Sherri L. Golden, Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Ave., 1st Floor
P.O. Box 350
Trenton, NJ 08625

Re: Docket No. QO22030153, Community Solar Energy Program

Dear Secretary Golden:

Nexamp appreciates the opportunity to provide comment in response to the one year check-up review of the Community Solar Energy Program (CSEP). Please find our responses to the specific questions posed by Board Staff below:

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?

The Board should look carefully at the interconnection costs faced by community solar projects. Community solar projects are facing substantial interconnection costs, potentially beyond those considered under the original ADI program and beyond those of other market segments.

As part of the development of the CSEP program, community solar projects now must meet an increased minimum discount of 20% which should be added to the modeling. However, realistically, discounts have needed to exceed 20% to successfully win an award (particularly in PSEG territory where hosting capacity may still be available). That is, the tie-breaker mechanism is a hidden cost.

ADI projects also face increased relative costs since PPA must deliver savings relative to avoided utility cost. And while ADI net-metered systems are aimed at rooftop, carport, canopy and floating solar, the incentive level is not adequate for carport/canopy or floating solar projects that require additional costs (steel for carport/canopy and increased insurance and O&M for floating solar).

2.What cost adjustments should be considered for the community solar market segment?

Nexamp recommends no adjustments at this time. Given the early nature of the CSEP, and potential for federal actions that may substantially impact cost considerations for community solar projects, it would not be prudent to inject new uncertainty into the program.

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

Nexamp recommends that the Board extend the public entity adder to projects developed on sites owned by municipalities. These projects, typically on brownfields and landfills, merit higher incentives than other project types. These sites typically require a significantly longer period for permitting and may not have ideal interconnection options. Additionally, incenting these projects will retain economic value

within the municipality (as compared to community solar on rooftops where rent typically goes to private REITs and is not necessarily recirculated within the community).

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?

As noted above, it's important to note that there is a potential for federal action that may substantially impact the federal tax credits, particularly the bonus credits. As a result, Nexamp does not recommend the Board take action at this time.

To the extent the Board does intend to take action, any changes in incentives should only apply to those projects receiving the credits, given that qualification for the expanded credits is project specific. Rather than adjust the actual incentive amount, Nexamp recommends that the Board consider increasing the minimum discount for those projects.

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?

No. Most of that is from pent up demand from the years of the Pilot Program and the transition to the CSEP, when submissions were not occurring regularly and many community solar projects had no path forward. Given the development timelines required for community solar (particularly as compared to other market segments) the pace of registrations in one or two years is most likely a reflection of efforts made years prior.

Ultimately the pace of registrations may be a factor for the Board to consider in setting incentive levels, but between the pent up demand and long development timelines, at this point the pace for community solar seems to be driven by factors other than the incentive levels.

7.How has the interconnection process influenced project registration and advancement to construction?

Projects registering under the CSEP must have received conditional approval to interconnect from the EDC. It is Nexamp's understanding that the intent of this requirement is to ensure that projects registering have completed sufficient interconnection study to know that, to at least a reasonable degree, the project's interconnection is technically feasible and financially feasible, so that the project is then able to move forward quickly toward completion after registration.

In practice, however, the studies leading to conditional approval are not sufficient to provide that level of certainty, with cost estimates not based on project-level studies but high-level overviews which are subject to considerable revision. As a result, projects are not able to move directly forward after registration and are stuck in further utility studies.

This situation creates uncertainty out of the project developer's control, as they wait for detailed cost and interconnection scope to be completed. In our view, this is not the intent of the current program requirements.

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?

As noted above, under current practice the interconnection process in some cases only begins in earnest after the project is registered. As a result, development can be substantially slowed. In Nexamp's view, the timelines are reasonable, but only once interconnection studies and cost estimates have been completed.

The Board should act to clarify the current interconnection practices of the EDCs, and to better align those processes with the CSEP. In addition, given the current challenges, the Board consider specifically allowing for project extensions due to utility delays outside of the developer's control, such as a day-for-day extension policy for these types of issues.

9.What other issues should be considered in the one-year program review?

The Board should consider the diversity of project types that are successfully registering in the CSEP. Certain project types, particularly projects developed on brownfields and landfills and on non-recreational water bodies and parking lots, are at a disadvantage under the current structure. These projects face higher costs and more permitting challenges than projects developed on rooftops. Under the tiebreaker structure, projects developed on these sites have to compete directly with lower cost projects and are unlikely to be able to offer the highest levels discounts offered by some projects.

Nexamp applauds the BPU and the Murphy Administration for the efforts to boost landfill solar projects in New Jersey in particular. The CSEP represents an ideal path forward for these projects to provide a dual community benefit, starting with the conversion of the landfill from a liability to an asset, and then the ability for the project to provide energy savings directly to members of the community. Given the value these projects provide, efforts to increase their participation are warranted.

Nexamp recommends that the Board apply a separate carveout of capacity within the CSEP annual targets for projects on parking lots, brownfields and landfills. This will provide a greater opportunity for these projects and allow them to compete like-for-like, similar to the way that the CSI program works. If the brownfield and landfill capacity is unused, the Board could then reallocate those MWs to the rest of the program.

Thank you for your consideration.

Sincerely,

Jake Springer
Policy Director, East Coast
Nexamp