



Board of Public Utilities
44 South Clinton Avenue, 9th Floor
PO Box 350
Trenton, NJ 08625

August 10, 2020

RE: NJ Community Solar Pilot Program Comments

Dear Secretary of the Board,

We respectfully request a reassessment of Section 14:8-9.7(f) as it presumes that subscribers will be billed for all the credits that are generated for which they are allocated, as opposed to only being billed for the value of credits applied to that subscriber's EDC bill. Further, the compensation of net excess bill credits upon the events listed in this Section causes a substantial financial harm to the developer and does not appreciate the practicalities of community solar subscriber management. PowerMarket currently manages over 200 MW of community solar across the country and wishes the NJ Pilot Program rules to align around subscriber benefit, developer value, and achieving public policy goals.

When bill credits are generated in a particular month for a subscriber that exceed that subscriber's actual billed dollar amount, such net excess bill credit amount will be added to that subscriber's "monthly bank" and become what is commonly referred to as "Banked Credits." In subsequent months, this monthly bank can increase or decrease depending on whether the number of credits generated are greater than or less than the subscriber's actual billed dollar amounts.

Nearly all subscriber organizations charge their subscribers for only the amount of bill credits that actually offset that month's utility bill, i.e. the "Applied Credits," which do not include Banked Credits which accrued to the subscriber that month. This has become a best practice, not because it is mandated under the rules, but in the interest of the subscriber experience; Subscribers will pay only for the benefits realized in that month and can easily reconcile this value by seeing such Applied Credits on their bill. While this practice benefits the subscriber, it comes at a risk to developer/subscriber organization. Since developer/subscriber organization wait for Banked Credits to be applied to a subscriber's bill to charge the subscriber for that value, any instance where the developer/subscriber organization is no longer able to monetize Banked Credits creates a substantial financial hardship.

The amount of bill credits a subscriber receives each month is dependent on their percent allocation to the community solar project. No matter how precise a subscriber organization may be in setting an initial percent allocation for each subscriber, the occurrence of excess net bill credits is inevitable. Subscriber organizations typically calculate a subscriber's percent allocation based on historic annual usage (emphasis on annual), and therefore are subject to the inherent monthly variability between subscriber usage and community solar project production. For example, in a summer month, with high solar radiance, the project generation may be high, but the subscriber

may have gone on vacation so their monthly usage was low, causing substantial excess credits to accrue on their account. The expectation is that despite this monthly variability, over the course of an annual billing period, all credits generated for a subscriber will be applied to their account with no Banked Credits remaining at the end. In reality, subscriber organizations and developers have no control over whether a subscriber will remain a participant long enough to see this annual period through and have all Banked Credits eventually applied. Subscribers are free to move or cancel their subscription agreement at any time, and some may default on their subscription payment whenever they want (causing them to be removed from the project). Under the current rules where excess net bill credits are compensated to the subscriber at the avoided cost, the value realized is substantially reduced from that of the retail rate for bill credits, and where such loss results from actions taken by subscribers for which developers/subscriber organizations have no control.

Further, there is typically a 30 to 60 day lag between the time a new allocation schedule can be filed for which it is then applied to the project by the EDC. So even if a subscriber organization had some notice that a subscriber was leaving, there likely wouldn't be sufficient time to reduce that subscriber's allocation so that net excess bill credits could be applied to that subscriber's bill at the full retail rate, and not at the avoided cost. Creating a mechanism whereby net excess bill credits are compensated on annual basis does not serve the subscriber or developers. There must be an appreciation that subscriber allocations are initially calculated based on historic usage, and such historic usage has no true bearing on future use. You can look to the current pandemic as a real, if extreme, example. A subscriber who was allocated based on last year's usage, but due to COVID, kept their apartment but moved back in with their parents for a safer environment, their usage at their apartment has lowered exponentially, resulting in substantial net excess bill credits. If then this individual decided, then to move and close their account, well all of those net excess credits that the developer would have monetized at the full retail rate, but now the value is avoided cost, this has material impact.

This rule as written creates a financial harm to a developers when a subscriber with Banked Credits moves, no matter within or outside the service territory as their EDC account will close upon moving. It is unclear the intent or what policy objective this rule seeks to achieve. It could, however, serve to discourage the inclusion of potential subscribers who are or may be perceived to be more transient than others., i.e. renters, students, and other communities that may historically move more frequently. Where the CDG Host had expected to monetize the Banked Credits over time, such value is lost as these credits have been forfeited due to the subscriber's action.

The BPU should allow for credits to continue to rollover for subscribers for a term beyond the annualized period, otherwise subscriber organizations will be forced to underallocate subscribers (50-60% usage). This causes unfavorable results: 1) Subscribers do not maximize their savings opportunity; 2) Subscriber organizations have greater costs to acquire more subscribers; and 3) higher subscriber management costs, since you need more subscribers for the same project capacity.

Further, net excess bill credits should not be compensated to the subscriber since the subscriber has not paid for its net excess bill credits, and such should be transferred to the developer



at the full retail rate so that the subscriber organization can apply these net excess bill credits to the accounts of other existing or new subscribers on the project. This transfer allows the developer to realize the financial benefit of these net excess bill credits that had been generated and intended to be applied to a subscriber's account, but will now be applied to another subscriber's account. This solution is fair and equitable.

I would be happy to dive into this comment further and share our knowledge and experience in managing community solar subscribers in mature community solar markets like NY, MA, MD, and RI.

Sincerely,

A handwritten signature in black ink, appearing to read "JK" or "Jason Kaplan", written in a cursive style.

Jason Kaplan
COO, PowerMarket

“(f) At the end of the annualized period and/or when a subscriber's EDC account is closed and/or at the end of the subscriber's community solar subscription, any excess net bill credits greater than the sum of all appropriate billable charges shall be compensated at the EDC's or BGS provider's avoided cost of wholesale power, as determined from time-to time, calculated at the nearest node to the point of delivery of the community solar project. The excess compensation must be returned to the subscriber *[following his or her preferred method]* *by bill credit*, wire transfer, or check.”