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Docket No. QO20020184

In the Matter of the One Year Review of the Administratively Determined Incentive Program

Comments of the Coalition for Community Solar Access
December 9, 2022

Overview

The Coalition for Community Solar Access ("CCSA") appreciates the opportunity to respond to the Staff of the New Jersey Board of Public Utilities ("NJBPU" or "Board") regarding the Administratively Determined Incentive ("ADI") Program and the procedure for conducting the One-Year Checkup Proceeding. CCSA would like to use this opportunity to corroborate some of the findings presented by Cadmus and suggest how to proceed with regard to the Community Solar Permanent Program ("Permanent Program") which is expected to be released shortly for Board approval.

CCSA is a national, business-led trade organization, composed of over 100 member companies, that works to expand access to clean, local, affordable energy nationwide through the development of robust community solar programs. CCSA's mission is to empower energy consumers, including renters, homeowners, businesses and households of all socio-economic levels, by increasing their access to reliable clean energy. CCSA has been the leading voice in the creation and expansion of community solar in New Jersey and in other programs throughout the country.

Community Solar has only begun to realize its full potential in New Jersey. Representing only 1% of installed solar in the state, Community Solar, and the benefits it brings to low- and moderate-income ("LMI") households, lags far behind already robust residential and commercial behind-the-meter solar deployments. New Jersey's experiment with two rounds of Community Solar Pilot capacity shows the industry is capable and ready to deploy at a large scale. CCSA is eager to see the Board's permanent program go into effect and the urgency is driven not only by the large number of member developers with projects under development, but also by a desire to deliver the significant customer savings and other community benefits that these projects will deliver, especially during a time when New Jersey families are increasingly concerned with energy costs.

Capacity Deployed and Households Served

New Jersey Solar Installations as of October 31, 2022			
Interconnection Type	Project Quantity	Installed Capacity (kW)	% of Installed Capacity
Behind the Meter	165,995	3,385,061	80.25%
Grid Supply	190	789,401	18.71%
Community Solar	20	43,917	1.04%
Total	166,205	4,218,380	**100.0%**
Project Pipeline & Solar Installations Total	**179,512**	**4,959,005**	

Source: https://njcleanenergy.com/renewable-energy/project-activity-reports/project-activity-reports

Community solar has only just begun to prove its potential in New Jersey. While 20 community solar projects have the potential to serve hundreds, or even thousands, of households, community solar deployment lags far behind the well-established residential and commercial sectors (44 MWs vs. 3,385 MWs).

Community solar projects serve households who do not own their own roof or cannot meet the credit requirements for getting their own system. One of New Jersey's goals with the community solar program has been to ensure LMI and other, non-wealthy households have the opportunity to catch up to the wealthier residential and business customers that have been able to take advantage of existing programs. CCSA urges the Board to consider expanding the amount of permanent program capacity offered in the first energy year to at least twice the expected annual allocation of 150 MWs. This would help account for the unallocated capacity that was supposed to be released in Energy Year 22 and Energy Year 23, while being responsive to the demonstrated market demand and readiness (e.g., 800 MWs of projects applied for only 150 MWs of capacity in 2021).

Project Costs

Although the Cadmus analysis did not explicitly cover community solar, Cadmus' findings that inflation and the rising cost of debt are negatively impacting solar development are corroborated by CCSA member companies. Supply chain issues have caused project delays and also increased costs. In addition, CCSA members who are actively recruiting LMI households report that acquisition and income verification are much more difficult and costs are significantly higher compared to the costs of recruiting non-income-qualified households.

Federal Investment Tax Credit

As noted in the workshop, passage of the Inflation Reduction Act ("IRA") has restored the investment tax credit ("ITC") to 30%, provided the project pays prevailing wage and meets certain apprenticeship requirements. The U.S. Department of Treasury ("Treasury") provided preliminary guidance on these rules on November 29th and any community solar project built under the permanent program will be subject to these requirements.

The IRA also provides for ITC adders which will apply to projects located in disadvantaged communities or providing subscriptions to LMI households. The IRA put a capacity limit of 1.8 GW per year on these tax credits, which seems like a large amount of capacity but will in fact become competitive as residential and commercial projects across the country compete with community solar for limited capacity. The Cadmus analysis did not address the 10% locational adder which will apply to any solar project located in a qualifying location, including residential and commercial behind-the-meter projects.

Projects serving LMI households are eligible for an additional ITC of up to 20% depending on the level of benefits provided to the LMI household. This adder seems to have been designed with New Jersey's community solar program in mind, though the prolonged process of Federal legislation has complicated both the requirements and value proposition for this new ITC adder. It remains to be seen how the Treasury will implement this adder or whether it becomes widely utilized by community solar projects. Preliminary Treasury guidance on this tax credit is expected February 13th, 2023.

CCSA believes it is too early to determine what incentive adjustments, if any, should be considered in addition to the 30% ITC with its new apprenticeship and prevailing wage requirements. It is not yet certain whether projects will be able to consistently access the limited tax credit capacity. Nor is it clear whether projects will choose to apply for the tax credit. It is entirely possible the Treasury could adopt income verification requirements or minimum savings targets that aren't economically viable for New Jersey community solar projects. Respectfully, CCSA suggests that the current ADI incentive for community solar projects remain in case for the first year of the permanent program. CCSA respects the Boards authority to re-examine incentive levels, as needed, and suggests that a year of permanent program performance will provide the data needed to make an assessment.

Conclusion

CCSA thanks the Board, Staff, and Cadmus for their work leading up to the workshop and the opportunity to respond to Cadmus' preliminary findings. Although community solar was not addressed in the workshop, CCSA urges the Board to quickly release the plan for the permanent program and increase the megawatts available for LMI and other households. Recognizing that the IRA may be of significant incremental benefit once it is implemented, CCSA urges the Board to leave ADI for community solar unchanged until enough time has passed to learn whether New Jersey community solar projects are able to consistently participate in the limited capacity adders.

Sincerely,

/s/ Charlie Coggeshall

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