

Linda Wetzel

From: Rodney Richards <rrenergyconsulting@gmail.com>
Sent: Monday, March 12, 2012 8:06 AM
To: publiccomments@njcleanenergy.com
Subject: re solar straw proposal

comment: it would seem that ground mount solar systems that do NOT use the energy produced onsite, have an unfair advantage.

1. they get the benefit of selling srecs, which also increases the total number on the market, creating excess.
2. they do NOT have to pay PJM/State/Utility company etc the added costs of upgrading their electrical substation or other equipment to accept the solar power from such large systems. all costs to do so should be borne by the solar owner/lessor.

WHAT SHOULD BE DONE.....OTHER THAN NOTHING

SOLAR TRANSITION – MARCH 1, 2012

SREC B13's – The NJ BPU should authorize the one time issuance of 150 MW of solar contracts for Energy Year 2013, which in turn would produce approximately 180,000 NJ SRECs- SERIES B 13 - at a fixed price of \$225 per SREC, payable only by the NJ EDA, for a period of 5 years. The NJ EDA would utilize SBC (Societal Benefit Charges) that are collected by the utilities from ratepayers to pay for and retire the B 13 SRECs. The Office of Clean Energy would issue SREC B 13 code numbers instead of SRP numbers and the GATS trading platform would do the same.

The 2013 RPS Goal would be raised by 150 MW above the final 2012 Energy Year installation number (along with each subsequent year) and be subtracted from the 2026 RPS requirement.

The 150 MW of solar projects should be divided among the sectors:

25 MW RESIDENTIAL

25 MW NON-PROFIT

25 MW SMALL BUSINESS (up to 100 kW)

25 MW COMMERCIAL (101 kW up to 500 kW)

25 MW LARGE COMMERCIAL (501 kW up to 2 MW)

25 MW XXL COMMERCIAL (2.01 MW up to 5 MW)

No solar entity can control more than 20% of each sector.

The SREC B 13 program would cost 180,000 SRECs X \$225 = \$40.5 Million each year of the 5 Year SERIES B 13 SREC life, for a Total outlay of \$202.5 Million. After 5 years, the projects would be issued regular NJ SRECs.

The growth of the solar sector in New Jersey can continue with this one time fix. The BGS Electricity auction participants would know the revised 2014 RPS goal well in advance. The SBC funds are available and as we have seen again this year: Use the funds for Clean Energy projects or Lose them.

George St.Onge RR Renewable Energy Consultants George@RRREC.net



January 24, 2012

Submitted to the New Jersey Board of Public Utilities In
Response to the Commission's Invitation to Comment on
New Jersey's Solar Transition

Geoscape Solar is a solar integrator based in Livingston. We address primarily the residential and commercial markets and our only business is solar. Geoscape Solar both sells and leases behind-the-meter solar projects. We understand solar financing and SREC price volatility from the perspective as installer, as well as project owner.

In addressing next steps for the solar transition in New Jersey, there are many issues that remain elusive and not solvable by the proposals currently under consideration. These issues include:

- Creating stability in expected future solar cash flows for solar investors
- Minimize the cost of solar incentives to the ratepayer
- Ensure that solar incentives paid by the ratepayers are market-based
- Lack of transparency in the flow-through from SACP to SREC price to passed-on cost to the ratepayer
- Lack of liquid lending market for financing solar projects
- Large burden looking to be placed on the EDCs to spur the market
- Unclear transition from EDC-based financing to private financing

One aspect of the current incentive structure that makes ongoing market-based dynamics elusive is that the demand side of the market – the RPS – is artificial and NOT elastic. Holders of SRECs cannot entice LSEs to buy more SRECs than mandated by the RPS, no matter what the price. As we have seen from the current over-supply situation, there is no self-correction mechanism in the current program - short of halting new solar installations until the RPS catches up to the existing installed base and pipeline. Instead, the BPU and the legislature need to step in to avoid a collapse in SREC prices and New Jersey's solar installation industry. Instead of the market dictating where SRECs should be priced to induce investment, the legislature is wrestling with what it believes is the right trade-off between accelerating the RPS and lowering future SACP prices. What we know about markets is that it is exceedingly difficult, perhaps impossible, to lock in prices TODAY that will fit changing market conditions in the future. When the SACP schedule was set originally, it seemed like the right level of prices to create an attractive, but not excessive return to solar investors. As installation costs fell and the SACP was fixed, investment returns soared. The market responded with a glut of project supply that is now crashing the market and sending a clear signal that the SACP was set higher than needed for current RPS goals. The first problem with this is even with this crash in SREC prices there is no transparency into if, and by how much, the ratepayers are benefiting from the lower SREC prices. The second problem is, as mentioned above, to keep the industry from collapsing there will be a new acceleration of the RPS and an arbitrary reset of SACP prices. But there is no way to know whether any new RPS and SACP schedule will strike the right balance to deliver the amount of solar the state wants developed at the lowest possible cost to the ratepayer. The third problem with the current SREC structure is that in order to take advantage of the 3-year trading life designed to protect SREC values, solar investors might have to go several months (and

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possibly years) without any cash flow from the SRECs that they were counting on to repay them for their investment. As solar investors make a decision to go forward with solar in an over-supplied market, they are speculating that the state will raise the RPS to accommodate their additional supply – and that will ultimately lead to SREC pricing remaining close to the SACP. To control the overall cost of solar incentives, the state remains in the position of constantly updating RPS targets and the SACP to balance speculative solar investment and ratepayer cost. Following this trail essentially excludes a market-based solution and leaves the legislature and/or the BPU to figure out what the right market balance is.

At Geoscape Solar, we believe that a viable solution can be built around the concepts that underlie the utility finance programs. The PSE&G program has the significant benefit of providing up-front financing for solar projects, but the floor price is again arbitrary and not market-based. The EDC auction program is market-based - tying the long-term SREC incentive to the cost of installation at the time a solar customer is making the decision to go forward.

The key shortcomings of the utility finance programs that need to be addressed are the following:

- The PSE&G loan program has no market mechanism to adjust the fixed SREC price paid to program borrowers. The floor price is not sensitive to the rise or fall of installation costs.
- As the annual RPS requirements grow into the hundreds of megawatts, the capital needed to install solar projects will greatly out-strip the EDCs capacity to finance them.
- The auction process is cumbersome, auctions are not held monthly and the EDC auctions have historically been under-utilized by the residential solar segment.
- The PSE&G loan and SREC contract documents all have clauses that transfer the risk to the solar customer if state laws change to eliminate or negatively modify the SREC program. This makes financing long-term contracts problematic at best.
- The EDC financing programs are not available to customers outside the four participating EDC service territories.

We believe the next solar transition should aim to achieve the following goals:

- Create room in the RPS for new solar capacity to avoid a collapse in the installation industry.
- Transparency in the cost to New Jersey ratepayers for the solar incentives, including the SREC prices and cumulative administrative costs that are passed on.
- A market-based mechanism that will deliver the desired level (and only the desired level) of solar capacity at the lowest cost to the ratepayer.
- Simple and transparent application process to attract as many solar developers as possible
- Avoiding the need for future legislation to address market imbalances.
- Minimize the administrative cost and burden of the program.
- Attract private lending sources to the New Jersey solar market to help regular customers, not just PPA and lease providers, to capture the benefits of solar ownership.
- A mechanism to protect the investment return for the pioneers who have made New Jersey the number one state in the country for solar.

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Geoscape Solar proposes the following changes to the auction-based SREC approach:

- Accelerate the RPS schedule by two years, achieving the 5,316 GWh goal in 2024, instead of 2026. The lower cost achieved through up-front SREC reverse-auction procedures instead of SACP-driven prices will offset the cost of RPS acceleration. By not increasing the last two years, any additional incentive cost becomes more of a timing of cost recognition than one of absolute cost. In addition to RPS acceleration, consideration should be given to withdrawal of PSE&G's Solar for All projects from the SREC market, reducing the amount of over-supply that has to be addressed. PSE&G could be separately compensated for its existing solar investments.
- All solar projects will apply for OCE approval with a 15-year SREC price schedule (proposed SREC prices in no event to exceed a ceiling SREC price established by the BPU). Like the EDC auction program, each project can be evaluated using the Net Present Value (NPV) of its proposed pricing schedule.
- Project applications would be approved monthly and require an application fee tied to the size of the proposed system. Applications could be for that month only (fill-or-kill) or left active until withdrawn or eventually accepted (good until cancelled). The annual RPS would be divided into monthly goals. OCE would approve the lowest NPV projects until the monthly goal is met. If project applications fall short of the monthly requirement, all projects for that month would be approved. Rejected "fill-or-kill" projects and withdrawn projects would be refunded their application fee and can re-submit a new application at a later date without penalty and with a new application fee. Rejected "good until cancelled" projects would fill shortfalls in the supply of projects in future months. This is only one of many approaches to the monthly selection process. In a more subjective approach, the OCE could approve or deny project applications based on project NPV and OCE forecasts for the existing pipeline and future project applications.
- In the final month of the energy year, if approved/installed megawatts fall short of the annual RPS, all rejected "good until cancelled" applications for the year could be automatically accepted in order of lowest NPV to highest NPV until RPS is met or all projects have been approved. If total installations fall short of the annual RPS, there could be an automatic increase in the SREC ceiling to induce more projects for the coming year(s).
- Approved projects will have a finite timeframe to complete construction, as they do now. In order to reduce the number of applicants who are not truly prepared to build a system, the application fee could be refundable only if the application is withdrawn within a certain amount of time after OCE approval and upon completion and final OCE approval of the system. This would allow solar customers to lock in their SREC prices and have time to find financing for their projects, but would penalize them for clogging up the pipeline and never completing the project.
- Binding contracts will be issued for all approved projects to purchase all SRECs registered on GATS at the agreed SREC price. The OCE (through the market manager) or the EDCs can be the SREC purchaser in these contracts and will pay solar owners for their production with funds collected from the Societal Benefits Charge. The contract will NOT allow the purchaser to void the contract based on changes in law or policy.
- The LSEs will be totally removed from SREC administration and purchase requirements and will have no need to pass SREC or SACP costs onto ratepayers.

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- Optional consideration should be given to creating separate segments for residential, small commercial, large commercial and grid-supply projects. Capacity not used for one market segment can be carried forward and/or released to other market segments.

Benefits of this approach include:

- Solar incentive cost to the ratepayer is completely transparent and minimized.
- If there is insufficient solar supply to meet annual RPS goals, neither the LSEs nor the ratepayer is penalized by having to pay an SACP. To induce more solar investment for future energy years, the SREC ceiling price can be raised to the level needed to attract the additional investment.
- Since only projects approved with a definitive SREC price schedule get built, speculative project construction (that will later pressure lawmakers in an over-supplied market to help bail them out of the investment) will be eliminated.
- The ratepayer will NOT be required to pay for more solar than is approved in the RPS in order to keep the industry healthy and stable.
- Elimination of the spot market for SRECs that can never truly be market-driven with the demand-side of the market fixed by legislation. This will avoid SREC market crashes, as well as the threat of a boom and bust cycle in the solar installation industry.
- LSEs are relieved of SREC administrative burdens.
- Issue of LSE transparency with respect to assumed SREC prices goes away.
- EDCs will not need to be called upon to finance the state's solar goals.
- Establishes a direct correlation between cost to ratepayers and incentives required to induce solar investment – every project submitted for approval is competitive.
- Each project will receive the cash flows needed to justify the investment based on the cost of installing at the time the project is installed. Changes in future installation costs, federal incentives and financial markets will be reflected when those projects submit their applications.
- As installation costs come down over time, the NPV needed to make projects viable will come down and be reflected in future bids. To the extent installation costs rise again or spike for any reason, this market mechanism will allow for stable and continuous development of solar projects.
- Consolidation of solar incentive administration – instead of having all EDCs and LSEs staff, train and administer different aspects of solar incentive compliance, under this proposal, the OCE (with or without the EDCs) can streamline the solar incentive process
- Because each project – once approved – will have cash flow secured by a long-term contract, they will not be subject to future regulatory or market price risk, yielding two key benefits in the lending markets:
 1. With stable, predictable cash flow, banks will finally be ready to make loans against future SREC cash flows.
 2. The cost of debt capital to finance solar projects will decline, further reducing the SREC prices needed to justify solar investment and lowering the cost to the ratepayer.
- If project applications consistently outpace the RPS goals and the overall cost of the incentives are low, the legislature has an analytically easy choice to increase the RPS to absorb additional solar supply.



With adoption of this approach and the proposed elimination of the SREC spot market, an adjustment will need to be made for solar projects already installed and for those approved and not yet built. There are many possible ways to handle this, but here is a place to begin:

- New contracts should be written for projects that are already built. The question to answer is at what price should these new contracts be written?
 - The simplest to administer and probably the most universally fair would be to issue contracts to all built projects at the PSE&G floor price in effect at the time the project was approved. This could possibly mean that projects approved under the CORE rebate program (which were built without the expectation of the current SREC program) would get nothing for their SRECs.
 - Projects approved and partially completed (evidence should be required) could be treated the same as completed projects described above.
- Projects approved, but for which construction has not yet begun, should have to re-submit applications under the new rules.

Because this proposal is built upon many of the basic principles already driving the SRP process, we hope that the debate of its merits will be simpler than some of the alternatives. One of the main obstacles to this approach certainly is the shift of administrative burden away from the state's EDCs and LSEs to the OCE / market manager. But again, this consolidation could well lead to lower overall administrative costs and certainly will lead to greater transparency of the cost of solar incentives to the ratepayer.

Thank you very much for your consideration.

A handwritten signature in black ink, appearing to read "Michael Boches".

Michael Boches
Chief Executive Officer
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12 March 2012

Mr. Michael Winka
Director
Office of Clean Energy
New Jersey Board of Public Utilities
44 South Clinton Avenue
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Comments on the Solar Transition Working Group Staff Straw Proposal

SRECTrade is the leading marketplace matching buyers and sellers of New Jersey SRECs, and based on our inside view of workings of the NJ SREC market we would strongly advocate a free market solution to the SREC oversupply issue. We would point out that in Docket EO06100744, the original EDC loan programs were advocated because "The Board believes that the electricity markets alone currently will not produce the necessary growth" to meet the RPS solar requirements. Now just 3 years later the straw proposal is advocating an expansion of these programs for exactly the opposite reason, because the markets produced more than the necessary growth! With the straw proposal, the EDCs are acting as an independent capital provider and gambling with ratepayer's money that SREC spot prices over the length of these contracts will exceed the contracted price, a gamble that they already lost with the first round of the EDC financing programs. The fact that no free market risk capital providers or deregulated load serving entities are willing to make this bet without ratepayer backing speaks volumes to the risk that ratepayers are taking on when an EDC commits to a long-term contract for SRECs that they themselves won't use.

Any number of private sector companies, ours included, would be happy to offer long-term contracts with the ratepayer acting as a backstop. It has never been explained why the EDCs, who have no need for SRECs and who are otherwise completely disengaged from the SREC market, are granted this subsidy when it is not open to any other private capital provider. This is not an activity with an inherent need to be performed by a regulated monopoly and does not appear to fall within the letter or intent of the Electric Discount and Energy Competition Act, which generally called for deregulation wherever possible. Instead of automatically granting the concession to run the long-term loan program to the EDCs, SRECTrade would advocate that if the loan program is expanded per the straw proposal, a request for proposal (RFP) system be used to choose the loan providers. Any capital provider who is willing to provide the same services as the EDCs will be given the same ratepayer backstop and will be able to bid to provide the service. This would increase competition, driving down the excessive EDC administrative costs to run these programs, and would put New Jersey on the path to eventually making the entire SREC program market based as the original EDC finance docket claimed the first round of programs would accomplish.

If the straw proposal to expand the EDC loan programs does go forward, we believe that the cost to ratepayers should be minimized. We were surprised to learn how high the administrative costs for these programs were at the Feb 16th Solar Transition Work Group meeting, and we would like to ensure that the final proposal includes requirements for adequate competition in this area. The original EDC programs used a non-competitive process to select NERA Economic Consulting to run portions of the solicitation and auctions for the programs. Docket NO.



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EO07040278, dated 11/7/08 stated "In the event that the Board approves the inclusion of additional EDCs in the SREC Auction established by the Stipulation, or after four SREC Auctions, whichever comes first, the Board shall conduct a review process to evaluate the manner for selecting the SREC Auction Manager." As far as we know, no such public review took place despite the fact that both trigger events occurred several years ago, and no open competition has ever been held to select the SREC Auction Manager. As a result, as detailed at the Feb 16th meeting, ratepayers have paid over \$3,100,000 dollars to NERA in the past 3 years, and it appears that the company has an indefinite uncompleted contract to continue running the auctions that dispose of the SRECs from the original EDC programs. The resultant SREC Transaction Fee paid by ratepayers to run this program, which is as high as \$39.11 per SREC for some utilities, represents nearly 25% of the current total value of a NJ SREC and will only grow as a percentage of SREC value as SREC prices continue to fall. This is in addition to the millions of dollars that ratepayers will have to pay to reimburse the EDCs as the SREC auction prices have fallen below the contracted rates guaranteed to participants in the EDC programs. We believe this is an unacceptably high administrative cost for such a program. Our company, as well as several others, perform SREC solicitations and auctions of similar or greater complexity at prices far lower than the ratepayer is currently paying NERA. As a result, we believe that a full and open auction and solicitation manager competition would save ratepayers several million dollars over the life of the solicitation, and should therefore be a mandatory requirement for any future EDC program expansion. We would also suggest that the review required by Docket NO. EO07040278 be completed as soon as possible. We understand that a docket to hold an open competition for the auction manager of the existing programs was submitted nearly a year ago but has not yet been acted upon, costing ratepayers unnecessarily every quarter that this uncompleted contract is allowed to continue.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "K. Quilliam".

Kevin Quilliam
SRECTrade

Linda Wetzel

From: Rian Mark Gorey <rmgorey@yahoo.com>
Sent: Wednesday, March 14, 2012 4:00 PM
To: publiccomments@njcleanenergy.com
Subject: Comments NJBPU Staff Straw – Solar
Attachments: Notice of Public Hearing for SRPS- EDC SRECExtension Staff straw FINAL.PDF

While initially innovative and wildly successful in adding capacity this past year in New Jersey, few would argue that the renewable energy program is terribly broken. The current straw plan simply tweaks the existing system when much more substantial changes are needed; the structure of the entire program needs to be redesigned. The addition of 120MW in capacity over three years is completely meaningless. The revelation that the 2012 capacity was at 689MW at the end of February showed uncontrolled growth in calendar year 2011 and will lead to collapse of renewable energy development in 2012.

New Jersey renewable energy is a classic example of the system archetype "The Tragedy of the Commons" where systems delays and individual self interest has caused a collapse and demise of the common good. (See video by 2009 Nobel Prize in Economics winner Elinor Ostrom at <http://www.youtube.com/watch?v=ByXM47Ri1Kc> or write-up at http://www.systemswiki.org/index.php?title=Tragedy_of_the_Commons_Systems_Archetype). The New Jersey market needs a new approach to manage the energy market for the benefit of the NJ citizens.

If the straw plan as currently written is enacted, the system will not be changed; it will still suffer from boom and bust

build cycles due to the volatility of the SREC market. The big question remains how do to redesign the current system for the benefit of NJ citizenry? I have not studied the NJ market in detail so I cannot provide a plan but a redesign is needed not a tweak. Many questions need to be answered:

- What can the present Grid absorb for net metering?
- Has the long term cost/benefit of renewable energy for the consumer / State /been modeled against existing sources at the SACP? While solar energy program is not and should not be an employment program, the impact of its failure is the loss of thousands of jobs as a result of the crash in the market. The January 2012 MSEIA Comparative study models are already meaningless since SRECs are currently traded at \$140 and expected to drop while in the assumptions used for the study, SREC prices don't fall to these levels until 2026!
- How can NJ Clean Energy support continual sustained managed development?
- Given the change in the market, the SACP needs to be readdressed. Is there a benefit to the NJ citizen reach higher levels of state produced renewable energy production faster than the (already exceeded) current targets?
- Has the impact of alternative fuels to replace fossil fuels in transportation been taken in account or the impact of disruption of supply to the citizenry?
- Can a floor be implemented?
- Should a FIT be implemented? What can be learned from other countries/states that can be used in NJ to revamp the system?

The current straw proposal needs to answer these questions and be entirely re-thought or else the great strides made so far in driving capacity and benefits will be quickly undone.

Rian Mark Gorey



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----- Forwarded Message -----

From: "Winka, M" <M.Winka@bpu.state.nj.us>

To: "Winka, M" <M.Winka@bpu.state.nj.us>; solartransition@njcleanenergy.com; renewables@njcep.com

Cc: ffelder@rutgers.edu; "Teague, John" <John.Teague@bpu.state.nj.us>; kenneth.sheehan@bpu.state.nj.us; "Miller, Kristina" <Kristina.Miller@bpu.state.nj.us>; "Garvey, John" <John.Garvey@bpu.state.nj.us>; "Brenner, Mary Beth" <MaryBeth.Brenner@bpu.state.nj.us>; charlie.j.garrison@honeywell.com; Jaclyn Trzaska <jaclyn.trzaska@rutgers.edu>; Tricia Caliguire <Tricia.Caliguire@gov.state.nj.us>; "Jackson, Ronald" <Ronald.Jackson@bpu.state.nj.us>; "Ackerman, Elizabeth" <Elizabeth.Ackerman@bpu.state.nj.us>; "Lupse, Janja" <Janja.Lupse@csgrp.com>

Sent: Wednesday, March 14, 2012 1:03 PM

Subject: RE: solar Transition work group - comments on Staff Straw and tentative notice for a public hearing

As discussed yesterday the comment period for staff's initial straw was extended to COB Friday March 16th. Please send those comments to: publiccomments@njcleanenergy.com with the subject line: Comments NJBPU Staff Straw – Solar

This is a reminder that we have **cancelled** the work group meeting for the 15th.



March 15, 2012

Mr. Michael Winka
Director
Office of Clean Energy
New Jersey Board of Public Utilities

New Jersey Solar Energy Coalition Comments
Staff Straw Proposal - Solar Transition Working Group

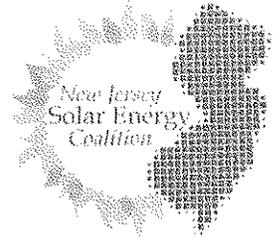
The membership of the New Jersey Solar Energy Coalition is comprised of a number of solar developers and contractors in all market sizes and areas throughout New Jersey; associated engineering, legal and financial firms that support the solar market and developers of commercial and industrial properties that also have direct involvement in solar development and ownership. Our organization was formed in 2011 based upon the single goal of supporting New Jersey's statutory development plan as defined by the renewable portfolio standard and balancing the many equity issues associated with the engine of public support that provides the platform for the program. We appreciate the number of stakeholder interests represented in these proceedings and respect these views but hope that our interests are recognized to align with the long-term interests and success of the public policy embodied in our laws and regulations.

We would also like to thank the Board staff for its tireless effort in working with the stakeholder groups to assist in resolving these important issues. Clearly, within the confines of the authority that the legislature has provided the Board of Public Utilities we think that the staff proposal has been well thought through and creates significant value to assisting the marketplace weather the current storms.

To that end, we would like to make the following observations and recommendations for consideration:

- 1. The total capacity of the extended EDC SREC programs would be 120 MW over the next three years.*

We believe that an extended EDC SREC program would be of significant help in creating additional demand for small projects over the next three years as the renewable portfolio standard automatic increases begin to absorb the overcapacity. We would suggest, however, that consideration be given to increasing these programs to 80 MW per year over the same three years. In our opinion, this will provide the level of construction stimulus necessary in order to keep the market moving forward at a reasonable pace. The current proposal in our opinion would just not drive enough projects to maintain a reasonable level of work during this period.



- 2. The total capacity would be divided up between the four EDC's based upon retail sales.*

We agree.

- 3. EDC's will be requested to submit a new filing.*

While we would support a protocol that would permit one EDC to assume the obligation of another in order to maintain the level of capacity sought, we believe that the Board should consider creating a comprehensive order to guide the EDC's in their filing process. This would eliminate a good deal of confusion and create products and processes that would be more consistent. In addition, based upon the level of ratepayer support being requested, it would seem more appropriate to formally order these actions rather than to rely upon our state EDC's to step forward voluntarily.

We would also like to express our concern that this process needs to be completed as quickly as possible in order to create these financial mechanisms as soon as possible. Clearly, with the recent crash of the solar renewable energy credit market, the injection of new work cannot come too soon if the industry is expected to stabilize even at a far lower level of activity. Significant industry layoffs have already occurred and many more are coming soon. Taking the normal course of the regulatory rulemaking process might provide help beyond the time that is needed as many jobs that otherwise could be saved during the period of pendency. We hope that Board staff can evaluate any opportunity to extend the existing programs in order to reduce this lag time to the extent possible.

- 4. EDC's can file for a loan program, solicitation or both.*

While we do understand that a loan program will provide margin revenues to our states EDC's in order to create an appropriate incentive to participate, our membership has a clear preference for the solicitation program over the loan program. While the loan program may work well for systems that are owned, the loan process becomes problematic when financing schemes look to solicit from outside investors particularly in circumstances where power purchase agreements are sought. The loan products essentially "crowd out" participation by outside investors and leave no opportunity for these potential participants to invest and earn a fair return that can create far less expensive project capital than that offered by the EDC cost of capital. In a perfect world, we would like to see both a loan and a solicitation program offered by each EDC allowing the applicant a choice of products.

In addition, we would like the staff recommendation to the Board to consider reducing the level of interest required by the EDC program in order to cover the EDC's cost of capital. While we do understand that the more than 11% interest rate charged accurately reflects the blended cost of debt and equity capital for EDC's, we think that the interest rate charged should better reflect the "real" risk associated with these loans.



Clearly, with the security and liens required and placed upon the projects we wonder whether a substantially lower rate might better represent a fair return given the level of risk associated with loan. Applying the simple standard that this capital would otherwise be deployed by the utility for rate based rate of return distribution investments, ignores the more fundamental financial principals that need to be considered. We hope that the Board will consider the significant impact of these rates upon project development and the attraction of outside investment capital.

- 5. The timeframe of the loan or solicitation shall be 10 years decreasing in years over the three-year program.*

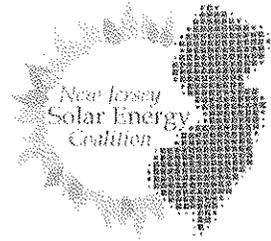
Based upon the fact that these measures are being taken as an emergency measure to correct the current overcapacity situation, we believe that these products should be simple, and consistent over the three-year period proposed. We see no need to send additional market signals that these programs would be declining in subsequent years. While we appreciate the fact that Board staff is anxious to begin the weaning process, we think that these emergency measures simply do not require the added complication of creating other market signals at this time or in this context.

- 6. The loan or solicitation process shall be developed to provide for the lowest achievable and available cost within the market segments on a "competitive" basis that tracks the market rate and not set a floor price.*

While we agree that the solicitation process should be competitive and attempt to achieve the lowest achievable cost within the market segment, we do not know how a loan program could be constructed that does not set a floor price and that track on a live basis the market rate. We know that a number of details need to be worked out, however, it does not seem possible that loans could be repaid without the establishment of a set price from which the contract for differences could be calculated annually during the term of the loan. While we recognize that a number of details need to be worked through in the coming weeks, we are not sure that we fully understand how this process might work as described. We look forward to a continuing dialogue with the Board staff to better understand the details of this proposal. We absolutely agree however that this process must be transparent and competitive.

- 7. Any capacity not requested by EDC can be allocated to the remaining EDC's if requested.*

Please see our response to item #3.



8. *The extended EDC SREC programs are for net metered projects except for a set-aside for grid-supplied projects for landfills or brownfields.*

We wholeheartedly agree.

9. *All grid supply projects on landfills or brownfields shall be in areas that can be supported by the distribution system.*

We agree.

10. *The limit on the size of projects would be based on the net metering limit.*

We agree.

11. *The extended EDC SREC programs can be filed by the EDC's for different market segments or allocated based on size.*

Please see our response to #12 below.

12. *There would be a set-aside for residential and small business market segments.*

We believe that the residential and small business market segment is among the most vulnerable and requires the financial certainty of the EDC contract product to remain viable particularly in this highly unsettled market. We believe that the EDC programs should be segmented with specific allocations based upon size in order to provide assistance to all areas of the net-metered market. Additionally, we feel that these allocation goals should be "aspirational" in design such that any market segment that becomes under-subscribed can be shifted to other market segments. This mechanism would assure that the full allocations would be utilized to the extent possible. Further, we commend the Board staff for recognizing the critical need of creating a residential and small-business carve-out in order to keep this important market segment viable during these turbulent market periods.

13. *All EDC costs for developing, implementing and managing the extended EDC SREC program including all SREC transition fees, all loan serving fees, all fees associated with EDC weighted average capital of cost, and all administrative fees would be paid for by the solar developer or the generation customer.*

As previously stated, we agreed that the EDC should be made whole for all expenses incurred and ask only that the Board reviewed the interest rates associated with the EDC weighted average cost of capital in the context of fairness and the level of risk



associated with these loans. Absent this singular interest issue, however, we would support full recovery of all expenses.

- 14. The SREC generated by the extended EDC SREC programs will be available for sale in a centralized auction in energy year 2016.*

We agree and feel that this mechanism would create the least disruption in the marketplace as well as providing third-party suppliers with a fair resolution to their concern with absorbing additional unrecoverable costs. In addition, we feel that the carrying costs to the EDC's until EY 2016 should be fully reflected in the appropriate financial recoveries cited in # 13.

- 15. The sale of these additional SRECs will be time to minimize the additional impact in the market and will be addressed through a solar RPS market rule amendment.*

We agree.

- 16. The additional capacity of the extended EDC SREC programs will be reflected in the solar RPS regulatory amendments that will be effective in energy year 2016.*

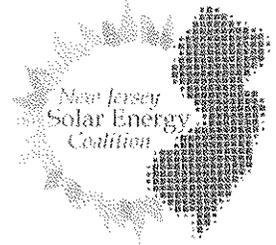
We agree.

- 17. The solar RPS rule revisions will include a reduction of the SREC qualification life to 10 years for new projects and establish a decreasing trend for the qualification life through energy year 2027.*

While we can again appreciate the Board staff's interest in reducing the size and scope of the qualification program in order to begin the process of "weaning" the industry and reducing the level of ratepayer participation, we think that the current circumstance has created a very fragile market environment that at this time would not welcome additional concerns with future market risk. Clearly, if the qualification program moves from 15 years to 10 years it is very likely that it will cause an increase in SREC prices to cover the reduced qualification period. While this is clearly an issue that needs to be fully vetted and considered in energy year 2017, we would prefer that this debate be carried over until that time in order to focus on the current circumstances before moving to future areas of concern.

- 18. Board staff with CEEEP will develop a revised SACP schedule for energy year 2017 to energy year 2026 to reflect lower solar installation costs.*

We agree.



We hope that the Board staff will consider the observations and opinions that we have raised herein in their further deliberations toward providing their recommendation to the Commissioners for their May 2012 meeting. We look forward to participating in next week's public hearing to further discuss these issues and refine our thinking based upon that dialogue.

We commend Board staff for their hard work in developing this proposal and believe that it is a good approach to addressing the current market conditions within the jurisdiction and authority of the Board.

Finally, while beyond the scope of this document and the reach of the Board we would urge that all stakeholders consider the need to further throttle the development market through the imposition of a moratorium on development of any projects greater than 2 MW net metered for the next three years. Clearly, this would help focus development on projects that would create greater distributed generation value for our EDC's as well as introducing a market discipline that hopefully would not be lost when the moratorium ended in 2017.

We appreciate the opportunity to participate in this important dialogue and look forward to the scheduled public hearing on March 22.

Gary N. Weisman

A handwritten signature in black ink, appearing to read "Gary N. Weisman", is written over a faint, dotted background.

President
New Jersey Solar Energy Coalition

From: patrick mccort [pat@powerleasesolarsolutions.com]
Sent: Thursday, March 15, 2012 3:50 PM
To: publiccomments@njcleanenergy.com
Subject: We like George Saint Onge's proposal

WHAT SHOULD BE DONE.....OTHER THAN NOTHING

SOLAR TRANSITION – MARCH 1, 2012

SREC B13's – The NJ BPU should authorize the one time issuance of 150 MW of solar contracts for Energy Year 2013, which in turn would produce approximately 180,000 NJ SRECs- SERIES B 13 - at a fixed price of \$225 per SREC, payable only by the NJ EDA, for a period of 5 years. The NJ EDA would utilize SBC (Societal Benefit Charges) that are collected by the utilities from ratepayers to pay for and retire the B 13 SRECs. The Office of Clean Energy would issue SREC B 13 code numbers instead of SRP numbers and the GATS trading platform would do the same.

The 2013 RPS Goal would be raised by 150 MW above the final 2012 Energy Year installation number (along with each subsequent year) and be subtracted from the 2026 RPS requirement. The 150 MW of solar projects should be divided among the sectors:

25 MW RESIDENTIAL

25 MW NON-PROFIT

25 MW SMALL BUSINESS (up to 100 kW)

25 MW COMMERCIAL (101 kW up to 500 kW)

25 MW LARGE COMMERCIAL (501 kW up to 2 MW)

25 MW XXL COMMERCIAL (2.01 MW up to 5 MW)

- No solar entity can control more than 20% of each sector.
- The SREC B 13 program would cost 180,000 SRECs X \$225 = \$40.5 Million each year of the 5 Year SERIES B 13 SREC life, for a Total outlay of \$202.5 Million. After 5 years, the projects would be issued regular NJ SRECs.
- The growth of the solar sector in New Jersey can continue with this one time fix. The BGS Electricity auction participants would know the revised 2014 RPS goal well in advance. The SBC funds are available and as we have seen again this year: Use the funds for Clean Energy projects or Lose them.

George St.Onge RR Renewable Energy Consultants George@RRREC.net

Regards,

Patrick



A New Paradigm in Renewable Energy Solutions

Patrick F. McCort

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Deborah Petrisko

From: M Boches - Geoscape Solar [mboches@geoscapesolar.com]
Sent: Thursday, March 15, 2012 5:53 PM
To: publiccomments@njcleanenergy.com
Subject: Comments on the Solar Transition
Attachments: image001.png; ATT662272.htm; Solar Transition Proposal.pdf; ATT662273.htm; image002.png; ATT662274.htm; image003.jpg; ATT662275.htm; image004.jpg; ATT662276.htm

Please find attached an alternative approach for the solar transition.

Thank you

Michael Boches
Chief Executive Officer



January 24, 2012

Submitted to the New Jersey Board of Public Utilities In
Response to the Commission's Invitation to Comment on
New Jersey's Solar Transition

Geoscape Solar is a solar integrator based in Livingston. We address primarily the residential and commercial markets and our only business is solar. Geoscape Solar both sells and leases behind-the-meter solar projects. We understand solar financing and SREC price volatility from the perspective as installer, as well as project owner.

In addressing next steps for the solar transition in New Jersey, there are many issues that remain elusive and not solvable by the proposals currently under consideration. These issues include:

- Creating stability in expected future solar cash flows for solar investors
- Minimize the cost of solar incentives to the ratepayer
- Ensure that solar incentives paid by the ratepayers are market-based
- Lack of transparency in the flow-through from SACP to SREC price to passed-on cost to the ratepayer
- Lack of liquid lending market for financing solar projects
- Large burden looking to be placed on the EDCs to spur the market
- Unclear transition from EDC-based financing to private financing

One aspect of the current incentive structure that makes ongoing market-based dynamics elusive is that the demand side of the market – the RPS – is artificial and NOT elastic. Holders of SRECs cannot entice LSEs to buy more SRECs than mandated by the RPS, no matter what the price. As we have seen from the current over-supply situation, there is no self-correction mechanism in the current program - short of halting new solar installations until the RPS catches up to the existing installed base and pipeline. Instead, the BPU and the legislature need to step in to avoid a collapse in SREC prices and New Jersey's solar installation industry. Instead of the market dictating where SRECs should be priced to induce investment, the legislature is wrestling with what it believes is the right trade-off between accelerating the RPS and lowering future SACP prices. What we know about markets is that it is exceedingly difficult, perhaps impossible, to lock in prices TODAY that will fit changing market conditions in the future. When the SACP schedule was set originally, it seemed like the right level of prices to create an attractive, but not excessive return to solar investors. As installation costs fell and the SACP was fixed, investment returns soared. The market responded with a glut of project supply that is now crashing the market and sending a clear signal that the SACP was set higher than needed for current RPS goals. The first problem with this is even with this crash in SREC prices there is no transparency into if, and by how much, the ratepayers are benefiting from the lower SREC prices. The second problem is, as mentioned above, to keep the industry from collapsing there will be a new acceleration of the RPS and an arbitrary reset of SACP prices. But there is no way to know whether any new RPS and SACP schedule will strike the right balance to deliver the amount of solar the state wants developed at the lowest possible cost to the ratepayer. The third problem with the current SREC structure is that in order to take advantage of the 3-year trading life designed to protect SREC values, solar investors might have to go several months (and

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possibly years) without any cash flow from the SRECs that they were counting on to repay them for their investment. As solar investors make a decision to go forward with solar in an over-supplied market, they are speculating that the state will raise the RPS to accommodate their additional supply – and that will ultimately lead to SREC pricing remaining close to the SACP. To control the overall cost of solar incentives, the state remains in the position of constantly updating RPS targets and the SACP to balance speculative solar investment and ratepayer cost. Following this trail essentially excludes a market-based solution and leaves the legislature and/or the BPU to figure out what the right market balance is.

At Geoscape Solar, we believe that a viable solution can be built around the concepts that underlie the utility finance programs. The PSE&G program has the significant benefit of providing up-front financing for solar projects, but the floor price is again arbitrary and not market-based. The EDC auction program is market-based - tying the long-term SREC incentive to the cost of installation at the time a solar customer is making the decision to go forward.

The key shortcomings of the utility finance programs that need to be addressed are the following:

- The PSE&G loan program has no market mechanism to adjust the fixed SREC price paid to program borrowers. The floor price is not sensitive to the rise or fall of installation costs.
- As the annual RPS requirements grow into the hundreds of megawatts, the capital needed to install solar projects will greatly out-strip the EDCs capacity to finance them.
- The auction process is cumbersome, auctions are not held monthly and the EDC auctions have historically been under-utilized by the residential solar segment.
- The PSE&G loan and SREC contract documents all have clauses that transfer the risk to the solar customer if state laws change to eliminate or negatively modify the SREC program. This makes financing long-term contracts problematic at best.
- The EDC financing programs are not available to customers outside the four participating EDC service territories.

We believe the next solar transition should aim to achieve the following goals:

- Create room in the RPS for new solar capacity to avoid a collapse in the installation industry.
- Transparency in the cost to New Jersey ratepayers for the solar incentives, including the SREC prices and cumulative administrative costs that are passed on.
- A market-based mechanism that will deliver the desired level (and only the desired level) of solar capacity at the lowest cost to the ratepayer.
- Simple and transparent application process to attract as many solar developers as possible
- Avoiding the need for future legislation to address market imbalances.
- Minimize the administrative cost and burden of the program.
- Attract private lending sources to the New Jersey solar market to help regular customers, not just PPA and lease providers, to capture the benefits of solar ownership.
- A mechanism to protect the investment return for the pioneers who have made New Jersey the number one state in the country for solar.



Geoscape Solar proposes the following changes to the auction-based SREC approach:

- Accelerate the RPS schedule by two years, achieving the 5,316 GWh goal in 2024, instead of 2026. The lower cost achieved through up-front SREC reverse-auction procedures instead of SACP-driven prices will offset the cost of RPS acceleration. By not increasing the last two years, any additional incentive cost becomes more of a timing of cost recognition than one of absolute cost. In addition to RPS acceleration, consideration should be given to withdrawal of PSE&G's Solar for All projects from the SREC market, reducing the amount of over-supply that has to be addressed. PSE&G could be separately compensated for its existing solar investments.
- All solar projects will apply for OCE approval with a 15-year SREC price schedule (proposed SREC prices in no event to exceed a ceiling SREC price established by the BPU). Like the EDC auction program, each project can be evaluated using the Net Present Value (NPV) of its proposed pricing schedule.
- Project applications would be approved monthly and require an application fee tied to the size of the proposed system. Applications could be for that month only (fill-or-kill) or left active until withdrawn or eventually accepted (good until cancelled). The annual RPS would be divided into monthly goals. OCE would approve the lowest NPV projects until the monthly goal is met. If project applications fall short of the monthly requirement, all projects for that month would be approved. Rejected "fill-or-kill" projects and withdrawn projects would be refunded their application fee and can re-submit a new application at a later date without penalty and with a new application fee. Rejected "good until cancelled" projects would fill shortfalls in the supply of projects in future months. This is only one of many approaches to the monthly selection process. In a more subjective approach, the OCE could approve or deny project applications based on project NPV and OCE forecasts for the existing pipeline and future project applications.
- In the final month of the energy year, if approved/installed megawatts fall short of the annual RPS, all rejected "good until cancelled" applications for the year could be automatically accepted in order of lowest NPV to highest NPV until RPS is met or all projects have been approved. If total installations fall short of the annual RPS, there could be an automatic increase in the SREC ceiling to induce more projects for the coming year(s).
- Approved projects will have a finite timeframe to complete construction, as they do now. In order to reduce the number of applicants who are not truly prepared to build a system, the application fee could be refundable only if the application is withdrawn within a certain amount of time after OCE approval and upon completion and final OCE approval of the system. This would allow solar customers to lock in their SREC prices and have time to find financing for their projects, but would penalize them for clogging up the pipeline and never completing the project.
- Binding contracts will be issued for all approved projects to purchase all SRECs registered on GATS at the agreed SREC price. The OCE (through the market manager) or the EDCs can be the SREC purchaser in these contracts and will pay solar owners for their production with funds collected from the Societal Benefits Charge. The contract will NOT allow the purchaser to void the contract based on changes in law or policy.
- The LSEs will be totally removed from SREC administration and purchase requirements and will have no need to pass SREC or SACP costs onto ratepayers.

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- Optional consideration should be given to creating separate segments for residential, small commercial, large commercial and grid-supply projects. Capacity not used for one market segment can be carried forward and/or released to other market segments.

Benefits of this approach include:

- Solar incentive cost to the ratepayer is completely transparent and minimized.
- If there is insufficient solar supply to meet annual RPS goals, neither the LSEs nor the ratepayer is penalized by having to pay an SACP. To induce more solar investment for future energy years, the SREC ceiling price can be raised to the level needed to attract the additional investment.
- Since only projects approved with a definitive SREC price schedule get built, speculative project construction (that will later pressure lawmakers in an over-supplied market to help bail them out of the investment) will be eliminated.
- The ratepayer will NOT be required to pay for more solar than is approved in the RPS in order to keep the industry healthy and stable.
- Elimination of the spot market for SRECs that can never truly be market-driven with the demand-side of the market fixed by legislation. This will avoid SREC market crashes, as well as the threat of a boom and bust cycle in the solar installation industry.
- LSEs are relieved of SREC administrative burdens.
- Issue of LSE transparency with respect to assumed SREC prices goes away.
- EDCs will not need to be called upon to finance the state's solar goals.
- Establishes a direct correlation between cost to ratepayers and incentives required to induce solar investment – every project submitted for approval is competitive.
- Each project will receive the cash flows needed to justify the investment based on the cost of installing at the time the project is installed. Changes in future installation costs, federal incentives and financial markets will be reflected when those projects submit their applications.
- As installation costs come down over time, the NPV needed to make projects viable will come down and be reflected in future bids. To the extent installation costs rise again or spike for any reason, this market mechanism will allow for stable and continuous development of solar projects.
- Consolidation of solar incentive administration – instead of having all EDCs and LSEs staff, train and administer different aspects of solar incentive compliance, under this proposal, the OCE (with or without the EDCs) can streamline the solar incentive process
- Because each project – once approved – will have cash flow secured by a long-term contract, they will not be subject to future regulatory or market price risk, yielding two key benefits in the lending markets:
 1. With stable, predictable cash flow, banks will finally be ready to make loans against future SREC cash flows.
 2. The cost of debt capital to finance solar projects will decline, further reducing the SREC prices needed to justify solar investment and lowering the cost to the ratepayer.
- If project applications consistently outpace the RPS goals and the overall cost of the incentives are low, the legislature has an analytically easy choice to increase the RPS to absorb additional solar supply.



With adoption of this approach and the proposed elimination of the SREC spot market, an adjustment will need to be made for solar projects already installed and for those approved and not yet built. There are many possible ways to handle this, but here is a place to begin:

- New contracts should be written for projects that are already built. The question to answer is at what price should these new contracts be written?
 - The simplest to administer and probably the most universally fair would be to issue contracts to all built projects at the PSE&G floor price in effect at the time the project was approved. This could possibly mean that projects approved under the CORE rebate program (which were built without the expectation of the current SREC program) would get nothing for their SRECs.
 - Projects approved and partially completed (evidence should be required) could be treated the same as completed projects described above.
- Projects approved, but for which construction has not yet begun, should have to re-submit applications under the new rules.

Because this proposal is built upon many of the basic principles already driving the SRP process, we hope that the debate of its merits will be simpler than some of the alternatives. One of the main obstacles to this approach certainly is the shift of administrative burden away from the state's EDCs and LSEs to the OCE / market manager. But again, this consolidation could well lead to lower overall administrative costs and certainly will lead to greater transparency of the cost of solar incentives to the ratepayer.

Thank you very much for your consideration.

Michael Boches
Chief Executive Officer
Geoscape Solar



**SEIA COMMENTS ON STAFF STRAW PROPOSAL, DATED MARCH 6, 2012,
TO THE SOLAR TRANSITION WORK GROUP**

SUBMITTED TO THE BPU MARCH 16, 2012

The Solar Energy Industries Association (SEIA) provides the following comments, based on staff's straw proposal dated March 6, 2012. SEIA commends the BPU Staff for proposing to extend the EDC SREC finance programs. These programs provide for long-term contracts, which have not evolved naturally in the SREC market and which are critical to securing project finance at competitive rates. This program yields important ratepayer benefits including market stability and highly competitive pricing. This portfolio approach - providing for a mix of lower risk long-term contracts and higher-risk spot market prices - is also in the best interest of ratepayers.

In addition, projects that provide the "dual benefits" – both local economic benefits and environmental benefits – that the New Jersey Energy Master Plan promotes are predicated on business, schools, local governments, and local residents having a predictable and stable value stream for their SRECs. The utility financing programs target these market segments and provide this stability in a marketplace where the main market failure is a lack of stable SREC prices and revenue securitization.

SEIA is the national trade association for the U.S. solar industry and is a broad-based voice of the solar industry in New Jersey. SEIA member companies have installed over 60% of all MWs currently under operation in New Jersey. In addition, SEIA member companies provide solar panels and equipment, financing and other services to a large portion of New Jersey solar projects. Our companies work in all market segments – residential, commercial, and utility-scale. When establishing its policy positions, SEIA must balance diverse needs of its membership. Through its state committees, SEIA works with its member companies and state legislators and regulators to promote cost effective and successful solar energy policies.

When establishing the upcoming phase of the EDC SREC finance programs, SEIA strongly encourages the Board to set the capacity at a level that 1) recognizes the importance of long-term contracts as a core element of a functioning market, 2) recognizes that long-term SREC contracts have not – and likely will not evolve naturally in the market as a consequence of regulatory and market limitations on suppliers and providers and 3) is sufficient in size to encourage sufficient business interest as to be competitive and allow businesses to retain jobs.

SEIA commends the BPU staff for recommending an integrated program structure that, by banking SRECs until EY16 and increasing the RPS by a commensurate amount, allows businesses and jobs to continue while the market works through the current oversupply. SEIA understands the statutory constraints that limit the Board's ability to fully absorb the current oversupply; SEIA further understands that the staff straw proposal does not address the concerns of those participating in the unstructured spot market.

SEIA respectfully submits the following comments to Staff's straw proposal.

Establish capacity at 40% of the market. Our primary concern with the Staff straw proposal is that it is too small to meaningfully address the current overreliance on the spot market, and too insignificant to



maintain any real market momentum in New Jersey. The 40 MW/year procured through the organized market under the Staff straw is equivalent to the current **one month** build rate. Instead, SEIA strongly recommends that the BPU establish a 4-year EDC SREC program, with the capacity set at 40% of increased capacity from Energy Year to Energy Year. This is equivalent to 272 MW over the 4 year term of the program, or an average of 68 MW per year. Further, BPU review should be undertaken after the third year to determine whether and to what extent the EDC programs should continue after the fourth year. Any continuation after the fourth year would subsume the projected MWh generation within the solar RPS annual requirements and would not require an increase. To ensure that the entire capacity is enacted and that market opportunities are available throughout the state, SEIA strongly urges the Board to direct the EDCs to file for the entire portion of the capacity as per their retail sales in the event they do not do so voluntarily.

Establish 10-year declining price contracts. Staff has proposed that the term of the SREC contract or loan be initially set at 10 years, and decline in each successive year of the program. SEIA strongly recommends that all four years of the program have a 10-year contract term with the option for bidders to take a declining price contract. This will address Board Staff's desired goal of condensing developer SREC revenues to the term of the agreement, with no upside revenue realization for the remainder of the 15-year qualification life. Further, the declining price option will facilitate SREC sales in the latter years that are more reflective of then-existing market realities.

Ensure that ratepayers receive the lowest possible bids. SEIA supports Staff's proposal to structure the loan or solicitation process on a "competitive" basis to provide for the lowest achievable and available cost within the market segments. To ensure that project bids are viable, the programs should continue to require that developers post a security deposit.

Ensure diversity of projects through the EDC programs. SEIA supports the BPU's desire to structure the EDC programs in such a way as to ensure that a diversity of projects participate, including residential/small commercial, commercial/industrial, and grid-supply projects that meet the goals of New Jersey's Energy Master Plan. However, we are concerned that the Staff proposal will result in an over-segmentation of the market, with the resulting bid blocks being too small to support meaningful market opportunities and robust competition¹. To ensure market diversity in all territories, SEIA suggests a continuation of the current program structure, with the following modifications: 1) expand project eligibility to include landfill and brownfield projects; 2) retain the separate program segment for residential and small commercial systems (e.g., $\leq 50\text{kw}$) with the current aspirational goal for this segment converted to a capacity requirement, subject to a soft cap²; 3) require administrative adjustments to the programs to ensure reasonable access to all business models and market segments, consistent with previous SEIA testimony; and 4) enable any net metered project regardless of system size to participate, provided however, that no more than a 2 MW portion of any system be eligible.

Encourage the development of grid-supply projects on landfills or brownfields in areas that can be supported by the distribution system by requiring utilities to disclose areas of the distribution system

¹ This is particularly true given the Staff proposal for 120 MW overall. To illustrate the concern, this 120 MW would be spread over three years, across four utility service territories, multiple segments and several solicitations per year.

² By "soft cap" we would propose a certain allocation to the small system segment set at a level commensurate with the previous aspirational goal; however, in the event an insufficient number of competitively priced bids were received within this segment, any unallocated capacity could be redirected to other market segments.



that can support such projects. The market currently lacks an understanding of areas of the distribution system that can and cannot support such projects. To the extent the final program adopted by the BPU includes these favored target markets, SEIA would strongly encourage the BPU to require that EDCs identify areas within their distribution service territory where solar projects can provide the most benefit to the grid. Examples of this approach can be found in the recent NYSERDA Geographic Balancing Program in New York

Establish clear guidance on EDC costs to be borne by the solar developer or generation customer. SEIA is not opposed to developers shouldering the reasonable and necessary costs incurred to implement an extension of the EDC SREC Finance programs. To facilitate apples-to-apples comparisons across bids, SEIA recommends that the BPU establish clear guidance on the level of EDC costs to be borne by the developer or customer, such as a per-MW fee that is added to each bid. In addition, to spread the cost burden, SEIA recommends a two-part fee: 1) a small application fee on all bidders; and 2) a larger fee on winners to administer the loan or contract. The BPU should also explore lower cost options for program administration, particularly for the SREC auction process. There are numerous entities that currently operate SREC auctions at a fraction of the cost of the NERA auction.

Establish a regulatory amendment to the solar RPS to reflect the additional capacity brought on by the EDC SREC programs. By banking SRECs generated through the EDC SREC programs until EY16 and establishing a commensurate increase in the solar RPS starting in EY16, the BPU will allow project development to continue while holding harmless those projects taking SREC market risk. See the Technical Appendix for more details regarding SEIA's recommendation for the new solar RPS curve.

Establish a prospective reduction to 10 years in the SREC qualification life. SEIA is not opposed to an exploration of a change in the SREC qualification life for newly constructed projects. However, given the complex interaction between qualification life, resultant SREC prices and the SACP levels required to maintain sufficient headroom above the newly established market trading range, SEIA believes that this topic requires further analysis and should not be summarily and arbitrarily decided based on current information.

Issue a revised SACP schedule for EY2017 – EY2026. SEIA respectfully urges the Board to issue an SACP schedule for EY2017 – EY 2026 as soon as possible as the ongoing uncertainty is detrimental to the market. SEIA supports the notion that the changes in the RPS schedule should not result in an increase in ratepayer exposure from the Staff straw SACP schedule.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Katie Bolcar", is written over a horizontal line.

Katie Bolcar
Director, Mid-Atlantic States
Solar Energy Industries Association
kbolcar@seia.org

Technical Appendix

This appendix outlines the assumptions and calculations for the program proposed in these comments. SEIA uses these assumptions for the purposes of this proposal, recognizing that the BPU staff may wish to use a more detailed set of assumptions for scrub rates (i.e., awarded bids that do not materialize) and for the timing of when projects achieve commercial operation. Figure 1 shows the proposed MW capacity in the EDC programs as well as the proposed SRPS. Figure 2 shows a graphical depiction of the current and proposed SRPS. Figure 3 shows the formulas used to calculate the proposed SRPS.

Assumptions

- GWs converted to MWs using a conversion rate of 1120 GWs/MW.
- SRPS is increased by the amount procured for 10 years, until EY25. For example, for projects procured in the EY14 program, the SRPS is increased annually by this amount through EY23. The EY26 target remains unchanged.
- Since projects commissioned in one year come on line throughout the Energy Year, EDC Programs generate 50% of SRECs in the year they are bid.

Figure 1. Proposed MW Capacity in EDC Programs and SRPS

	Add'l SRECs (40%)	Annual MW Capacity	Proposed GWH expansion	New SRPS
EY12				442,000
EY13			-	596,000
EY14	70,400	63	-	772,000
EY15	77,200	69	-	965,000
EY16	74,000	66	35,200	1,185,200
EY17	82,800	74	519,340	1,876,340
EY18			304,400	1,895,400
EY19			304,400	2,162,400
EY20			304,400	2,468,400
EY21			304,400	2,822,400
EY22			304,400	3,232,400
EY23			304,400	3,737,400
EY24			234,000	4,223,000
EY25			156,800	4,766,800
EY26				5,316,000



Figure 2. Graph of current and proposed SRPS schedule

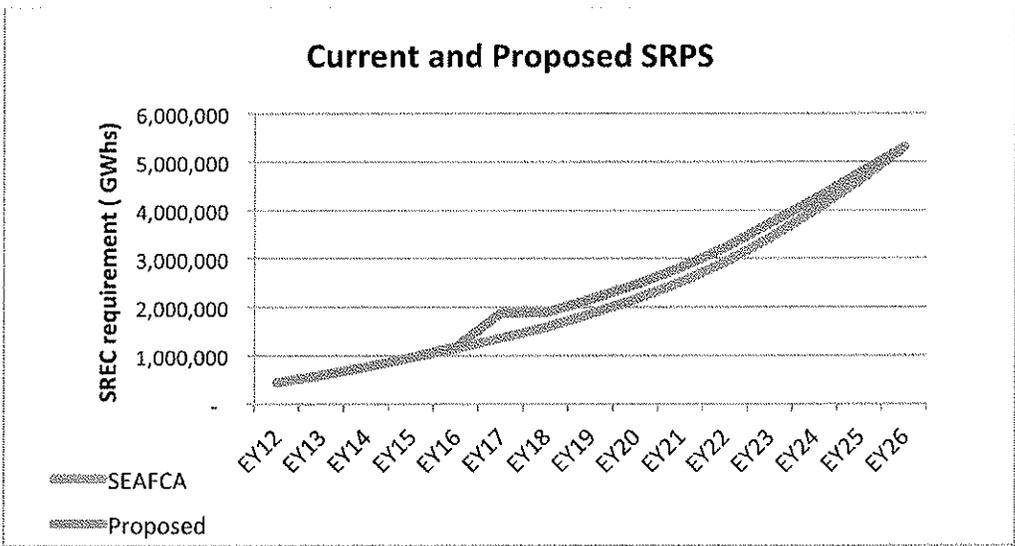


Figure 3. Formulas used to calculate SRPS increase

Note: In the columns 'SRECs created', 'SRECs banked', and 'RPS increase', 'EY14' refers to the SRECs created by the MWs installed from the EY14 program, and so forth for 'EY15', 'EY16', and 'EY17'.

	SRECs created	SRECs banked	SRPS increase
EY12			
EY13			
EY14	0.5*EY14		
EY15	EY14+0.5*EY15	0.5EY14	
EY16	EY14+EY15+0.5EY16	1.5EY14+0.5EY15	0.5EY14
EY17	EY14+EY15+EY16+0.5EY17	2.5EY14+1.5EY15+0.5EY16	3EY14+2.5EY15+1.5EY16+0.5EY17
EY18	EY14+EY15+EY16+EY17	--	EY14+EY15+EY16+EY17
EY19	EY14+EY15+EY16+EY17	--	EY14+EY15+EY16+EY17
EY20	EY14+EY15+EY16+EY17	--	EY14+EY15+EY16+EY17
EY21	EY14+EY15+EY16+EY17	--	EY14+EY15+EY16+EY17
EY22	EY14+EY15+EY16+EY17	--	EY14+EY15+EY16+EY17
EY23	EY14+EY15+EY16+EY17	--	EY14+EY15+EY16+EY17
EY24	EY15+EY16+EY17	--	EY15+EY16+EY17
EY25	EY16+EY17	--	EY16+EY17
EY26	EY16+EY17	--	--

Deborah Petrisko

From: Evan Dube [evand@sunrunhome.com]
Sent: Friday, March 16, 2012 12:59 PM
To: publiccomments@njcleanenergy.com
Subject: Comments NJBPU Staff Straw - Solar
Attachments: 3162012 SR-Trinity comments BPU Straw Proposal - FINAL.pdf

Please find attached comments on the NJBPU Staff Straw Proposal from Sunrun and Trinity Solar.

Thank you,

EVAN DUBE | Director of Government Affairs
Sunrun Inc.
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March 16, 2012

BPU – Solar Transition Working Group – Comments NJBPU Staff Straw – Solar

Sunrun and Trinity Solar (“Trinity”) commend the BPU staff for its tireless work throughout the Solar Transition Working Group process, and for extending the EDC SREC finance programs under the straw proposal. In particular, the acknowledgement of the dual benefits the residential sector brings to New Jersey is greatly appreciated. The set aside for residential and small business systems, combined with additional administrative adjustments which are not referenced in the straw proposal, but are necessary to accommodate all business models and industry sectors, will enable meaningful participation from the residential sector in the EDC programs. Participation through the EDC programs will provide the opportunity for stability in a long market and benefit both the solar industry in New Jersey as well as ratepayers.

The residential solar sector offers a diverse range of customers a means to control their electricity costs, provides maximum distributed generation benefits to the grid, and creates hundreds of quality full time jobs for New Jersey residents.

The EDC programs provide participants with the means to manage market volatility and to reduce costs through long term contracts or loans. The result is a more stable environment for doing business and a better product for customers. It is critically important that the EDC programs be implemented as soon as possible in order to achieve these desired goals and to retain jobs under the current market conditions.

Sunrun and Trinity offer the following comments on the straw proposal:

1. To have an impact on the market the EDC programs must be of sufficient size to provide a meaningful balance against market volatility. Because long term contracting opportunities are not widely available outside the programs, we recommend that the EDC programs be increased to 80MW per year. We believe that the proposed level of 120MW of total capacity or 40MW per year in the straw proposal is insufficient to maintain market momentum in the near term or to mitigate market volatility going forward.
2. The capacity of the residential and small business segment set aside should be commensurate with the previous aspirational goal of 25% of the overall program capacity. The residential and small scale sectors current 14.9% share of the New Jersey market is well below that of competitor states. Implementing the set aside requirement at 25% of EDC program capacity will be critical to



increasing the residential sector's market share and increasing the diversity of the New Jersey market.

3. The residential and small business segment set aside should be a requirement, provided that sufficient bids are available within 120% of the average bid price within the segment. If bids are not accepted they should be able to reapply under future auctions. This range or "soft cap" will create competition within the segment and ensure that non-competitive bids are not accepted. In order to generate fair competition within the segment given the reduced capacity within the program, we suggest that the residential and small business set aside be reserved for truly small scale projects with similar economics at 20kW and under.
4. Administrative adjustments to the EDC programs are required to ensure participation from all sectors. While the previous EDC programs were geared toward large commercial installation practices, they failed to account for the volume and shorter development cycle of residential installations. A few critical adjustments will allow for meaningful access to the residential segment.
 - a. Allow residential projects to be built 90 days prior to submittal. This will allow residential projects to move forward on a consistent development cycle, while being able to participate under a quarterly auction process.
 - b. Require that programs generate a bid process as well as an administrative process that are tailored to the residential business cycle and reduce processing time, while recognizing the need to manage administrative costs. Given the volume and timing of residential projects, the requirement of extensive hard copy paperwork and disjointed processing is prohibitive for residential sector participation in the programs.
 - c. Remove the requirement of an additional utility grade meter where one is already provided by the 3rd party system owner, this will remove unnecessary redundancy and cost to the customer.

Solar Loan:

- d. Allow for multiple projects to submit and participate under a single application and commercial borrower's credit review.
- e. Facilitate more widespread adoption of the Solar Loan Program by residential providers through efficient, expedited processing. A



- streamlined process for multiple residential projects is critical to participation in the loan program.
- f. Allow for ownership transfer of 3rd party projects in order to prequalify investors. Further, allow transfer of 3rd party ownership of proposed borrower Special Purpose Entity to prequalify investors prior to closing and/or approval.
 - g. Allow residential 3rd party customer projects to participate in the loan program under the program's residential interest rate. Residential customers should have access to the more reasonable interest rate, regardless of their choice of solar provider. While we do understand that the more than 11% interest rate charged accurately reflects the blended cost of debt and equity capital for EDC's, we think that the interest rate charged should better reflect the risk associated with these loans.
5. The Board should consider creating a comprehensive order to guide the EDC's in their filing process. This would eliminate a good deal of confusion and create products and processes that would be more consistent. In addition, it would seem more appropriate to formally order these actions rather than to rely upon voluntarily EDC action.

We thank BPU staff for their significant work and thoughtful straw proposal that is critical to maintaining a robust solar industry in New Jersey, and hope that staff will consider these recommendations as the straw proposal is finalized. We look forward to continuing to participate in the Solar Transition Working Group process, and the public hearing next week.

Sincerely,

Evan Dube
Director, Government Affairs
Sunrun

Ed Merrick
VP, Marketing and Business Development
Trinity Solar

From: Melissa MacCarthy [Melissa@ecologicalsystems.biz]
Sent: Friday, March 16, 2012 2:02 PM
To: publiccomments@njcleanenergy.com
Subject: Comments NJBPU Staff Straw - Solar

In what way does this straw proposal help to stabilize SREC prices for those not participating in the EDC programs below?

1. JCPL/ACE/RECO SREC Solicitation
2. PSEG Solar Loan
3. PSEG Solar for all

What will the set aside be for non net-metered projects referenced in item 8?

What will the set aside be for residential and small business market segments referenced in item 12?

Unless there is another plan being put forward the SREC market place will collapse along with the industry in the next 12 months. In order to prevent this collapse here are two options that provide a resolution to our SREC oversupply problem.

1. The solar carve out needs to be increased by 450Mwh for reporting year 2012 and each subsequent year through 2017. The solar carve out can then be decreased by 450 Mwh in EY 2020-2026. This will allow us to meet our goals ahead of schedule for the same cost that was originally anticipated. And reducing the RPS in the later years is unlikely to have a negative impact on the industry or the revenues collected by the state of NJ collected by its activity. (ie the state is collecting payroll taxes, sales tax, and a number of other ancillary taxes as a direct result of the employment provided by the solar industry).
2. The installed cost of solar has been reduced by 50% since 1999, the inception of this program, and today. For this reason, the average SREC target price of \$51.1 through 2017 (per the Summit Blue report) is no longer required. \$250 SRECs would likely be adequate for continued growth. Unfortunately, our current SACP schedule does not provide a mechanism for reducing the SACP while maintaining reasonable SREC floor prices. In order to deal with this situation either a new class of SREC needs to be created or some other form of underwriting mechanism needs to be put in place. A new model should be out in place that provides a minimum purchase price. NJ has a thriving solar energy industry which at current installation rates has satisfied of NJ's new energy needs while at the same time has driven down the cost of kwh of energy. The state of NJ and its ratepayers and residents are now making over \$142 million dollars a year from the modest investments made so far. (\$142 million based on: 700 mw of installed capacity * the average rate of .17/kwh*1200 hours per year)

Thank you,

Melissa MacCarthy

Ecological Systems

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