



May 18, 2018

Hand-Delivered

Aida Camacho, Secretary
44 South Clinton Avenue, 3rd Floor, Suite 314
CN 350
Trenton, NJ 08625

Re: Comments of the Mid-Atlantic Renewable Energy Coalition on the Straw Proposal for the OREC Funding Mechanism in Docket No. QX18040466

Dear Secretary Camacho:

The Mid-Atlantic Renewable Energy Coalition (“MAREC”) appreciates the opportunity to comment on the Straw Proposal of the staff of the Board of Public Utilities (“BPU” or “Board”) for the OREC Funding Mechanism (“Straw Proposal”). MAREC is a nonprofit organization that was formed to help advance the opportunities for renewable energy development primarily in the region where the Regional Transmission Organization, PJM Interconnection, operates. MAREC’s footprint includes New Jersey and eight other jurisdictions in the region. MAREC members include utility scale wind and solar developers, including offshore wind developers, wind turbine manufacturers, the American Wind Energy Association, and other non-profit organizations dedicated to the growth of renewable energy technologies. MAREC members have developed, owned, and operated thousands of megawatts of renewable energy serving the PJM territory, including projects serving customers in New Jersey.

We are pleased that the BPU is moving forward to address offshore wind development and, in particular, the OREC funding mechanism, which is essential to fulfilling the statutory requirements for developing offshore wind and for the development of projects that will bring economic and environmental benefits to New Jersey. MAREC supports Governor Murphy’s Executive Order 8, which calls for a goal of installing 3,500 MW of offshore wind and, specifically, the development of an OREC funding mechanism, the subject of this proceeding;

and importantly directing that the Board to issue a 1,100 MW solicitation for offshore wind projects.¹

MAREC commends the BPU staff for the Straw Proposal. We support the general framework provided in the Straw Proposal. MAREC will comment on several specific topic areas to provide more detail and observations in the pursuit of ensuring that New Jersey has a well-functioning, competitive and vibrant market for offshore wind that leads to development consistent with the Governor's and Legislature's vision.

As a preliminary note, we urge that the Board move resolutely to have a solicitation for offshore wind development out in 2018, so that the first wave of projects that can be developed in New Jersey are able to utilize the safe harbor provisions of the federal Investment Tax Credit in 2019, whereby 12 percent of a qualified developments expenditures could be credited to the project.² This would serve to lower the overall cost of the ORECs to consumers, assuming a competitive solicitation. We also support BPU review of a small scale offshore wind project this year to consider the benefits that such a project can provide as the state kicks off development of its most abundant natural energy resource. Moving the process forward would keep New Jersey on pace to be a first mover in the region and enable it to benefit from the economic engine that these offshore wind facilities would drive. It should be noted that there has already been a solicitation for offshore wind in Massachusetts, as that state seeks to meet a 1,600 MW target for offshore wind and New York is moving forward to meet a 2,400 MW target. Maryland has already approved two offshore wind projects.

The OREC funding mechanism is an essential component to all of this, as it needs to be developed in a manner that ensures certainty for developers of the considerable funds that they will need to be invested to have these offshore wind projects come to fruition. Critically important is the funding mechanism, as this will determine, not only the cost of financing, but could determine the developer's ability to finance projects at all. The lower the financing costs, the lower the costs to consumers. The cost of these projects should be spread across the board to as large a group of ratepayers to minimize risks and ensure that the benefits and the costs are fairly distributed.

The following are comments related to specific topics outlined in the notice for the hearing in the proceeding. Some topics that we do not address will likely be commented on directly by individual offshore wind developers that relate to their specific project development

¹ Page 3 of Executive Order 8, <http://nj.gov/infobank/eo/056murphy/pdf/EO-8.pdf>

² United States Department of Energy, see table at: <https://www.energy.gov/savings/business-energy-investment-tax-credit-itc>

requirements and experience that they have with utility-scale renewable energy projects. Again, we want to emphasize that MAREC generally supports the framework of the Straw Proposal.

Topics 6 and 16 dealing with an offshore wind carve-out for each approved project to be counted against Suppliers' and BGSPs' Class I RPS obligation; and rules must address scenarios that may arise when a project has a period of insufficient OREC demand.

MAREC has chosen to address these two topics together. These topics are related as Topic 6 focuses on how a project corresponds to the Suppliers' and BGSPs' obligations to meet the RPS requirements for Class I, while Topic 16 addresses a subset of that topic where a project may, for some reason, have a period of insufficient demand, which clearly could lead to an issue of lower than expected ORECs to be credited for RPS compliance purposes. First, MAREC suggests that, in situations where OREC demand from a project is higher or lower than forecasts, those situations can adequately be dealt with through a banking and borrowing provision, including a true-up mechanism to avoid over- and under-collection of ratepayer charges. So, in a year where there is a shortfall of ORECs from a project, that project would be able to utilize ORECs that it banked from a previous year when the OREC production from that project was higher than forecasts. Borrowing ORECs from a project should also be permitted with the true-up mechanism being a critical component to make sure that ratepayers and developers are protected from over- or under-collection over time.

With respect to Topic 6 in particular, MAREC would suggest that in situations where there are insufficient projects approved to meet a BPU-issued schedule for offshore wind capacity or there is a shortfall related to a project that fails to meet demand projections after engaging in a banking or borrowing program, then the easy solution for meeting the associated RPS shortfall would be to require the Suppliers or BGSPs to procure RECs to fill the void left by unfulfilled OREC production. This procedure would keep New Jersey on the road to meeting the RPS requirements set in current law, as well as SB 2314, which is awaiting the Governor's signature. Nevertheless, offshore wind development is such a critical component of New Jersey's future, MAREC believes the Board should do everything in its power to ensure that the targets set by legislation are met in a reasonable and timely manner.

Topic 10: OREC to reflect an all-in price.

MAREC strongly supports this provision. Assuming there is a competitive procurement for all offshore wind projects, which MAREC believes is essential, then it is in the best interests of the developers to make choices on the project that may impact the pricing. A competitive procurement will ensure that developers will do what they can to keep the prices for the

projects as low as possible to win the solicitation. Having an all-in price leaves the cost decisions of a proposed project in the hands of the developers, and it also provides these developers with a means of obtaining lower cost financing, because a lender knows that the OREC will be valued to cover the entire cost of the project, thereby reducing project risk.

As indicated in these comments, we urge the BPU to move quickly to initiate a large-scale procurement to allow developers to take advantage of the federal Investment Tax Credit and the benefits of being a first mover in the offshore wind arena. We believe our comments reflect the need for the OREC funding mechanism to reduce risk of the projects, which will help keep financing costs of projects lower, thereby passing these lower costs onto consumers. We also support review of a small-scale project this year to consider the benefits such a project can bring the state. Separately, a competitive large-scale project procurement will ensure that New Jersey ratepayers are getting the benefit of lower prices as the state moves forward with larger amounts of development.

MAREC again wants to thank the Board of Public Utilities for allowing interested parties, like MAREC, to participate at the May 8 hearing, as well as providing these written comments on the Straw Proposal.

Sincerely,



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