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Ada Camacho, Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Ave
Trenton, NJ 08625

September 9, 2020

Re: Successor Program Capstone Report Docket No. QO20020184

Dear Ms. Camacho,

The Successor Program Capstone Report is an important first step in trying to fix our solar program. New Jersey used to be a national leader when it came to solar, but over the last decade we lost our lead. The new solar program needs to transition away from Solar Renewable Energy Certificates (SRECs) and move toward long-term contracts. It also needs to get rid of the cost cap and should have separate incentives for each solar program to account for different costs. We also urge the Board of Public Utilities to look at other funding mechanisms and regulations to push for solar programs to get done. We need to ensure that we can get this new program in place quickly to help create more jobs and reduce our greenhouse gases.

Incentive Types Chosen: The Cadmus team selected three incentive types: total compensation, fixed incentive, and market-based RECs with floor. [The ITC steps down at prescribed levels: 26% in 2020, 22% in 2021, and thereafter 10% for businesses and 0% for residential].

The Capstone Report looks at three different incentive "types" that could be used in the Successor Program. When looking at incentives, it is important to consider using separate incentives for different types of solar projects. BPU needs to study the SRECs program and have the credits reflect the actual cost of certain sectors of the solar market, differentiating between third-party ownership and direct ownership. For example, it costs more to build on a landfill than to do a third-party solar project on a roof.

The BPU should establish a rate of return, for example 10% per program area. Each area has different costs; therefore, each should have a project-specific set rate of return to save ratepayers money and keep us under the cap. These program areas include utility, scale, third-party, direct-purchase, residential, and commercial. Using separate incentives would help increase access to solar for different customer classes. As we get to a grid approach and prices come down, we can transition to an incentive-free market.

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Operating Costs: The total cost for commercial direct host solar projects was anywhere from $17/year for projects up to 100 kW to $5,000/year for projects over 1 MW. The total cost for third-party commercial projects was calculated to be anywhere from $1,000/year under 100 kW to $55,000/year for 1 MW and greater. Community solar total costs were calculated to be $23,000/year for 100 kW to 1 MW up to $77,500/year for 3,500 kW ground. Grid costs were calculated to be $60,000/year for roofs, $95,337/year for ground out-of-state supply, and $106,337/year for ground in-state supply. Residential solar operating costs were calculated to be $17/year.

In order to have grid- or utility-scale solar, our next solar program needs to include long-term contracts instead of SRECs. New Jersey also needs to expand net metering. New Jersey cannot achieve our clean energy goals house by house, rooftop by rooftop. BPU needs to do an assessment of available land to meet renewable energy goals. This could include solar on landfills, brownfields, sound barriers along highways and the NJ Turnpike, abandoned lands, corporate office lawns, parking lots, and more.

New Jersey's utility economic model is based on how much power they sell; this is unsustainable and will only lead to more waste and pollution. We encourage the BPU to look at the solar plans of New York, Massachusetts and Maryland. New York has administratively determined short-term incentives that are differentiated by size. Massachusetts prices by competitive auction initially and long-term incentives to bundle with energy costs.

New Jersey Solar Capacity Goals: The solar capacity goals in the *2019 New Jersey Energy Master Plan* includes a final target of 32,200 MW by 2050 (under the Least Cost scenario). One of the milestone capacity targets is 12,188 MW by 2030.

Based on the Report, the current solar target is flat for the next 5 years at 200 MW/year. As such, we would have to dramatically accelerate the rate of solar additions after 2026 in order to reach the state's targets, which risks missing our goals, undermining the solar program. We need to aim for at least 500 MW per year to reach our clean energy goals. The Energy Master Plan calls for a final target of 32 GW of solar by 2050, with a milestone capacity target of 12 GW by 2030. New Jersey is currently only at 5 GW. The state needs to do more than 15 GW by 2035 in order to reach our clean energy goals of 100% renewable and zero-carbon by 2050.

Installed Capacity Falling Off: Legacy SREC capacity will decline over time. It remains steady in the near term, but by 2035 it begins to decline more noticeably. Legacy SREC capacity could fall off completely in the 2040s.

The Board can ensure continued cost reductions through competition, examining the costs of solar going in, administrative price setting, and increasing the efficiency of new technology. They must be sure they

are not giving out rebates or SRECs at a higher rate of return than justifiable. As the price of solar goes down and solar panel efficiency goes up, this becomes even more critical. They should also look at year-to-year pacing on incentives. If we try to go back to reduce levels of already-built projects, there will be legal issues and it could hurt investment in our solar markets.

We also believe that we should transfer residential solar out of SRECs entirely. We can dedicate money from the Societal Benefits Charge (SBC) for one-time rebates. This should be limited to net-metered systems, and possibly just residential and community solar projects, so that the limited funding could be spread over as many projects as possible. Proceeds from Regional Greenhouse Gas Initiative (RGGI) auctions could also be used as a supplemental funding source, outside of the cost cap.

Community Solar: Community solar installations are limited to 75 MW per year for the first three years. Afterward, Cadmus projected that 150 MW per year is installed.

Because the Community Solar program is a state pilot program, it is limited to 75 MW of installations per year for the first three years. We would like to see the program doubled from 75 MW to 150 MW a year. We would also like to see the pilot program expanded. A project of 5 MW only powers a little over 800 homes. We should allow for projects that are 10 MW or greater, even up to 20 MW.

New Jersey should be creating a full community solar program such as other states have, so that we can advance solar power for everyone in New Jersey. Maryland has a 30% carve-out for community solar for projects where 20% of the output serves low- and moderate-income communities and Massachusetts has roughly 23%. We ideally want at least 20% set aside for community solar in New Jersey.

We also need to make sure we keep community solar costs down in low-income and minority communities. These projects should be subsidized using the Clean Energy Fund to make the program more accessible for people living in these communities that need the benefits from solar the most. It is also important that the benefits of solar are directed to these communities, including jobs. The Office of Clean Energy Equity should be used to direct solar job training to overburdened communities. It is critical to make sure that everyone can benefit from solar energy.

Cost Cap: The Successor Plan is being designed to comply with the cost cap and maintain flexibility to incorporate findings of the cost cap proceeding.

The BPU is looking at how to set MW targets while maintaining compliance with the legislative cost caps. However, we believe that it is critical for the BPU to recommend getting rid of the cost cap now because the cost cap hurts the solar industry and favors fossil fuels. Sierra Club opposed the cost cap language in

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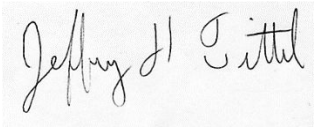
the legislation because we are so concerned about the external costs of electricity production from fossil fuels, and the need to ramp up clean energy as quickly as possible.

New Jersey is currently only generating 200-300 MW per year. New Jersey needs to get rid of the cost cap to allow for the 500-600 MW per year that we need to reach our clean energy goals. It is important to come up with a cost-effective solution that works for all of New Jersey. This includes looking at other funding mechanisms and regulations to push for solar programs to get done.

This Draft Capstone Report on NJ's Solar Successor Program is the first step toward fixing New Jersey's solar program. Improving solar energy in the state will make our environment cleaner, fight climate change, and increase green jobs. We need to get rid of the cost cap and expand our solar program so that we can reach 15 GW by 2035. Expanding our solar program will help save ratepayers money and deal with climate change while growing our economy. We must expand our solar program so that we can reach our clean energy goals and be a leader in clean energy once again.

If you have any questions or would like to discuss this matter further, please feel free to call me at (609) 558-9100.

Sincerely,



Jeff Tittel
Director, New Jersey Sierra Club