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September 14, 2011

By Overnight Delivery Service and Electronic Mail
Michael Winka, Director
Office of Clean Energy
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: New Jersey Clean Energy Program Renewable Energy Committee – Request for Comments on Staff Solar Transition White Paper

Dear Mr. Winka:

This letter is submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in response to your e-mail of Friday, September 9, 2011 requesting comments on the attached document entitled "NJBPU Staff White Paper: Next Steps in the Solar Transition – September 9, 2011." These comments are also being submitted by electronic mail to the Board's Office of Clean Energy ("OCE"). Rate Counsel requests that the OCE circulate this and all other comments concerning this matter to the Broad's Renewable Energy Committee listserv, and also make all comments available to the public by posting them on the Board's website.

Rate Counsel acknowledges OCE's request that comments be submitted "if possible" prior to the meeting scheduled for September 15, 2011 from 1:00 to 5:00 p.m. to discuss "Next Steps in the SREC Transition." Rate Counsel notes, however, that the request for comments, and the attached "white paper," were received in the afternoon of Friday, September 9, 2011, less than three business days prior to the scheduled meeting. Moreover, the "white paper" contains no specific proposals, and insufficient information and data to permit Rate Counsel to submit substantive comments at this time.

Based on a preliminary review of the questions posed by Staff in the "white paper," Rate Counsel offers the following:

1. Rate Counsel opposes the establishment of a " floor price" for SRECs.
2. Rate Counsel opposes the proposal to have SREC's revert to Class I RECs, and any other proposals that would affect the value or liquidity of SRECs.
3. Rate Counsel opposes any extension of the utilities' SREC financing programs in the absence of a full "contested case" proceeding.

Finally, Rate Counsel re-iterates that the fundamental objective of the Board's solar energy programs should be regulatory certainty and not market certainty. The Board should be moving toward a market that can operate on its own, not creating a system of guaranteed returns for market participants.

Rate Counsel reserves its right to submit further comment as additional information and data are provided.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

By: Sarah H. Steindel

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COMMENTS OF THE SOLAR ALLIANCE
FOR THE OFFICE OF CLEAN ENERGY'S SEPT 15, 2011 STAKEHOLDER MEETING
TO DISCUSS NEXT STEPS – SOLAR TRANSITION

SEPTEMBER 13, 2011

- The Solar Alliance views New Jersey's ground-breaking market-based solar incentive program as a success in creating the basis for a vibrant solar market. The program has now yielded over 400 MW of new clean, in- state distributed solar generation and is poised to meet increasing annual targets with declining incentives. The program has leveraged billions of dollars in private investment and created thousands of jobs in the state's burgeoning green economy. The Solar Alliance believes the recent SREC price variability is a natural part of the market growth, the impacts of which can be mitigated by modest adjustments such as the extension of and modifications to the EDC SREC Finance program.

- The Solar Alliance commends the BPU for taking swift action in response to stakeholder comments at the EMP Hearings to gather stakeholder input on the current state of the market. The question at hand for policy makers is whether the current state of the market, and the expectation of near-term oversupply, warrants a regulatory response to fundamentally change the market or whether, with minor modifications, the market can be expected to "self-correct".

- As to the threshold question, the Solar Alliance believes that the market is functioning reasonably well – certainly well enough that a major market redesign is simply not warranted – but that there are steps that can and should be taken in the near term to moderate market fluctuations. The Solar Alliance believes that major policy intervention to address the perceived problem may wind up creating even greater market inefficiencies, regulatory risk, and capital flight.

- As with any market, prices fluctuate with supply and demand. In the New Jersey solar market, SREC prices have proven to be an effective and flexible rationing tool. High SREC prices in the formative years of the market elicited significant investment and rapid growth in new capacity, such that the compliance gap is shrinking and SREC prices have followed as they were created to do.

- Indeed, anecdotal evidence suggests that the market is responding to the expectation of future SREC oversupply. Forward SREC prices are declining and developers report putting large- and small-scale projects on hold pending a more favorable investment climate.

- While none of our member companies are excited about the prospect of a slower rate of development in the near-term, we also understand that some ebb and flow is part and parcel of a market-based incentive program. If the proper market tools such as the EDC Finance Program are in place for all solar market segments, as the New Jersey solar market matures, these ups and downs will become smaller.

- While superficially appealing, instituting a floor price begs a host of implementation questions and could have several unintended consequences. Clearly, adopting some form of price support could fundamentally alter the market structure and, as demonstrated in the transition from a rebate regime to SRECs, the inherent uncertainty of a redesign process could signal increased regulatory risk, further impacting the market.

- Further, the Solar Alliance is unclear as to how a floor could be implemented given the state's fiscal and regulatory realities. How would a floor be back-stopped? What would give investors the confidence that funds would be available to support the floor? Would LSEs be required to pay a minimum price? If so, does the Board have the legal authority to direct this? How would it enforce such a mandate? Alternatively, would the state put aside funding or require ratepayers to backstop these contracts? Would legislators be willing to go along with either of these approaches?

- The term 'price floor' is being used in the public domain, but without much definition. A price floor could mean either a safety net or it could mean a minimally acceptable return on investment, in which case it would act more like a feed-in tariff. At a minimum, the intended definition needs to be clarified and the implications of each better understood.

- The Solar Alliance does not see a single 'silver bullet' policy that can forever keep supply and demand perfectly in balance but rather advocates a few moderate solutions to both stabilize the current supply-demand situation and minimize future imbalances.

- The real market failure in the current NJ SREC market is the lack of a long-term SREC revenue securitization mechanism. This market failure leads to price volatility and the corresponding increases in risk and cost. The Solar Alliance sees long-term contracting as the best way to both mitigate price volatility and reduce overall impact on ratepayers.

- As with any energy generation source, the decision to invest in solar is a long-term investment. The more stable the long-term investment environment, the lower the risk, and the lower the price making long-term contracting the best solution to minimizing price volatility and reducing risk to ratepayers. However, the short-term contracting preference of LSEs do not match the long-term contracting needed to develop the lowest-cost solar.

- The Solar Alliance proposes that New Jersey accomplish this in the following two ways: the expansion and modification of the EDC SREC Finance Program, and requiring LSEs to procure a certain percentage of their SRECs via long-term deals.

- With the current EDC SREC Finance Program drawing to a close, now is the time to draw lessons learned and improve and expand long-term contracting opportunities. The EDC SREC Finance Program has evolved in to a highly competitive program, with significantly more applicants than capacity and prices established at less than half of spot market prices. This program reduces risk and cost to ratepayers, protects ratepayer investments in economic development through the growing solar industry, and reduces inefficiencies in the market place.

- Although the program as currently designed works well for larger projects, it is not correctly structured to realistically allow for participation by smaller projects, as evidenced by the fact that less than 2% of capacity has gone to systems less than 50kW. Solar systems in each of the three market segments - residential, commercial, and utility - offer significant benefits, some of which are the same and some of which are different. The Solar Alliance strongly encourages that as New Jersey expands and improves long-term contracting opportunities, it should make modifications from the existing program to ensure that any policies or programs are designed to target the needs and benefits of all market segments.

- A couple years, New Jersey legislators considered requiring LSEs to purchase a certain percentage of their SRECs via long-term deals, via some combination of the following: 1) developing projects themselves, 2) entering in to long-term contracts with developers, or 3) participating in the EDC SREC Finance Program. In the interest of minimizing impact on ratepayers and SREC price volatility, the Solar Alliance urges New Jersey to re-consider this approach.

- If policy makers were determined to intervene and immediately stabilize the current situation, a more prudent course than instituting an SREC floor would be to accelerate the annual compliance targets, as envisioned in legislation recently introduced in Senate and Assembly (outlined below). To take advantage of current low prices and to protect the investment of New Jersey ratepayers in the developing in-state industry, demand-side legislation would stabilize the current situation. While either of these measures could provide short-term relief, and the Solar Alliance therefore supports them, it needs to be understood that these market adjustments would not prevent oversupply in the future nor would they necessarily reduce costs in the long-term as would long-term contracting.

  - A.4226 (Chivukula) changes conditions of requirements applicable to electric suppliers and providers under section 38 of EDECA. Currently, electric suppliers and providers are subject to an increase of 20% per year, though energy year 2027, in their solar energy purchase requirements if (a) the number of SRECs generated meets or exceeds the requirement for three consecutive reporting years, and (b) the average SREC price for all SRECs purchased by entities with renewable energy portfolio standards obligations has decreased in the same those three reporting years. The bill would reduce the number of years applied to those conditions from three years to one, which year shall be energy year 2013.

- S.2371 (Smith) would take a more targeted approach to the current supply-demand imbalance situation by accelerating the solar renewable energy standards by one year, beginning in energy year 2013.

Respectfully submitted,

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Comments of
Public Service Electric and Gas Company (PSE&G)

BPU Review of Solar Programs
BPU Docket No. EO11050311V
September 15, 2011

Good afternoon. I am Susanna Chiu, Director – Business Development and Policy for PSE&G. Over the last few months, PSE&G has been an active participant in the BPU's stakeholder proceeding examining the future of utility solar programs. Thank you for the opportunity to comment today on the BPU's inquiry into the continuing role for utilities in fostering solar development.

PSE&G supports the Energy Master Plan's ("EMP") goals of making energy accessible, reliable, and affordable; delivering the economic and environmental benefits of energy efficiency; and supporting new energy technologies and renewable energy investments. PSE&G remains ready to advance the EMP's goals, including through continued investment in New Jersey solar energy development. We believe that solar is a legitimate policy goal and we are committed to continuing to support that policy goal in a cost-effective manner.

PSE&G's Solar 4 All and Solar Loan programs have helped make New Jersey a national leader in solar energy. As part of its BPU-approved Solar 4 All program, PSE&G has, through August 31, 2011, developed 45 MW of solar projects in locations across its service territory. This includes 6 PSE&G sites, 9 third party sites and over 100,000 solar units installed on utility poles.

Through its BPU-approved Solar Loan and Solar Loan II programs, PSE&G has played a critical role in helping customers to obtain needed financing for 28 MW of completed installations, with another 24 MW of projects having loan commitments and 22 MW of projects under credit review.

PSE&G remains fully committed to the current and future development of solar in this State, to fulfilling public policy objectives such as helping support struggling municipal governments and to tapping into customer segments that may not otherwise be served by the competitive marketplace.

There remains a vital role for PSE&G in helping achieve the EMP's solar energy objectives by extending the Solar 4 All Program to target underserved markets and help support the State's sustainable land use. Such installations would include landfills, brownfield sites, warehouses and government buildings. As part of PSE&G's current Solar 4 All program, PSE&G has installed 2.6 MW of solar on five Newark public school buildings, and we have supported Newark's efforts to develop a Green Energy Academy. In addition, PSE&G is currently under contract to purchase a 3 MW solar facility on the New Jersey Meadowlands Commission 1A landfill site.

One of the key questions underlying the current stakeholder proceeding is whether continued utility participation is warranted. While SREC prices have come down, the SREC market remains difficult to predict. The fact is that the current state of solar technology is not competitive with conventional generation technology. Given the need for SRECs to help finance solar projects, continued involvement by PSE&G, whose cost of financing is likely amongst the lowest in this space, helps to provide cost-effective support of the State's solar policy goals while helping to ensure that development occurs on sites in a manner consistent with State policy objectives.

We believe that the focus of BPU Staff's current examination of PSE&G's future role should be on the following two questions: (i) Have the Solar 4 All and Solar Loan programs produced economic and societal benefits for the citizens of New Jersey? and (ii) Is the continuation of those programs likely to produce future benefits and promote the goals of the EMP?

The answer to those two questions is "yes."

Both programs preserve local jobs and provide economic development to the State. Solar 4 All, for example, has already created approximately 300 new installation jobs and 175 new manufacturing jobs in the State. PSE&G has used many local developers and installers on all of its projects, and in particular has been a major driver of growth for new innovative solar technologies such as pole attached smart solar units.

In continuing PSE&G's participation in the solar market, the Board will help ensure that local developers continue to receive a steady, predictable work load. And because of the design of its programs, PSE&G gives stability to both solar project owners, through the solar loan floor price, and to those employed in the solar market-place through the establishment of annual construction goals as part of Solar 4 All.

In addition, PSE&G's programs have furnished stability to the solar market without some of the drawbacks we believe are associated with feed-in tariffs or forced utility SREC purchase obligations. For example, one of the benefits of the Solar Loan programs is that, in contrast to the long-term contract construct, the SREC loan template is established once and then applied to all projects, which is more cost efficient than an approach in which each developer must negotiate twice – once for the long-term contract and then again with a lending institution to obtain a loan based on the long-term contract.

We recognize that SREC prices are volatile, and we are willing to consider extensions of our Solar 4 All and Solar Loan programs, and to make appropriate adjustments to these programs, to ensure the market continues to work effectively. As the BPU moves forward with charting a clean energy future that includes solar development, PSE&G looks forward to working with BPU Staff, the Division of Rate Counsel and other parties in this important endeavor. We believe that it is essential to maintain utility participation in the solar market to ensure the long term stability of the New Jersey solar market, continue to drive costs down and enable continued economic development and job creation.

SunRun Inc. – 45 Fremont Street, 32nd Floor, San Francisco, CA 94105

SunRun Comments
Office of Clean Energy Stakeholder Meeting
EDC SREC Finance Program Evaluation & Next Steps in Solar Transition
September 15, 2011

- SunRun is a third party residential solar provider operating in New Jersey. Our model allows everyday homeowners to make the switch to solar power for little or no money down and to lock in affordable electricity rates for 20 years. One quarter of SunRun's customers report having income levels at or below the New Jersey median income level and nearly a third are seniors. SunRun has contracted to purchase over $100 million of residential solar from New Jersey installers during the last 12 months and we expect to double that annual sales volume in 2012, provided that opportunities to moderate the impact of market fluctuation are made available to the residential market.

- SunRun would like to thank the BPU for taking swift action to assess and respond to the current conditions in the New Jersey market, and the most responsible ways to move forward. SunRun believes that some modest, but critical adjustments must be made that are in keeping with the BPU's goals, in order to secure the continued successful evolution of the New Jersey solar market. We also believe that failure to do so will risk losing the value of the residential solar market in New Jersey.

- As the BPU evaluates the Electric Distribution Company (EDC) Solar Renewable Energy Credit (SREC) Finance Program, and the next steps in the evolution of the New Jersey solar market, we believe the most critical and administratively available need in the marketplace is for continued and new long-term contracting (LTC) opportunities. Access to LTC will moderate fluctuations in the market, reducing uncertainty and costs to ratepayers.

- The EDC SREC Finance Program provides a proven template to further the BPU's goal of incentivizing the New Jersey solar market, while reducing costs to rate payers.

Unfortunately, aspects of the current EDC SREC Finance Program functionally exclude multi-system residential developers like SunRun from participating. Further, due to high transaction costs and other participation barriers unique to residential, the EDC SREC Finance Program is currently only benefiting larger projects.

- We strongly encourage BPU staff to recommend to the board that the EDC SREC Program, or a similar program be continued, with necessary enhancements designed to further reduce SREC costs to rate payers and provide all market segments, including residential customers more stable and sustainable funding levels.
- The structured market and the short-term market clearly favor larger projects, and may be the reason why residential projects are underrepresented as a percentage of the total installed base. According to the BPU analysis, the residential market made up only 16% of the total NJ solar market as of June 30, 2011, well behind other states comparable to New Jersey. Providing the residential segment a structured LTC market will allow it to use debt financing instead of equity financing, dramatically reducing owner's capital costs and required revenue contribution from SRECs. With LTC in place the residential system owner can, reduce SREC impacts to rate payers and continue to make significant investments in the local economy, generating local non exportable jobs, and electricity savings for New Jersey residents.
- SunRun's specific recommendations are as follows:

1. **Allow small projects to be built and interconnected before bidding projects** - Subject to a limited and fixed 90 daytime frame after interconnection, and prior to SREC application.

2. **Make a firm commitment to SREC capacity for small systems** – The existing aspirational goal of the EDC Program to contract for 25% of its capacity with residential customers should be made a requirement of a future program, with appropriate price controls in the case of undersupply. The excessive market fluctuations the New Jersey market is experiencing have a particularly harmful

impact on the residential segment. While all solar segments suffer from market variability, the residential market requires a constant sales cycle in order to maintain the local investments made in soft costs. Residential projects do not operate on a time line that allows the opportunity to delay projects until the market adjusts. New capacity will move supply from the spot and short term market to LTC and result in more consistent construction and lower bid prices for the small system segment.

3. **Increased capacity for small and large systems** - The overall capacity for LTC should be increased. With real access to LTC for the residential market, prices will drop and become increasingly competitive and a larger market share in New Jersey. Access to LTC capacity should follow that trend.

4. **Include PSE&G** - Currently PSE&G has two loan programs, one designed for participation for commercial projects and another for residential customer owned systems. Neither program allows for participation for the third party residential ownership model. During its creation the PSE&G loan programs didn't contemplate a commercial entity owning residential systems. We recommend that the additional capacity suggested above also included PSE&G territory to be auctioned using the same mechanisms proposed above.

5. **Other administrative recommendations:**
   Do not require a wet signature from the host customer. Allow electronic submission (scanned documents) or electronic signature. It is unclear why a signature from the host is required as ownership of the SREC is firmly established through the SREC Registration Program. However, to the extent it is required, SunRun recommends reducing the burden on the host and owner by allowing electronic signatures.
   Consider an aggregated application process where a developer can submit one Expression of Interest (EOI), qualification package, and contract bid for more than one project. The qualification package and EOI would include all of the required system-level detailed information, but allow for efficiencies where the individual projects share the same information.

Do not require an additional EDC-owned meter. The program should accept meter readings from revenue-grade meters were already installed. This will reduce program costs and wastefully redundant meter installations for SREC owners that already install revenue-grade meters and also improve the inspection and interconnection timeline.
Allow the name of a parent company as project owner at bid submission.

- SunRun agrees that the best way to foster a sustainable market is to provide transparency and certainty to market participants. In order to stabilize the market the BPU should move to enact the SREC cost cutting measures recommended above. Providing clarity and certainty on LTC opportunities for market participants prior to the expiration of the EDC SREC Finance Program is essential.

- Relative to the creation of a floor price, while SunRun doesn't oppose a floor price or other mechanisms to stabilize prices, we believe that near-term action is necessary. A long-term pricing opportunity for small systems, including PSE&G territory, under an EDC type program, would effectively take significant volume off the spot and short term market and reduce costs borne by rate payers.

Respectfully Submitted,

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Ad Energy comments on the 9-9-2011 New Jersey Office of Clean Energy Solar Transition White Paper

Ad Energy appreciates the opportunity to comment on the Office of Clean Energy's Solar Transition White Paper. Ad Energy is a residential solar leasing company operating in several northeastern markets.

We open our comments by reiterating the position we initially expressed in our comments on the 2012 program design draft. These comments reflect our overall views toward the SREC program and the direction it should take.

Ad Energy commentary on the draft 2012 Office of Clean Energy program

1) Extend and expand the EDC Long Term SREC PSA program. The program should be expanded to cover all geographies in New Jersey. Furthermore it should be expanded to cover 80 to 90% of the annual incremental solar RPS requirement. This extension and expansion would provide **solar market stability** and **lower cost to ratepayers** of the SREC program.

On present course, the New Jersey solar market appears headed for a significant crash. The current rate of solar construction is a multiple of the construction rate supported by the annual RPS increase. When SREC price market signals eventually penetrate the solar marketplace, solar construction could stall for a year or more, creating a boom bust cycle in the solar market. Furthermore, Ad Energy believes that the boom bust cycle could easily repeat itself several years from now.

Solar market instability is damaging both to the New Jersey job market generally, in particular for citizens who have decided to dedicate a career to solar in New Jersey, and to the goals of the New Jersey solar program. Ad Energy believes that the goal of the solar program is (or should be) to create a market place for solar that is large enough, but no larger than is necessary, to foster innovation and improved efficiency in solar power technology and its deployment so that it can over time become cost competitive with other forms of electric generation. Boom-bust cycles are not conducive to the kind of continuous innovation and efficiency improvements necessary to drive down the cost of deploying solar power.

Long term contracts will ensure stable, low SREC prices. Solar should be very cheap to finance – the technology itself delivers a dependable amount of electricity for many years, which is attractive to many providers of capital. However, a spot SREC market and its inherent lack of price certainty substantially negates this attractive feature of the technology, driving up costs to finance, and therefore, the costs of the SRECs required to incent solar investment.

2) Improve the operational efficiency of the EDC Long Term SREC PSA program. Several rules and processes of the program lead to unnecessary cost.

Meters – Ad Energy currently installs 2 SREC meters on all jobs that participate in the program. On residential jobs, this is a significant cost, and is unnecessary. As a part of Ad Energy's program, we install a monitoring device that allows us to remotely monitor system performance. This monitoring device is acceptable to GATS for reporting SRECs, but currently utility companies will not accept it for the EDC program. Furthermore, utility companies are not willing to install a meter that contains any equipment that would allow Ad Energy to remotely monitor performance. To avoid this unnecessary duplication and therefore increased cost, utilities should accept GATS-approved meters.

More frequent auctions – Hold auctions every month or every other month for small systems. Sales cycles, and therefore cost, are significantly affected by the current auction frequency. The BPU should monitor the program and set up rules for deciding acceptance of small system bids, but should not review each bid for small systems.

Integrate with SRP application – Expression of interest and bid amount should be indicated on the SRP application form. No other action should be required for entry into the auction.

Paperwork reduction – The SREC PSA is a standard agreement, and as such does not require the printing and posting around of the entire agreement for each contract. Each individual agreement (at least for small systems) should be a page or two in length, describing the term and price of the agreement, with information on the parties to the agreement and a description of the solar system. This page would incorporate by reference the standard contract terms. Ad Energy recognizes that these are contracts between two private companies, and as such require appropriate legal documentation. However, it is standard practice in many similar situations (e.g. product warranties) to refer to a publicly accessible legal document.

Ad Energy commentary on specific question raised in the OCE's Solar Transition White Paper

We provide further commentary below in response to select questions raised in the Solar Transition Paper.

Should solar certificates trade beyond New Jersey into other states and from other states beyond New Jersey into New Jersey?

Ad Energy does not believe that New Jersey ratepayers should be asked to pay for solar power that is installed in states other than New Jersey. New Jersey ratepayers do not benefit directly by installations in other states. Ad Energy furthermore believes that whether NJ SRECs should be sale-able in other states is a matter that is up to other states to decide (but we would make the same argument to those other states...).

Should residential systems trade in the market at a different rate or manner than grid supply systems?

Ad Energy believes that the SREC market is inherently prejudiced against homeowners and small business owners. In light of the complexity of the SREC market, Ad Energy believes it is unreasonable to expect homeowners and small business owners to spend the time, energy, and money to adequately understand the SREC market and its risks. Furthermore, access to market-based long term SREC purchasing contracts is more restricted for homeowners and small business owners. Typically, working with a broker / aggregator is required, exposing the homeowner / small business owner to the risk that the broker / aggregator mis-manages its obligations.

Ad Energy believes that adoption of its proposal to expand and extend the EDC SREC PSA program adequately addresses issues concerning homeowners participation in the SREC market.

Should the Board establish a floor price or other mechanisms to bound the SREC value? If so why? If not why not?

Ad Energy does not believe that a floor price for SRECs would be the optimal method for establishing SREC pricing confidence. Issues with the approach are: how would the floor price be set? How would the Board be confident that is did not set the floor price too high? How would excess SRECs be dealt with, would they be guaranteed a floor price rendering the RPS effectively meaningless? How would you distinguish the excess SRECs from the non-excess SRECs?

The auction mechanism inherent in the EDC long term PSA program effectively provides pricing confidence without the issues associated with a floor price for SRECs.