From: Jeanne Fox
To: transitions, Solar; Comments, Rule; Camacho, Aida; Secretary, Board
Cc: Mooij, Kelly; Benrey, Ariane
Subject: [EXTERNAL] Re: Comments from Jeanne Fox on Solar Transition Successor Program
Date: Tuesday, September 8, 2020 4:49:13 PM

I thank and congratulate the BPU & staff for your comprehensive Solar Successor stakeholder process. I am proud of what you are accomplishing in so little time.

The goal of New Jersey is to encourage customers to install PV or participate through community solar projects while achieving the lowest cost to ratepayers, to allow for effective competition and do so in as simple and transparent manner as possible.

The issue for the Successor Program is whether the incentive levels should vary by EDC to reflect the different NEM compensation. I agree with the general consensus of yes. While EDCs have different rate structures due to different economics, solar incentives should be adjusted to respond to each project's economics. As Scott Weiner noted there is a distinction between compensation and incentives.Tailored incentives reflecting the differing costs among EDCs makes sense. We want PV to be fairly and widely dispersed throughout the entire state. However, the BPU should work to make the EDCs Renewable Energy (RE) tariffs as similar as possible.

The EDCs interconnection costs can be substantial. So it makes sense that large commercial projects finance the additional interconnection and grid costs. However, smaller residential and commercial, roof & canopy solar should be treated differently. Distributed solar located at the load has no line loss plus will help with reliability issues during/after extreme weather events. The BPU should study how other states handle these costs and how to best mitigate these costs/techniques. The BPU should consider how to socialize the costs for public entities and possibly for residential customers.

The New Jersey Conservation Society was right on point and in line with the Energy Master Plan's (EMP) goals that ground mounted locations should be strictly limited. New Jersey is expected to be the first state to totally "build out" - and within the next 30 years. Historically, New Jerseyans pass every Green Acres and Farmland

Preservation ballot question because we want to protect our open land. The EMP clearly emphasizes that solar should be steered to rooftops, carports, brownfields and landfills and away from open space. New Jersey still needs to meet our farmland preservation goals and, until that time, I recommend that very little, if any, " marginalized" farmland be used for large ground mounted solar farms. I urge that a new work group be established - with the DEP and the Department of Agriculture - to investigate what "marginalized lands" might be utilized. That workgroup should also include environmental and open space advocates in addition to agricultural interests. A pilot or two might be allowed for joint agricultural/solar use, e.g. a pig farm. And, because "carbon sinks," such as forests, woods and wetlands help lower carbon dioxide, they should not be used for any solar development.

As previously recommended, to be most efficient, the BPU should, as soon as possible, require whole building EE Audits before installing EE, as well as installing EE before installing PV. While transitioning to this whole building policy, the BPU should begin now with LMI homes as a priority. LMI have higher energy costs per square feet because they tend to be in much older homes lacking in energy efficiency improvements. Higher incentives would reduce the energy costs to these LMI homeowners. As a side benefit, I would expect that LMI PV programs, as well as LMI Energy Efficiency (EE) Programs, would likely help lower the costs of the Universal Service Fund.

In addition to benefiting LMI via Community Solar, LMI Third Party Owners (TPOs) should be enabled to play an important role in New Jersey. For instance, PosiGen has proven to be quite successful in Louisiana and Connecticut. The same would almost certainly be true for New Jersey if handled appropriately by the BPU. So that LMI homeowners can also benefit from solar, I encourage an additional incentive for projects that focus on LMI homes. Such incentives are currently in place in numerous other states, e.g. Connecticut, Illinois, New York. Also the current barriers that prevent coordination between the Comfort Partners Programs and solar providers should be eliminated. I note that PosiGen does EE work before installing the PV.

Cadmus assumed that ground-mounted PV would be used in the future for

Community Solar, but, they should not so assume. The BPU has always been clear that open space should be avoided and that rooftops, parking canopies, landfills & brownfields are the preferred locations in New Jersey for PV. Solar incentives should be given for LMI, Community Solar, landfills, brownfields and public entities. In addition, disincentives should be assigned to solar proposed for open space and wooded areas.

In addition to incentives, the financial benefits to the grid should be real and measurable.

I concur with Cadmus in their recommendation to maintain flexibility for the BPU to adjust incentives.

The near future will clearly require us to pair solar with energy storage. With smart inverters next year plus increasingly more extreme weather events, customers will want and will insist upon energy storage with solar PV. The BPU should plan now on co-locating solar and storage going forward. I expect that PV + smart inverter + battery storage would likely lead to more PPAs. The BPU might want to create a technical working group to plan for this likely scenario.

Staff asked the question should the program do “total" compensation or “ fixed” compensation. Lyle Rawlings explained that Massachusetts has fixed compensation and doesn’t have to do different EDC base rates so it’s much simpler & there is no difference among the EDCs. However, I concur with Scott Weiner (and Cadmus), that at least initially - for approximately 2 years, the BPU should use fixed incentives to set the stage - using locational & time values. Then, after gathering sufficient data, the BPU could move to a total compensation mechanism to allow for a wholesale approach and, hopefully, lower costs to ratepayers.

I concur that there needs to be substantial coordination with related programs - not just at the BPU, e.g. Comfort Partners, but also with DEP and DCA, e.g. lead paint and asbestos remediation.

Staff asked at the Stakeholder meeting "what should be the cutoff between small & large PV systems?” 10 MW seems to be the generally accepted break point.

A major issue here is whether to use levered or unlevered IRR. Cadmus used levered. However, the BPU clearly should use unlevered which is the solar industry standard and would eliminate the endless various assumptions on levered return to another—e.g. how much debt at what cost.

Cadmus believes that there will be an increase in residential Direct Ownership (DO) and a decrease in residential Third Party Ownership(TPO). I do not understand why they think that. I believe that TPOs will continue to grow because most residential customers do not want to be responsible for all the necessities of ownership, e.g. maintenance; they want to lease.

The Cadmus Successor Tranche Chart is based upon their presentation's assumptions. I suggest, depending on the Election's outcome, that Cadmus might modify them if there is a change in administration. Other scenarios would likely change as well, e.g. FERC' recent PJM Minimum Offer Price Rule (MOPR) ruling about grid constraints. In addition. Cadmus' "step-down" in the Federal Investment Tax Credit is based upon the current law's step-down but there is a possibility of its continuation under a new administration.

The BPU needs to recognize the value of DER to the grid including the social and environmental value.

Cadmus stated that grid-connected solar (wholesale bulk transmission grid) needs a higher incentive due to higher risks but they should factor in the likely higher environmental and social risks of large grid-connected projects.

Due to societal benefits (health & environment), public entities, e.g. schools, municipalities, counties, should be encouraged to install PV and energy storage. Thus ,they should receive some sort of savings incentive - in other words - a higher incentive

The BPU should hold off dealing with out-of-state solar until after the more critical in-state solar is settled.

The cost caps should be applied with recognition of the benefits provided and in so doing better calibrated with the Energy Master Plan goals.

The BPU should seriously consider setting application standards that would weed out proposed projects that are not “serious” so that the incentive is not unnecessarily held and could be used by a viable project. For instance, the BPU could require a higher deposit.

As is appropriate, the BPU almost always makes regulatory changes prospectively. In the case of solar PV’s Successor Program, the BPU should ensure that existing residential and small commercial PV leasing customers understand that they are not in any way impacted by the Successor Program. For the legacy and TREC owners themselves, I suggest that the BPU consider allowing them, for each project, to opt out of legacy and TREC programs and into the Successor Program if they so chose.