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VIA ELECTRONIC DELIVERY - BOARD.SECRETARY@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: Successor Program Capstone Report - Docket No. QO20020184

Dear Secretary 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 New Jersey Solar Transition - Successor Program Capstone Report - Staff Request for Comments ("Request for Comments") in the referenced Docket.

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.

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. We commend the Board for soliciting stakeholder input and putting the solar market on a path to a Successor Program that cost effectively achieves the State's clean energy goals.

As an initial matter, the Company would like to reiterate its prior comments with respect to the design of the State's Solar Successor program: the clean energy goals put forth in the State's Energy Master Plan are significant and challenging. The participation of the New Jersey electric distribution companies are essential to meeting the goal of installing 5.2 GW of solar by 2025, 12.2 GW by 2030, and 17.2 GW by 2035. To meet these objectives, the State will need to install over 900 MW/year, almost triple what the market has delivered over the past few years. Given the substantial increase in solar targets, it is critical that the Board develop a cost-effective approach to compensating solar development. New Jersey has extremely high costs for solar, both in terms of $/MWhr and total program costs. Costs need to meaningfully come down if we are to meet these higher goals without burdening the customer.

The only realistic 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 companies 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 percentage among the leading solar states in the country. In most leading states, between 50-80% of solar generating capacity is grid connected. This focus away from more economic, larger scale, grid connected solar has contributed to the higher cost of Solar in NJ, which all customers are bearing. 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 permitting and development requirements. 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 additional unproductive landfill and brownfield properties, which would be an underserved market segment without PSE&G's involvement.

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.

For both of these sectors (local government/public market and low and moderate income), the Board can and should establish a capacity carve out for utility ownership and operation, which, given the aggressive goals the State has set for solar energy, would still leaving adequate capacity for the rest of the market.

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 at this juncture, 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.

Beyond these direct roles for utilities in the solar market, PSE&G offers additional suggestions for the successor solar program:

- We believe that the fixed incentive model described in the draft Capstone report is the superior approach. The fixed incentive model has many advantages: it is consistent with the current transition market approach and will therefore make the changeover easier for market participants. The fixed incentive model balances the risks and benefits of solar energy between customers and solar developers/owners, while providing price certainty to developers. Price certainty for developers will be important to help reduce the cost to customers. Lastly, the fixed incentive is easy to understand and easy to implement.

- We believe the fixed incentive model is superior to the total compensation option discussed in the Capstone report for several reasons. One major concern with the total compensation option is that all price risk shifts to customers/ratepayers, with long term power purchase agreements (PPAs) that utilities would be required to sign. Prior PPA-type models in New Jersey (and other states) have left customers with expensive obligations for out-of-market payments for years. The Board should not repeat this mistake. Additionally, this model would be confusing to customers with behind the meter projects, particularly residential customers, as the Board would need to design some type of structure to correct for the net metering benefits customers with behind the meter systems currently receive. Several residential solar developers highlighted this concern in their oral comments.

- To the extent possible, we believe that a single solar incentive should be available to all solar projects regardless of solar facility type, location, and size to provide the least cost solution for customers and minimize the burden of administering the incentive.

<u>PSEG Response to Specific BPU Questions</u>

3) If NJBPU were to implement incentives based on a competitive solicitation:

h. New Jersey's solar incentive programs have historically been delivered via a program established by NJBPU. Should NJBPU consider instead delivering the incentives through project-specific contracts with the EDCs? Would this approach reduce financing costs for developers? Please discuss the pros and cons of both approaches, including the potential benefits of a contract filed with the Federal Energy Regulatory Commission and imputed debt considerations.

PSEG RESPONSE:

In general, the successor solar incentive program should incorporate a fixed solar incentive that should be determined in an open, competitive solicitation. For smaller solar systems, such as residential and small commercial projects, an administratively-determined incentive at the outset is acceptable. Thereafter, the Board should, to the extent possible, investigate competitive alternatives to an administratively-determined incentive.

The EDCs should not be required to enter into long term power purchase agreements with solar project developers. If not carefully structured, the cost obligations under the PPAs might be recorded as debt as required by lease accounting treatment under generally accepted accounting principles and/or be imputed as debt by the credit rating agencies. That would have negative *implications for the financial health of the EDCs and would ultimately raise costs to customers. In addition to this risk, the EDCs would want the highest assurance of recovery of these pass-through costs. The longer the term of the contract, the higher the risk that in the future it could be "out of the market" and therefore ongoing certainty of recovery would be critical to the EDCs (i.e., non-bypassable charge).*

4) How can NJBPU prevent queue siting or speculative project bids? In other words, what maturity requirements should NJBPU implement? Please consider, for example, minimum bidding requirements, escrow payments, etc. Should NJBPU require different maturity requirements for projects entering the competitive solicitation process versus the administratively-set incentive levels?

PSEG RESPONSE:

To discourage speculative project bids, the successor incentive program should include a requirement that each grid-connected solar project shall have completed a PJM Facility Study Agreement to participate in a competitive solicitation or to be considered for an administratively-set incentive program. The PJM Facility Study Agreement process is set forth in Attachment D of the PJM Manual 14A, which can be found at:
https://learn.pjm.com/three-priorities/planning-for-the-future/~/media/52AD707F3AED43D98518963504C60130.ashx

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Once again, PSEG commends the Board for conducting this comprehensive stakeholder proceeding and appreciates the opportunity to submit these comments. 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.