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November 2, 2022

Members of the Senate Environment and Energy Committee
Statehouse Annex
P.O. Box 068
Trenton, N. J. 08625

RE: S3123 (Increases goal for annual capacity of solar energy projects to be developed under Community Solar Energy Program to 500 megawatts per year.)

Members of the Senate Environment and Energy Committee:

I write on behalf of the Division of Rate Counsel ("Rate Counsel") regarding S3123 (Increases goal for annual capacity of solar energy projects to be developed under Community Solar Energy Program to 500 megawatts per year.), which is up before the Senate committee on November 3, 2022. I regret that I am unable to attend the meeting, but the short two days notice was not sufficient lead time to move our schedule of pending rate matters. I hope you will consider our comments. We have concerns about this bill, especially its almost-certain potential for increasing costs to ratepayers and undermining the Board of Public Utilities' ("Board") ability to use competitive processes to assure that community solar projects meet important criteria including serving low-income ratepayers and maximizing benefits to subscribers.

As you are aware, 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.

The proposed bill would amend N.J.S.A. 48:3-87.11, which required the Board to implement a community solar pilot program, to be converted into a permanent community solar program based upon lessons learned in the pilot program. The legislation, as originally enacted, did not specify capacity targets for the pilot program, and set a minimum target of 50 megawatts of community solar projects for the permanent program. Subsequently, the Solar Act of 2021 increased this target by requiring the target of at least 150 megawatts of community solar facilities per year, during the first five years of the Board's Successor Solar Incentive ("SuSI")

program. N.J.S.A. 48:3-116. The proposed legislation would further increase the target for the permanent community solar program to 500 megawatts per year.

This change is likely to result in increased costs for ratepayers. Community solar projects are incentivized as part of the Administratively Determined Incentive (“ADI”) segment of the SuSI program. For Energy Years 2022 and 2023, community solar was allocated 150 of the 525 megawatt overall target for the ADI program.¹ The proposed 500 megawatt annual target would likely crowd out lower cost grid supply projects, both the smaller projects that qualify for the ADI program and the larger ones that are to be incentivized under the Competitive Solar Incentive (“CSI”) segment of the SuSI program.

In addition, the expanded target would undermine the Board’s ability to assure that the incentives are awarded to the community solar projects that best serve the State’s clean energy goals. Currently, recipients of community solar incentives are selected in a competitive bidding process. Selection is based on a multi-factor evaluation in which projects receive points based on factors including whether the project will serve low and moderate income subscribers, how and where it will be sited, and what level of guaranteed savings will be offered to subscribers.² Currently, the Board has discretion to set capacity targets for each solicitation, subject to the 150 megawatt annual minimum target. This allows the Board to set targets for each solicitation at levels that will result in enough applications to assure a competitive result.

Most recently, the Board was successful in awarding incentives to community solar projects totaling approximately 165 megawatts.³ Based on the results, the 150 megawatt annual target established in the Solar Act of 2021 appears workable. This may not be the case if the minimum target annual target is increased to 500 megawatts. The proposed increase is likely to be a serious constraint to the Board’s ability to assure robust competition in the permanent program. In this regard it is important to keep in mind that the Board is in the process of transitioning from the pilot community solar program to the permanent program; regulations for the permanent program are currently under development.⁴ The Legislature should allow the Board to craft the permanent program, including capacity targets, based on lessons learned in the pilot.

Reducing the Board’s ability to harness competitive processes in the community solar program may be in the interests of certain segments of the solar industry, but it is not in the best interests of ratepayers or the State overall. Resources are not unlimited. In order to achieve the State’s clean energy goals, it is important to get the most “bang for the buck” when ratepayers subsidize solar and other clean energy. This will not happen if competition is reduced by

¹ See NJ Div. of Clean Energy ADI Program information page, available at: <https://njcleanenergy.com/renewable-energy/programs/susi-program/adi-program>.

² I/M/O the Community Solar Energy Pilot Program, BPU Dkt. Nos.QO18060646 & QO20080556, Order at 5-6 (Oct. 28, 2021), available at: <https://nj.gov/bpu/pdf/boardorders/2021/20211028/8J%20ORDER%20Community%20Solar%20PY2%20Awards.pdf>.

³ Id. at 6.

⁴ See record of Board’s stakeholder proceeding, I/M/O the Community Solar Energy Program, BPU Dkt. No. QO22030153, available at: https://publicaccess.bpu.state.nj.us/CaseSummary.aspx?case_id=2111043.

increasing the amount of resources that are mandated to be allocated to one segment of the State's clean energy economy.

Rate Counsel is supportive of renewable energy, and understands the desire to encourage in-state renewable energy investments. However, before advancing this bill, we encourage the Committee to analyze its impacts on ratepayers, and on the achievement of the State's clean energy goals.

We very much appreciate the opportunity to share our comments on behalf of the State's ratepayers and hope you will consider them. Please feel free to contact our office if you have any questions. Thank you for your attention to these important matters.

Sincerely,

/s/ Brian O. Lipman

Brian O. Lipman
Director, Division of Rate Counsel

c: Joey Guerrentz, Policy Analyst, Senate Environment and Energy Committee
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