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VIA ELECTRONIC DELIVERY - SOLAR.TRANSITIONS@BPU.NJ.GOV

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 S. Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: Docket Nos. QO19010068 and QO20020184 – In the Matter of a Solar Successor Incentive Program Pursuant to P.L. 2018, C.17

Dear Ms. Camacho-Welch:

Public Service Enterprise Group, Inc. ("PSEG" or the "Company"), on behalf of affiliates Public Service Electric and Gas Company ("PSE&G") and PSEG Power LLC ("PSEG Power"), appreciates the opportunity to provide input on the Solar Successor Incentive Program ("Successor Program") in the referenced Dockets.

PSEG strongly supports and applauds the policy objectives of the State of New Jersey and Governor Murphy – to significantly reduce greenhouse gas emissions with the goal of 50% clean energy by 2030 and 100% clean energy by 2050. These policy objectives are necessary to address climate change, perhaps the most significant long-term threat to the State of New Jersey. These objectives however do represent a real challenge to the State. First and foremost, supporting the continued growth of the solar industry with the appropriate financial incentives in both the Transition Program and the Successor Program while simultaneously ensuring that the cost burden to ratepayers does not exceed the statutory cost caps in the Clean Energy Act will require a deft hand. It will require the State to make every reasonable effort to provide insight and information to stakeholders, to ensure competitiveness in the markets and transparency in incentives and price signals.

PSEG has a long history of partnering with the state and aligning its interests with those of New Jersey. It is in this spirit of partnership that PSEG offers these comments on the Successor Program. We commend the Board for soliciting stakeholder input on both the Transition Program and Successor Program and putting the solar market on a path to a Successor Program that cost effectively achieves the State's clean energy goals.

Utility Involvement

In designing the State's Solar Successor program, the Board should first look to the clean energy goals put forth in the State's Energy Master Plan (EMP). The EMP suggests New Jersey should install 5.2 GW of solar by 2025, 12.2 GW by 2030, and 17.2 GW by 2035. To meet these objectives, the State would need to install over 900 MW/year, almost triple what the market has delivered over the past few years.

The only way for NJ to achieve its clean energy goals is to maximize all proven approaches to solar development in New Jersey, including bringing the State's electric distribution utilities into the market to grow the grid connected solar sector. Currently, only about 20% of the state's solar capacity is grid connected, which is by far the lowest among the leading solar states in the country. In most leading states, between 50-80% of solar generating capacity is grid connected. The State can easily increase its grid connected capacity by working with its electric utilities to develop, own and operate larger, grid connected solar facilities. Fortunately, PSE&G's Solar 4 All® Program is precisely the model by which the State can achieve its solar energy goals.

PSE&G's Solar 4 All Program targets landfill and brownfield sites for development, sites that are generally difficult to develop for the private market due to the additional challenges of meeting New Jersey Department of Environmental Protection requirements and local requirements regarding permitting and development. Through the Solar 4 All program, PSE&G has become a national leader in developing these difficult sites, with over 40% of all landfill/ brownfield capacity in the State. This model can be expanded to allow utilities to build and own solar on unproductive landfill and brownfield properties, which would be an underserved market segment without PSE&G's involvement. And with the aggressive goals discussed in the EMP, the utilities can participate in the market without "squeezing out" private development in the residential and commercial segments.

Utilities can also assist in the local government/public market sector to develop projects in situations where a local government has not been able to participate due to cost constraints or other barriers that have left them out of the private market. Working with these customers can translate into lower tax burdens for all of their constituents. In addition, utilities stand ready to implement programs that will provide crucial assistance to low and moderate income residents, particularly, as noted below, those residents disproportionately impacted by environmental justice concerns.

Finally, PSEG continues to believe that the State's utilities can be a valued participant in the community solar market. And while we understand that the Board has chosen to exclude utilities from participating in the community solar pilot program, we welcome the opportunity to work with the Board and other stakeholders in exploring a more inclusive role for the utilities beyond the pilot program.

Successor Program Structure

PSE&G recommends a dual path approach to the successor program; a path for direct utility investment in grid connected solar, and a competitive market path for the private market.

Grid Connected Path: The Board should establish multi-year capacity targets for the State's electric distribution utilities, after which each utility will submit a filing detailing its approach, expected investments and expenses, and offsetting revenues. The model will be similar to the filings that PSE&G has submitted for its prior Solar 4 All Programs. Utilities will target landfills, brownfields pursuant to subsection (t) within their electric service territory for development, with all projects going through the normal subsection (t) process for review and approval.

Competitive Market path: PSEG recommends that the Board, through an auction manager, conduct regular solicitations for solar capacity. Solicitations should occur at least once per year, but can be executed periodically over the year as well. The Board should establish capacity targets per auction based on the annual target. In order to direct the highest societal benefits and emphasize environmental justice, a carve-out of program capacity should be made available to public entities such as municipal governments, public schools, and other public entities. All developers and utilities would be able to bid into these auctions.

The auction should be a descending clock auction similar to the Basic Generation Service auction, with a price per MWh set over a defined period (e.g. 15 or 20 years). A fixed price incentive over this longer time frame will help drive prices down, reducing the overall program costs and thus enabling the State to stay within the seven percent cost cap (beginning in energy year 2022) imposed by the Clean Energy Act.

The payment obligation should reside with a clearinghouse, similar to the BPU's Offshore Wind Renewable Energy Certificate program. Auction winners would receive blocks of capacity, not necessarily required to be tied to specific projects, but winners would have to disclose if their capacity is targeted to the public entity carve out. Project developers would be given a set time period to bring the capacity into commercial operation (e.g., 18 months), with penalties for failure to complete on time, backstopped by a letter of credit or other security. Extensions of time could be provided by the Board on a case-by-case basis. Finally, as a check against "queue sitting" utilities should have the authority to remove solar projects from its interconnection queue after an 18-24 month period of inaction by any project developer.

Once the winning price is set, the auction manager would advise the Board if capacity carved-out for public entities remains uncommitted. The Board could then assign that capacity to the electric utilities as the public "provider of last resort" to ensure that this segment is able to obtain the full benefits of solar. The Board should also include a public facilities adder incentive for public customers within low and moderate income communities so that they can receive the maximum bill savings from solar, and pass those benefits to their taxpayers. Each electric utility will work with customers within the public entity segment to develop grid connected projects at their proposed project sites.

By leveraging the electric utilities' unique strengths: access to low cost capital and deep relationships with all customers, but especially those customers in environmental justice communities, this market structure will help ensure that future solar development provides the greatest public good throughout the State. It will also help deliver on the Governor's commitment to a fairer and stronger New Jersey by ensuring universal access to solar programs and its clean energy benefits.

Finally, fundamental fairness suggests that solar projects located in municipal utilities that do not pay into the BPU renewable energy programs should not be eligible to receive Successor Program incentives. Customers across the State should not incentivize solar projects located in municipalities that do not contribute to the costs of the renewable energy program. These municipal utilities have their own authority to charge their customers a fee to incentivize solar facilities within their territory if they wish.

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Once again, PSEG commends the Board for conducting this comprehensive stakeholder proceeding and appreciates the opportunity to submit comments in response to the Successor Program. We look forward to continuing to work with the Board and all stakeholders on these important initiatives to cost-effectively achieve the Governor's and the Legislature's clean energy goals. We thank the Board for its consideration of our submission.

Respectfully submitted,

Joseph A. Shea, Jr.