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The Solar
Alliance

M-2009-2140263

**COMMENTS FROM THE SOLAR ALLIANCE REGARDING THE PENNSYLVANIA PUC
POLICY STATEMENT IN SUPPORT OF PENNSYLVANIA SOLAR PROJECTS**

The Solar Alliance appreciates this opportunity to comment on Annex A, Chapter 69, General Orders, Policy Statements and Guidelines on Fixed Utilities, §69.1901-1904 (the "Policy Statement"), which outlines a process by which to overcome "barriers that still exist that prevent new solar projects from becoming a reality in Pennsylvania."

The Solar Alliance is a trade association of companies who manufacture and develop solar photovoltaic (PV) equipment and projects. The member companies of the Solar Alliance work to advance state legislative and regulatory policies fostering PV deployment.

We agree that both the 2004 Alternative Energy Portfolio Standards Act (AEPS Act) and the Alternative Energy Investment Act (AEI Act) have done much to establish clear policy promoting solar projects in Pennsylvania. However, we also agree with the Commission's determination that barriers still exist. The most imposing barriers include:

1. Uncertainty in valuing SRECs (the present value of an SREC contract) which is driven BOTH by uncertainty of price and uncertainty of term
2. Contracting provisions which may add complexity and cost but which may not be necessary in some or all segments of the market
3. Absence of a simple and efficient procurement process for SRECs generated by small systems (less than 200kW)
4. Absence of certain limited considerations in the standardized RFP process for large, grid-connected systems (greater than 3 MW or 5 MW for microgrid and emergency systems)

The Solar Alliance generally supports the Commission’s stated processes for EDC procurement of SRECs from large and small-scale projects. Our comments provide further detail on the most significant barriers to project development and specific recommendations that could help remove these barriers. Additionally, in the attached Exhibit A, the Solar Alliance summarizes best practices that we have observed in other states and the results of the conversations that have taken place between solar industry representatives and Pennsylvania utilities as part of the Solar Assessment Group (SAG).

1. Removing uncertainty in valuing SRECs

The Solar Alliance agrees with the Commission’s assertion that uncertainty in valuing SRECs inhibits project development and may be the single most significant barrier we face.

At a macro level, we believe project development is driven by the state renewable portfolio standard (RPS) which sets demand, and to a lesser degree, alternative compliance payment (ACP) schedules which provide SREC price signals to the market. A firm, forward published multi-year ACP schedule provides some certainty that makes financing easier than the current retroactive approach for setting the ACP. Both of these are beyond the scope of the Policy Statement but are important to keep in mind nonetheless.

At a granular level, project development is driven fundamentally by the amount of revenues required to support a project and the certainty or transparency of that revenue stream. For projects that require third party financing, the revenue stream must be under contract at the time the project seeks financing or it will not be valued. It is important to remember that the amount of revenues from

		Scenario 1	Scenario 2	Scenario 3
Revenue Required		\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Nominal Contract Value		\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Term of Contract		20 Years	10 Years	5 Years
Total SRECs Delivered		20,000	10,000	5,000
Price per SREC Procured		\$ 150	\$ 300	\$ 600
SRECs Delivered				
Year	by Year	Nominal Revenue Required by Year		
1	1000	\$ 150,000	\$ 300,000	\$ 600,000
2	1000	\$ 150,000	\$ 300,000	\$ 600,000
3	1000	\$ 150,000	\$ 300,000	\$ 600,000
4	1000	\$ 150,000	\$ 300,000	\$ 600,000
5	1000	\$ 150,000	\$ 300,000	\$ 600,000
6	1000	\$ 150,000	\$ 300,000	
7	1000	\$ 150,000	\$ 300,000	
8	1000	\$ 150,000	\$ 300,000	
9	1000	\$ 150,000	\$ 300,000	
10	1000	\$ 150,000	\$ 300,000	
11	1000	\$ 150,000		
12	1000	\$ 150,000		
13	1000	\$ 150,000		
14	1000	\$ 150,000		
15	1000	\$ 150,000		
16	1000	\$ 150,000		
17	1000	\$ 150,000		
18	1000	\$ 150,000		
19	1000	\$ 150,000		
20	1000	\$ 150,000		

Figure 1 – SREC Contract Examples

SRECs is determined from both the price per SREC and the length of contract – the longer the term of the contract, the lower the SREC price required to obtain financing.

As examples, \$3,000,000 of total nominal revenue could be captured by a contract that delivers \$300,000/year for ten years or one that delivers \$600,000/year for five years. However, the output of a solar energy system and the number of SRECs that the system generates cannot be doubled or cut in half in such an easy fashion. The system will generate a certain amount of SRECs which is relatively consistent from year to year and which will generally last for upwards of 25 or 30 years. Given these constraints, lower SREC pricing may be achieved by more closely matching the required revenue stream and the expected life of the asset, which ultimately results in the lowest cost for the rate-payer. Figure 1 illustrates this point by showing that rate-payers could incur twice as much cost (price per SREC procured) for SRECs delivered under a 5 year contract instead of a 10 year contract.

While the Solar Alliance appreciates the flexibility of having standardized contracts from five (5) to twenty (20) years, we believe the market will respond more favorably to a single, sufficiently long standard term of ten (10) years. Ten years represents a compromise between the desire to reduce cost for rate payers and the increased risks associated with longer contracts. We believe a single contractual term for SRECs would reduce complexity and uncertainty that would otherwise exist in project planning, financial modeling, RFP bidding processes and various other aspects of standard contract procurement for both large and small-scale systems.

Additionally, the Solar Alliance promotes a competitive, fair, and transparent process for purchasing SRECs. To ensure a level playing field, we continue to support separating projects that have received CFA grants from those that will compete for the SREC contracts in PA. We believe CFA grant rules are an additional factor that should be considered in setting the recommended minimum term for SREC contracts at 10 years.

Given these considerations, the Solar Alliance recommends the following:

- a) Standardized contracts for the long-term procurement of SRECs should be fifteen (15) years, but the Solar Alliance accepts ten (10) years as a single fixed term in consideration of our discussions with the Solar Assessment Group and to maintain a simple, standardized procurement process.***
- b) Additionally, each utility shall submit a plan to the PUC for their solar AEPS needs over a three year planning horizon. The PUC shall review the procurement schedule to verify that it is consistent with the annual increase in SRECs for each utility that is needed to meet their AEPS obligations. This will help ensure a consistent rate of development, avoiding any “boom and bust” cycles that could be inadvertently created by large procurements followed by periods with no RFP activity at all.***

2. Eliminating or addressing contracting provisions which add complexity and cost (for large projects, greater than 200kW)

The Solar Alliance agrees that EDCs should employ standardized contracts, which should be simple and understandable not just for small projects but also for large projects. We believe such standardized contracts can reduce complexity and cost for the industry and for rate-payers if they are constructed and administered properly.

However, based on initial discussions regarding these standard contract and RFP processes, we have a concern that certain unnecessary provisions may work against this goal and diminish the intended benefits. Over the last 12 years the solar industry has reduced installed costs by more than thirty percent (30%)¹. This has directly benefited EDCs and rate-payers across the country, spurred further development of solar installations, and reduced our carbon-footprint in the process. Contracting provisions which add complexity and cost, and which minimize the probability of projects obtaining financing will work against these positive trends and should be carefully considered for their impact. The most critical considerations are regulatory risk, development requirements, and performance security .

- 2.1. Regulatory or Change-in-law Risk – Based on the Pennsylvania Constitution Art. 1, § 17, “no ex post facto law, nor any law impairing the obligation of contracts, or making irrevocable any grant of special privileges or immunities, shall be passed”. This may mitigate regulatory or change-in-law risk. However, it is critically important to note that finance companies who work across many states may not have the capacity to understand and rely on such state specific provisions. Instead, our experience shows us that they will apply a “blanket-approach” that generally prohibits them from taking any exposure to regulatory risk, whether it is mitigated or not. As a result, contracts which do not protect developers and finance companies from regulatory risk may be rejected, eliminating or significantly increasing the cost of the commercially financed segment of the solar industry – an undesirable outcome for ratepayers and new investment in Pennsylvania. Different from national finance parties or lenders, the utilities that operate in Pennsylvania have both in-depth knowledge and experience with the legislative and regulatory environment in the state. They also have the benefit of precedence, knowing that long-term contracts such as the often cited PURPA Agreements have been upheld over time. For these reasons, regulatory risk should be identified and placed with the utilities who are better equipped to understand the risk, manage the implications, and receive relief (if needed) from state commissions.
- 2.2. Development Requirements – The Solar Alliance acknowledges that certain provisions are required to ensure real projects are bid in the procurement process and to ensure those projects are then built in a timely fashion. However, it is also imperative to recognize that certain delays may occur with any small or large scale construction project. To balance these considerations, the Solar Alliance agrees that Development

¹ Tracking the Sun II, October 2009, Lawrence Berkley National Laboratory

Security should be posted for projects as outlined in the standard contract currently under review by the Solar Assessment Group (SAG) but also strongly advocates for allowing some flexibility in achieving project milestones and project delivery within appropriate timeframes. Specifically, the contracts must allow for certain delays without triggering immediate termination or default. This will give project finance parties the comfort that contracts may not be unreasonably terminated and will avoid the abandonment of good projects which experience limited but unavoidable delays.

2.3. Performance Security – The Solar Alliance agrees that EDCs should establish reasonable financial qualifications for any developer or aggregator from whom they purchase SRECs. However, we would strongly caution against excessive performance security requirements. The initial approach taken in Pennsylvania has been to require substantial and expensive cash-based Performance Security (cash or letter of credit) to cover all risks. By contrast, RFPs issued this past year by top electricity distribution companies in NJ (ACE, JCP&L, RECO) did not include any requirement for cash based performance security. Precedent alone is not justification but when the cost of such security instruments is considered, there is a compelling case to ensure the security required is appropriately matched to the real risk in any contract or transaction. In matching the security to the real risks, it is important to clearly identify these risks and then utilize the most appropriate contracting provisions to address them. Below, we share important considerations to help evaluate the actual magnitude of financial and operational risks versus the cost considerations of performance security.

2.3.1. Financial Risk Considerations - For SREC/AEC contracts, the considerations are straight forward. As a proven technology with no moving parts, solar energy systems generate power and SRECs with a degree of pre-calculated certainty and consistency². There is no real recurring financial burden on the generator or system host other than to administratively ensure the SRECs are delivered. Taken together, limited financial burden borne by the generator, the fundamental credit worthiness of utilities in Pennsylvania and the certainty with which solar systems deliver power and SRECs, all make for a strong contracting basis that substantially limits risks for all parties.

2.3.2. Operational Risk Considerations – The Solar Alliance agrees there should be ample assurance that projects supporting SREC contracts are actually constructed and perform as designed. However, we believe the most effective and cost-efficient method to achieve this assurance is through a robust RFP qualification process for large-scale solar projects (over 200kW). Such a process has already been demonstrated in the recent PECO AEC RFP. With qualified developers using materials from qualified manufacturers, the industry has

² Developed by NREL, the PV Watts calculator determines energy production and cost savings of grid-connected PV systems through hourly performance simulations and data for specific locations selected by the user.

demonstrated it delivers solar energy systems that perform to established standards.

- 2.3.3. Cost Considerations – Any security posted in the form of cash or letter of credit has real and identifiable costs. More importantly, while EDCs may seek such security to protect their interests, they don't bear the costs. The party that will bear this cost is the rate-payer as it is passed through in the form of higher SREC/AEC prices and ultimately higher electricity prices than would otherwise be necessary. To demonstrate the impact of this, we have calculated that a 5% performance security requirement on a typical large scale solar installation (1MW) could increase the project cost by 2-3% and the SREC cost by 3-4%.³ While 3% may seem small, it is important to remember that most solar developers will only be able to meet the performance security requirements by placing capital aside – something that might be impossible for many solar developers to do. This will have the added impact of limiting the number of companies that can respond to the RFP, thereby limiting competitiveness in the marketplace.

While we believe the risk associated with performance is generally minimal, there are certain necessary and inexpensive contracting provisions that should be used to limit liability for parties relative to loss, bankruptcy and default. These provisions are common in commercial contracts and are described below.

- 2.3.4. Loss – Risk of loss is commonly addressed with the requirement for insurance. As it stands, the standard contract under discussion in the SAG does require insurance and further, makes it an event of default if insurance is not maintained.
- 2.3.5. Bankruptcy – Bankruptcy risk is commonly addressed with both sound underwriting of counterparties and certain other forms of cash or collateral security commensurate with the exposure or loss that could be incurred. In this case, however, solar energy systems and associated long-term SREC contracts are unique. In addition to the mitigants described in Sections 2.3.1 – 2.3.3, the exposure in long-term SREC contracting is further determined and limited through options utilities may have under Act 35. The Solar Alliance strongly supports the SAG's recent efforts to clarify the Commission's interpretation of Force Majeure provisions in Act 35. We believe such clarity may offer a solution to managing counterparty bankruptcy risk which would be both more effective and more cost-efficient than the posting of cash or collateral security.
- 2.3.6. "Walk-away" – The risk that a counterparty simply walks away from an existing agreement in order to sell their SRECs to another party is addressed in the fundamentals of contract law. But to provide even further protections under

³ Cost calculation assumptions: LC Fees = 2%, LC Indirect Cost (rate applied to allocated cash collateral) = 12%

these circumstances, we accept the requirement for clear and adequate termination penalties for both parties. We also recognize that in this situation, there is an operational system generating qualified SRECs and therefore ample asset value to ensure payment of any penalties. As a result, we strongly suggest that no deposit or other collateral be required to secure the possible penalty payments as it adds unnecessary cost.

Given these considerations, the Solar Alliance recommends the following:

- a) Regulatory or Change-in-law Risk should clearly be borne by the buyer or utility for all long-term contracting. This may best be achieved by qualifying the contract and the SRECs delivered under it by the laws and regulations in place at the time the contract is executed. This will give financing parties sufficient clarity to ensure they do not constrain or price contracts based on this consideration.***
- b) Development Security not to exceed 2% of the nominal contract value may be required, and shall be refundable upon project completion/certification. Developers should be granted reasonable flexibility in meeting milestones and project delivery dates including the option to extend such dates up to 90 days at their discretion and with the understanding that they may be required to post additional security for the extension of a delivery dates specifically.***
- c) Performance Security should not be required. Instead, specific contracting provisions should be included to individually address risk of loss, bankruptcy, or "walk-away" as described above and as listed in Exhibit A***

In addition to these primary recommendations, the Solar Alliance has provided in Exhibit A a full listing of key long-term SREC contracting provisions including example benchmarks, our broad recommendations for the Pennsylvania market, and the compromises that the Solar Alliance has agreed to in our collaboration with the Solar Assessment Group (SAG) up to March 1st 2010. For reference, the benchmark utilized in these comments and in Exhibit A is the standard form contract now in place for Solar RFPs being conducted by Atlantic City Electric, JCP&L, and Rockland Electric Company which have collectively procured 8 MW of solar power (over 9,000 SRECs per year) to date with another 27 MW scheduled for procurement in 2010.

If requested, we would also be pleased to provide the Commission with a full marked version of the long-term SREC contract which the Solar Alliance would agree to based on the Solar Assessment Group discussions to date.

The Solar Alliance has been participating with the Solar Assessment Group for over a year and with commendable efforts by all parties much progress has been made. For its part, the Solar Alliance has worked diligently throughout the process to offer many solutions and concessions which have contributed to this progress as detailed in Exhibit A. Now it is important to close the remaining gaps and we see great opportunity for the Commission to help facilitate a positive outcome through the direction it may provide in this Proposed Policy Statement.

3. Establishing a simple procurement process for SRECs from small systems (<200kW)

The Solar Alliance supports establishing a separate, stand alone procurement process which would draw heavily from the standard contract developed for larger systems and which would use the outcome of large scale Solar RFPs to set the SREC price for small systems. Through this mechanism, a fixed price, standard offer SREC contract could be made available exclusively to smaller systems and would support development in this segment accordingly. We support the following recommendations relative to this fixed price, standard offer contracting process:

- a) For EDC procurement of SRECs from systems less than 200kW, the price should be developed using the weighted average of all accepted winning RFP bids within a given service territory and would remain in effect until the next time a large scale solar utility RFP took place in that territory. The standard Commission review process for certifying auctions and time frames for approval would apply.
- b) The price setting mechanism described above is simple and robust but may still be susceptible to anomalies that can occur in any RFP process. Accordingly, the Commission should consider developing guidelines for the weighted average price calculation that would fairly set aside atypical bids which skew the weighted average and detrimentally impact the price setting mechanism for small systems.
- c) Utilities (EDCs) should publish the amount of SRECS they require at the beginning of the “open to buy” period using the price from their last large scale SREC RFP.
- d) A standard bilateral contract for the purchase of SRECs should be offered to small generators, developers and aggregators on a first-come, first-served basis. The contract would be standardized, brief, and written in plain language.
- e) When the time comes for the next utility large-scale solar RFP, the utility should determine the total SRECs under contract with small-scale generators, developers and aggregators and plan their next offering accordingly.
- f) Mechanisms should be put in place to ensure that the amount of small-scale solar project SRECs procured through this process cannot exceed the number of SRECs procured by the EDC in its last large-scale procurement.
- g) Bid security should not be required because of the standard offer “open to sell” design.
- h) For any projects from 50 kW to 200kW which are not complete, Development Security may be required, not to exceed 2% of the nominal contract value. This should only be forfeited if construction is not completed within twelve (12) months of the effective date of the contract.
- i) Both new and existing systems under 200kW should be eligible to participate in this standardized procurement process.

- j) In addition to the above provisions (a – i) related to EDC procurement, any EGS who initiates an RFP should have the same requirements. Specifically, each EGS that initiates an RFP should subsequently be required to also offer standard contract procurement to systems under 200kW for an amount up to the amount procured in the RFP and at a price as set by that RFP.
- k) Aggregators should be encouraged to play a role in bundling small projects to sell to both EDCs and EGSs by signing a master agreement to deliver SRECs for these small generators. They may enter into agreements with small system generators and “accumulate systems” in between and during the submission periods. The aggregated amount should be submitted using the standard contract forms during the open submission period at the published price. The quantities would be transferred to the utility over the contract period at pre-determined intervals using the GATS program. The Commission is encouraged to develop rules for certifying or otherwise approving qualified aggregators.

Having a simple, standardized contract creates transparency for all solar developers, the EDCs/EGSs and the public. Price certainty stabilizes the market and assists with project financing based on SREC revenue streams. And the efficient process will minimize administrative costs while eliminating any complexity from contract or price negotiations.

By “piggybacking” onto an existing competitive procurement price, a level playing field is created so that all market segments can thrive. Together, large and small system development creates broad opportunity for all consumers (rate payers) to benefit from solar energy consistent with the stated objectives of the Commission.

4. Considerations for large systems that are not net-metered (5 MW for microgrid and emergency systems; 3 MW for non-residential)

While the Solar Alliance strongly recommends standardization of contracts for reasons provided in these comments, we also recognize the challenge in fully pre-negotiating a PPA for large scale projects at this nascent stage of the market when critical project finance parties have yet to enter. In many states looking to bring on new renewable resources, RFP processes for long-term contracts include a staged approach where utilities place suppliers on a short-list based on pre-qualification and pricing, and then negotiate to a final PPA, using a standardized utility contract as a starting point. This process works well as it allows suppliers to address provisions of the agreement that may need to be adjusted for a particular project, while giving the utility and regulators control in deciding what changes to accept. We therefore recommend allowing for the negotiation of minor contract provisions during the selection process for larger projects that are not net-metered as it will create a more competitive market for new supply.

Conclusion

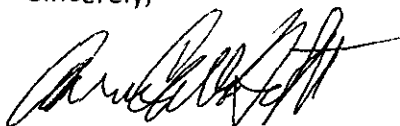
In summary, the Policy Statement takes many positive steps that may improve the market for solar development in Pennsylvania. We appreciated the Commission effort's over the past 15 months to focus the parties on addressing these critical barriers to solar development in our state. And we further commend the Commission for issuing this Proposed Policy Statement which will help resolve these final challenges.

To ensure these efforts have their desired impact and to remove ambiguity, complexity and costs that may exist with respect to long-term contracting, we urge the Commission to consider these recommendations offered by the Solar Alliance with the support of PA SEIA (PA Solar Energy Industries Association) and others.

We thank the Commission again for the opportunity to present comments on this matter and stand ready to answer any questions or provide further assistance to the Commission as may be requested.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Carrie Cullen Hitt", written in a cursive style.

Carrie Cullen Hitt

President
Solar Alliance

Exhibit A

Solar Alliance Recommendations Long-Term Contracting Provisions for Net Metered Systems

	Benchmark NJ Contracting	Solar Alliance Recommendation	Limit of Acceptable Terms (As Discussed with SAG)
General Considerations			
• Term	10 – 15 Years	15 Years	10 Years
• Contract Complexity	Relatively simple fifteen (15) page contract.	Use benchmark contract (NJ). Alternative contracts may be considered with inclusion of the provisions listed below.	Accept EDC requirement for use of recent PECO contract (in excess of 30 pages) as initial basis for standardized contracts in PA provided that modifications are made as listed below.
• Contract Scope	New systems only.	Only new systems over 200kW may bid RFPs.	New and existing systems.
• Change in Law Risk	New legislation (A3520) sanctions long-term contracts and prohibits their modification by subsequent board action. This was done to increase regulatory certainty on all EDC-based contracting plans, such as the PSEG Solar Loan and JCP&L SREC Financing Programs.	Regulatory or Change-in-law Risk should be borne by the utilities as they have the closest relationship with local regulators and legislators, and have the ability to understand and mitigate the risk.	Regulatory or Change-in-law Risk should be borne by the utilities as they have the closest relationship with local regulators and legislators, and have the ability to understand and mitigate the risk. This may best be achieved by qualifying the contract and the SRECs delivered under it by the laws and regulations in place at the time the contract is executed.
• Qualification & Bid Materials	Two page project description, owner & developer contact data, and certification form.	Two page project description, owner & developer contact data, and certification form.	Accept EDC requirement for additional project details as considered in the SAG Standard Contract & Procurement Process.
• Bid Security or Deposit	Bid deposit up to \$20,000 due upon notification of winning bids.	Bid deposit up to \$20,000 due upon notification of winning bids.	Accept EDC requirement for Bid deposit capped at \$30,000 due with bid. (Systems <200kW exempt)
• Contract Amount & Flexibility	Contract is project specific and unit contingent. There are no minimum delivery requirements.	Contract should be project specific and unit contingent. There should be no minimum delivery requirements.	Accept compromise for two contract options: specified contract amount and maximum contract amount. Maximum contract amount allows seller to deliver up to 110% of contract amount with the Buyer obligated to take delivery and the Seller obligated to deliver. A “roll-over” provision should also be included.

Project Development	Benchmark	Recommendation	Limit of Acceptable Terms
<ul style="list-style-type: none"> Development security 	<p>Bid deposit held as development security and forfeited if construction not complete within 12 months.</p>	<p>Bid deposit held as development security and forfeited if construction not complete within 12 months.</p>	<p>Accept EDC requirement for full Development Security, not to exceed 2% of Nominal Contract Value (Systems under 50kW exempt). Forfeited per acceptable terms & conditions in the contract. Projects shall achieve commercial operation within 12 months (net-metered) or within 24 months (grid-tied) of the contract effective date, subject to extensions as noted below.</p>
<ul style="list-style-type: none"> Default or Termination Provisions for failure to achieve Commercial Operation Date 	<p>Buyer has right to terminate if construction is not complete within 12 months of the effective date.</p>	<p>Buyer has right to terminate if construction is not complete within 12 months of the effective date. Alternatively, default if construction is not complete within 90 days of Commercial Operation Date Milestone (CODM).</p>	<p>Seller may extend CODM up to 30 days at their discretion. Seller may extend additional 60 days (90 days total) at their discretion upon posting additional Development Security in the amount of 0.5% of the Nominal Contract Value (2.5% total Development Security). Default may be called if construction is not complete within 90 days of CODM, however, Buyer may extend CODM & default an additional 90 days (180 days total) at their sole discretion.</p>
<ul style="list-style-type: none"> Default Provisions for failure to achieve any Project Milestone 	<p>None.</p>	<p>Provisions should be eliminated in consideration of Default provision for CODM.</p>	<p>Seller may extend any Project Milestone up to 90 days at their sole discretion. Default may be called if a Project Milestone is exceeded by more than 90 days, however Buyer may extend a Project Milestone & default up to an addition 90 days (180 days) at their sole discretion.</p>
<ul style="list-style-type: none"> Project development reporting 	<p>None.</p>	<p>Notification if Commercial Operation Date or Contract Amount cannot be met.</p>	<p>Accept EDC requirement for notification if CODM or Contract Amount cannot be met, as well as monthly reporting to follow standard template (includes key milestones and other pertinent project data).</p>

Project Performance	Benchmark	Recommendation	Limit of Acceptable Terms
<ul style="list-style-type: none"> Performance Security 	Limited contract requirements and provisions related to performance as contract is unit contingent and based on system size.	Performance security is not necessary based on other provisions of the standardized contract.	Solar Alliance maintains that Performance Security is not necessary based on other provisions of the standardized contract, particularly <u>as now expanded</u> and agreed to below.
<ul style="list-style-type: none"> "Walk-away" Risks 	Seller has <u>no</u> security interest in the system.	Accept requirement for replacement SRECs or payment of ACP but not the granting of a subordinated security interest.	Accept requirement for delivery of replacement SRECs or payment of ACP, but not the granting of a subordinated security interest.
<ul style="list-style-type: none"> Catastrophic Loss 		Accept EDC requirement for insurance.	Accept EDC requirement for insurance AND provision that failure to maintain insurance constitutes event of default.
<ul style="list-style-type: none"> Counter-party Bankruptcy 		No consideration necessary due to extensive bid qualification process (see above) and spread of risk among multiple bidders.	Support compromise position of jointly seeking clarification from PUC that Seller bankruptcy (as narrowly defined) may constitute a Force Majeure event under Act 35 for that portion of the current year's obligation only, and with the assumption that reasonable qualification and underwriting of the bidders/sellers occurred during the bid process.
<ul style="list-style-type: none"> Cross-Default 		Cross-default should be eliminated as an unnecessary provision which complicates the financing of systems.	Cross-default should be eliminated as an unnecessary provision which complicates the financing of systems.
<ul style="list-style-type: none"> Cross-Collateral 		Cross-collateral should be eliminated as an unnecessary provision which complicates the financing of systems.	Cross-collateral should be eliminated as an unnecessary provision which complicates the financing of systems.
<ul style="list-style-type: none"> Subordinated Security Interest (Lien) 		Subordinated Security Interest (Lien) should be eliminated as an unnecessary provision which complicates the financing of systems.	Subordinated Security Interest (Lien) should be eliminated as an unnecessary provision which complicates the financing of systems.