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December 16, 2024

Via Electronic Mail board.secretary@bpu.nj.gov
Sherri L. Golden
Secretary of the Board
44 South Clinton Ave., 1st Floor
PO Box 350
Trenton, NJ 08625-0350

Re: In the Matter of the Community Solar Energy Program
BPU Docket No. QO22030153

Dear Board Secretary Golden:

Please accept for filing these comments being submitted on behalf of the New Jersey Division of Rate Counsel in accordance with the Notice issued by the Board of Public Utilities ("Board") in this matter on November 21, 2024. In accordance with the Notice, these comments are being filed electronically with the Board's Secretary at board.secretary@bpu.nj.gov.

Please acknowledge receipt of these comments.

Thank you for your consideration and attention to this matter.

Respectfully submitted,

Brian O. Lipman, Esq.
Director, Division of Rate Counsel

By: ______________________________
Andrew H. Gold, Esq.
Assistant Deputy Rate Counsel

AHG
Enclosure

cc: Veronique Oomen, BPU
Sawyer Morgan, BPU
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Robert Brabston, BPU
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STATE OF NEW JERSEY

BEFORE THE BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE COMMUNITY	**)**	
SOLAR ENERGY PROGRAM	**)**	**Docket No. QO22030153**
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COMMENTS OF THE
NEW JERSEY DIVISION OF RATE COUNSEL
ON COMMUNITY SOLAR ENERGY PROGRAM
DECEMBER 16, 2024

(1) Introduction

The New Jersey Division of Rate Counsel ("Rate Counsel") appreciates the opportunity to provide input to the Board of Public Utilities Staff ("Staff") concerning the Community Solar Energy Program ("CSEP") in New Jersey. On November 21, 2024, the Board released a notice which included a request for comment soliciting stakeholder input. Rate Counsel is pleased to present written input to the request for comment.

Rate Counsel represents and protects the interests of all utility customers – residential customers, small business customers, small and large industrial customers, schools, libraries, and other institutions in our communities. Rate Counsel is a party in cases where New Jersey utilities seek changes in their rates or services. Rate Counsel also gives consumers a voice in setting energy, water, and telecommunications policy that will affect the rendering of utility services well into the future.

Rate Counsel recognizes that solar is an important and integral part of New Jersey's clean energy future. We also recognize that the CSEP plays a special role in this future by allowing electric utility customers who may not have the physical or financial ability to install solar to participate in solar projects that are located remotely from the properties where they receive electric service. This makes the financial benefits of solar available to more customers, including low- to moderate-income residential customers.

Rate Counsel supports renewable energy efforts, but they must be done in the most cost-effective way. We continue to be concerned about the increased rate impacts on New Jersey's residents and businesses and their ability to pay for basic living necessities in addition to continued increases in their energy bills. We are also concerned that high electric rates create a disincentive for businesses to move to or remain in New Jersey. We encourage Board Staff and the Board to consider the ratepayer's bills holistically, as this is just one part of continuing increases to energy bills as numerous programs continue to layer dollars upon dollars in increases on New Jersey residents and businesses.

Rate Counsel provides input on the specific questions posed by Staff in the following section of its comments. Our failure to provide an opinion on any specific question should be interpreted as having no position on that topic at this time. Rate Counsel reserves the right to address such issues, however, in future rule proposals or in response to other comments.

(2) Comments to Board Staff Questions

Question 1: *What parameters used in the modeling for the ADI Program's one-year refresh differ between community solar projects and projects in the market segments for small and large net-metered non-residential projects located on rooftop, carport, canopy, and floating solar?*

Rate Counsel Response:

Rate Counsel has no specific opinion or recommendation on this topic at this time.

Question 2: *What cost adjustments should be considered for the community solar market segment?*

Rate Counsel Response:

The Board should strongly consider scaling back the current incentive levels offered by the CSEP. As the solar market matures, it is only natural that solar development becomes less reliant on subsidization. In fact, the rapid pace at which the CSEP's allowed capacity has been subscribed thus far signals that current incentive levels are creating excess demand. This robust demand underscores the need to recalibrate incentives by implementing an appropriate reduction.

The reduction should reduce the burden placed on ratepayers who fund these program subsidies, while still allowing the state to acquire solar systems at a rate necessary to reach goals set by the legislature.

Rate Counsel recommends the Board reduce incentives by modifying the value of Community Solar bill credits so that they are valued closer to the EDCs' avoided costs rather than the current full retail rate. Avoided costs represent the opportunity cost of the generation product offered by power generation and should serve as a sufficient financial incentive for developers. Setting these credits at any higher rate, such as the full retail rate, results in an inefficient subsidy amount that over-incentivizes Community Solar installations and places an unjust and unreasonable burden on ratepayers.

Question 3: *Are different incentives required for community solar projects located in different EDC territories or with other characteristics?*

Rate Counsel Response:

There has been no empirical evidence provided by Board Staff, nor any other party, that supports this level of segmentation in incentives. In lieu of such evidence, Rate Counsel does not support further differentiating incentives based on geography or other characteristics. What is clear, from the evidence provided to date, is that there is robust interest in this program, indicating that current incentive levels are large enough, if not too large, to support the state's community solar goals. Rate Counsel would remind the Board that excessive incentives do nothing but unnecessarily increase ratepayer costs of supporting New Jersey solar development.

Rate Counsel recognizes that a single statewide incentive rate may cause some EDCs to have an easier time subscribing their allowed capacity than others. If undersubscription becomes an issue for certain EDCs, rather than increasing incentives to encourage more participation, CSEP should follow CSI's example by allowing unallocated capacity from one tranche within their program to be reallocated to another tranche or tranches who are experiencing excess demand. In CSEP's case, this would mean allowing unallocated capacity for one EDC to be reallocated to other EDCs that are experiencing excess subscription requests. This solution would allow New Jersey to manage geographical cost disparities through more cost-efficient development, while not complicating their administrative approach.

Question 4: *The Inflation Reduction Act increased federal tax credits to 30%, with the possibility for increased incentives for projects using domestic content, projects sited in energy communities, and projects qualifying for the Low-Income Communities Bonus Credit Program. How should these changes be accounted for in modeling incentive requirements for community solar projects?*

Rate Counsel Response:

Additional incentives offered by the Inflation Reduction Act or other programs that offer incentive opportunities to community solar customers should be treated as an added benefit that reduces the incentives to be offered by CSEP to achieve state-mandated capacity goals. In other words, benefits such as the 30 percent tax credit offered by the Inflation Reduction Act should allow New Jersey to reduce the subsidies paid by ratepayers to fund the CSEP without compromising clean energy goals. This requires that the CSEP adjust its modeling framework to reflect the enhanced federal support which would reduce the revenue requirements associated with community solar projects. By recalibrating baseline incentive assumptions, New Jersey would avoid over-subsidizing community solar projects to the detriment of ratepayers. If the federal tax credits are no longer available in the future, the Board should not consider additional incentives. The current incentives were set assuming no federal tax credits, and absent the federal tax credits are currently at an appropriate level. Additional incentives do not appear to be necessary given that the program was flooded with subscriptions so early in the process.

Question 5: *Does the pace of registration submission into the CSEP and subscription of the full capacity allocation support a change in incentive level from the initial value of $90 per megawatt-hour?*

Rate Counsel Response:

As mentioned in our response to Question 2, the rapid pace at which the CSEP's allowed capacity has been subscribed thus far signals that current incentive levels are creating excess demand. This robust demand underscores the need to recalibrate incentives by implementing an appropriate reduction. The reduction should reduce the burden placed on ratepayers who fund these program subsidies, while still allowing the state to acquire solar systems at a rate necessary to reach goals set by the legislature.

The Board has a few options for reducing incentive levels. One option would be to reduce the solar renewable energy credits offered to program participants which currently stand at $90 per megawatt-hour ("MWh"). This step was taken on March 13, 2023, for net metered residential customers who saw their credit decrease from $90 to $85 per MWh. Another option for reducing incentives would be to modify the value of Community Solar bill credits so that these credits are valued closer to the EDCs' avoided costs rather than the current full retail rate. Avoided costs represent the opportunity cost of the generation product offered by power generation and should serve as a sufficient financial incentive for developers. Setting these credits at any higher rate, such as the full retail rate, results in an inefficient subsidy amount that over-incentivizes Community Solar installations. Rate Counsel would recommend the Board consider both options to reduce subsidies in response to excess demand.

Question 6: *How has the Community Engagement and Subscriber Acquisition Plan influenced project development and enrollment of LMI subscribers?*

Rate Counsel Response:

The rapid pace at which CSEP's allowed capacity has been subscribed suggests that enrollment has not yet been an issue. However, enrollment may become more difficult in the future as the market becomes more saturated and incentives are recalibrated. Therefore, it is crucial that the Board continue to review and improve upon community outreach efforts to ensure CSEP stays on track to meet its statewide capacity targets.

Question 7: *How has the interconnection process influenced project registration and advancement to construction?*

Rate Counsel Response:

Rate Counsel has no specific opinion or recommendation on this topic at this time.

Question 8: *Under existing project development and interconnection processes, how does the project completion deadline of 18 months, or 24 months for projects located on a landfill or contaminated site, with the possibility of a six-month extension affect registration in the CSEP?*

<u>Rate Counsel Response:</u>

Rate Counsel emphasizes that whatever deadlines and extensions policy the Board uses, it should communicate this policy clearly, consistently, and repeatedly to applicants to avoid any misunderstanding and ensure that the most qualified developers apply to the program. Policies regarding the circumstances acceptable for extensions, if any, should be developed and communicated at the outset.

Question 9: *What other issues should be considered in the one-year program review?*

<u>Rate Counsel Response:</u>

Rate Counsel has no specific opinion or recommendation on this topic at this time.

(3) Conclusion

Rate Counsel thanks Board Staff for providing the opportunity to comment on the New Jersey CSEP. Rate Counsel looks forward to continuing to work with Board staff on these important issues.