

New Jersey Solar Transition Draft Capstone Report

Comments by Safari Energy, LLC

To the New Jersey Board of Public Utilities:

Safari Energy appreciates the opportunity to provide comments on the New Jersey Solar Transition Draft Capstone Report, published by the New Jersey Board of Public Utilities on August 11th, 2020. We commend the BPU for their diligence and transparency throughout this process and are very excited to see solar in New Jersey continue to grow. We present the following comments to be considered as Cadmus and the BPU work towards a New Jersey Solar Transition Final Capstone Report.

About Safari Energy

Safari Energy, LLC is the solar partner of choice for commercial and industrial customers, real estate owners, public sector organizations and solar developers seeking competitive financial solutions for their projects. Headquartered in New York City, Safari Energy ("Safari") has helped clients unlock enormous economic value and drive significant energy savings by developing hundreds of solar energy projects across the country, including more than 20 projects in New Jersey. With extensive interdisciplinary expertise, Safari supports the growth of distributed energy resources and PPL Corporation's focus on advancing a sustainable energy future.

Comments

1. Commercial/Grid Ground Mount Tilt

In Table 14, the current tilt assumptions for ground mount facilities is 18 degrees. Though this is not impossible, it is not largely seen across the development of ground mount facilities. The most common range of tilt utilized is between 20 and 30 degrees. This is largely due to factors concerning shading and spacing. When spacing panels, you also must account for the tilt of the racking. If they are close together you need to make sure they are not tilted at such an angle that they will shade the adjacent rows and reduce production.

2. IRR Targets

In Table 19, Financial Parameters for PPA Projects, the IRR Target modeled is 9.7%. We would like to support the comments made at the August 20th Stakeholder Meeting that a 9.7% levered IRR is low, especially if it does equate to a 5% un-levered IRR. Some transactions we see have a capital cost of 6-10% un-levered IRR, and a higher levered IRR Target in your modeling would more realistically cover that range.

3. Electricity Rates Growth Rate

On Page 45 of the Draft Capstone Report, it is stated that Cadmus used a 2.4% annual growth rate for commercial electricity rates. Safari Energy feels this is a conservative assumption and encourages using the Wood Mackenzie, global energy research group, 3% growth rate forecast for commercial rates in New Jersey over the next 30 years.

4. PPA Rate

Page 45 states that PPA rates are derived by applying a 15% discount on electricity rates. Safari Energy is of the view that this assumption is unduly conservative. Safari is aware of a number of examples in the market where developers have had to discount offtake rates by up to 50% of prevailing electricity rates in order to incentivize offtakers to enter into a transaction and to make the economics for the project work. For instance, in order to monetize the tax benefits for a project, our experience is that the transaction costs for including a project in a sale-leaseback facility range from \$50K-\$150k, further reducing margins and putting pressure on deal economics.

We appreciate the time taken to read these comments and look forward to the release of the Final Capstone Report.

Sincerely,

Safari Energy, LLC