS and DOI to issue timely responses to Section 10 requests.
- Challenges:
 - Despite new policies being issued in DC, USFWS field office staff are not prepared to make use of them.
 - In the abstract, DOI shares our goal of faster processing of Section 10 requests, as evidenced by the recently issued policies. The solar industry will have to try these new processes – and have them fail – before we can gain additional traction on the issue.
- Market Impact:
 - Securing a timely Section 10 consultation process will remove a significant barrier to solar market growth.

Commentary: Section 10 consultations are necessary for most solar projects being developed on private land in the West. The disconnect between Washington, DC and USFWS field offices is not new, nor is it unique to the solar industry. We may be able to secure allies in other sectors who also need Section 10 consultations.

4. New Solar Energy Zones under the PEIS (Regulatory)

- Opportunities:
 - The Bureau of Land Management (BLM) indicated there will be a process for proposing and vetting new solar energy zones, where solar power plant development is (theoretically) green-lighted.
 - SEIA can help shape a workable zone identification system and suggest areas for BLM to consider establishing as new zones.
 - Key environmental stakeholders (The Wilderness Society, NRDC, Defenders of Wildlife) are willing to work with us on the issue.
- Challenges:
 - Pushing BLM to identify new zones could detract from our more important goal of BLM processing existing applications in a timely fashion.

- Failure to engage on the issue now puts conservation stakeholders in the driver's seat regarding the next generation of solar energy zones.
- Market Impact:
 - Industry-selected zones could spur solar market growth, but only if other BLM policies and incentives align properly (e.g., quick processing, market rents).

Commentary: Interest in developing solar projects on BLM-managed land is waning, but there are still SEIA members pursuing such developments. There are other initiatives of higher priority than this for 2013, but not being engaged in the discussion would be a disservice to the industry.

5. Revenue Sharing with Counties (Legislative)

- Opportunities:
 - There is interest on the Hill in legislation that would dictate the disposition of revenues collected from the solar industry from power plants on federal lands.
 - Sharing some of the federal revenue with the counties where these power plants are located would generate a significant amount of goodwill for the industry and future solar development.
 - We have existing allies on the issue, including environmental organizations and the National Association of Counties.
- Challenges:
 - Tight fiscal situation in DC makes it unlikely the federal government will want to share its revenues. Best chance is for this provision to be wrapped into a larger energy package, as it is unlikely to pass as a stand-alone bill.
- Market Impact:
 - Sharing solar rental payments with the counties would likely reduce local opposition to solar power plants and could have a moderate impact on the market.

Commentary: This is a “nice to have” policy outcome but not a “need to have.”

6. Provide Leases for Solar Projects, Not Rights-of-Way (Legislative, possibly Regulatory)

- Opportunities:
 - Several conversations are percolating about shifting to a leasing system for solar projects on public lands, both on the Hill and at DOI.
 - A lease provides more legal assurances for the solar developer, and is likely a superior instrument to use.
 - Several key environmental stakeholders on board with the idea (e.g., The Wilderness Society).
- Challenges:
 - Pushing for a lease may come with a demand that solar have competitive bidding for all public lands, not just those within the Solar Energy Zones.
 - Unclear what the legislative prospects are.
- Market Impact:
 - For solar projects being developed on public lands, a lease makes the project more bankable, but probably not enough to have a dramatic market impact.

Commentary: This is a “nice to have” policy outcome but not a “need to have.”



2013 Transmission Priorities for Consideration

Based on the Transmission Working Group's discussion, the following policy initiatives for consideration are listed in order of priority.

1) Improve Transmission Access for Solar in Southwest Region

Background:

Lack of adequate transmission capacity is becoming an increasingly severe constraint on central station solar development in the Southwest. SEIA has participated in a variety of FERC proceedings to advance its Southwest regional transmission agenda, including Order No. 1000. However, Southwest states, utilities and others resist acting on a regional basis.

Working Group Chair, Steve Shapiro, Consultant to Abengoa, and Jim Baak of Vote Solar support creation of new Western transmission stakeholder group and process to encourage regional cooperation. The goal is to get this funded by WECC. They propose SEIA support and participate in new stakeholder process.

➤ Opportunities:

- Participate in FERC and regional transmission proceedings/processes to support SW transmission solutions that are likely to be utilized for solar project transmission.

➤ Challenges:

- Intractable resistance to regional action, multiplicity of stakeholders, difficulty of siting transmission.
- Potential to Contribute to Market Growth:
- Little to no impact in the short-term. Unknown impact mid to long term due to lack of regional coordination, difficulty of transmission construction. If successful, impacts will primarily be 5 to 10 years out.

2) Variable Energy Resource Integration

Background:

As market penetration of variable resources such as solar and wind grow, grid integration becomes a significant issue. For central station solar plants the availability of ancillary services such as regulation, balancing services and load following being available on a cost effective basis is becoming increasingly important. SEIA has participated in related rulemakings at FERC and proposes to continue to do so, the relevant rule just issued last month, provides for 15 minute transmission schedules to facilitate less costly integration. SEIA also proposes to demonstrate through expert opinions that solar integration is not particularly challenging because it is a diurnal resource that produces power roughly coincident with peak

➤ Opportunities:

- Participate in FERC rulemakings and other proceedings regarding renewable integration and availability of ancillary services.

➤ Challenges:

- The renewable integration issue is very complex and most SEIA members are not significantly engaged.
- Potential Growth:
 - Difficult to gauge, but greater availability of integration services at lower costs could grow solar market significantly in near to mid term. Also a very important issue in the long term as solar penetration gets higher, i.e. how much solar can the grid accommodate?