



Via electronic submission to rule.comments@bpu.nj.gov

July 31, 2018

TO: Aida Camacho, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314, CN 350,
Trenton, New Jersey 08625

FROM: Pamela Frank, Vice President
On behalf of Gabel Associates
417 Denison Street
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RE: Development of a community solar pilot program
BPU Docket No. Q018060646

Secretary Camacho:

Enclosed please find the comments submitted on behalf of Gabel Associates, pursuant to the notice released by the BPU's Office of Clean Energy on July 6th, 2018.

Thank You.

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Comments of Gabel Associates on Community Solar

INTRODUCTION

Gabel Associates, headquartered in Highland Park, New Jersey, has twenty-five years of refined experience that includes a deep understanding of ratemaking, utility tariffs, regulatory issues, as well as active involvement in solar project development, policy formation and government energy aggregation policy and programs. Additionally, the firm has specialized knowledge on regional transmission organization (RTO) matters, with a refined focus on energy and capacity pricing and the operations and interconnection procedures of PJM.

The firm has been a direct participant in renewable energy policy, energy aggregation by public entities in New Jersey, regulatory matters, and legislation for over two decades and possesses in-depth familiarity with community solar, having supported related efforts in New Jersey and New York.

We appreciate the opportunity to provide suggestions related to developing a program framework that leads to community solar that serves low and moderate-income customers, a priority of the Murphy Administration with respect to any community solar program that will be developed for New Jersey.

BACKGROUND

On May 23, 2018, P.L. 2018, Chapter 17 (Assembly, No. 3723) was enacted. The new law provides for the establishment of a community solar pilot program (CSPP), where no later than 210 days from enactment of the law, the BPU shall adopt of rules and regulations establishing the CSPP. The statute also provides for a permanent community solar program with rules and regulations for the permanent program to be adopted no later than 36 months after the adoption of the CSPP rules and regulations.

Rules developed by the Board shall establish “the provision of access to solar energy projects for low and moderate-income customers,” and we

understand this is a matter of high priority to the Murphy Administration. In order to successfully provide low and moderate-income customers with access to low cost solar energy through this program, it is recommended that the Board consider using key elements of its successful Government Energy Aggregation (GEA) Program to create an economic and financing environment for Community Solar to be accessible to low and moderate-income customers. GEA has been demonstrated to be an effective mechanism to aggregate residential customers to purchase electricity commodity from the competitive power market for up to two-year terms, and which, with some modification, can be used as a platform to aggregate moderate and low-income customers to purchase solar energy through a community solar project.

This memo provides the outline for such an approach. If the Board Staff and other parties are interested it can be further developed.

PROPOSAL

Supplement the NJ BPU's GEA program design to deliver community solar to low and moderate-income customers:

Gabel Associates has worked with municipalities throughout the State of New Jersey over the past six years to establish and run Government Energy Aggregation (GEA) programs involving approximately 700,000 people throughout New Jersey. The GEA platform has been utilized to procure power supply for residents in these municipalities at a total savings exceeding \$60 million and has also been used in some of these municipalities to procure power supply with added renewable energy content. There are specific features of the GEA Program design that can provide an efficient mechanism for delivering solar energy through a community solar project for low and moderate-income households.

In particular, GEA has the following features that can be utilized to more efficiently aggregate load, facilitate solar project financing and deliver low-cost solar energy to customers:

- Municipalities, through the passage of an ordinance, create an aggregation program, through which the municipalities can offer a GEA Program;
- The energy supplier for the GEA Program is selected through a public, competitive procurement process. The procurement documents are subject to review by the Board Staff and the Division of Rate Counsel to ensure consumer protection;
- For residential accounts, GEA is an opt out program, meaning that unless the customer provides notice that the customer wants to opt out or has a third-party supplier, the customer is automatically enrolled in the program; (for commercial customers, the program requires those accounts to opt into the Program).

Under GEA, residential accounts are charged by the selected Third-Party Supplier (TPS) through consolidated billing, meaning that the utility purchases the receivable from the TPS and includes the TPS's charges on the utility bill. This arrangement creates a more seamless experience for the customer and provides an efficient financing backstop for the supplier. It should also be noted that (not specific to just GEA programs) TPSs are generally not equipped to provide net metering and banking related to behind-the-meter renewable energy; typically, TPSs provide a monthly cash-out for over-production at wholesale energy rates. Under a community solar program implemented under a third-party supplier model, providers and utilities would be required to provide net metering (or other alternatives as determined by the Board) for the Community Solar Pilot.

The Board can build on these features to create a Community Solar Program that can effectively aggregate low and moderate-income communities into a solar project for a low-cost supply of solar energy.

Design recommendations to use the GEA Platform for Community Solar

The above GEA elements provide a proven basis to aggregate residential customers. This can provide the basis for one element of the Board's pilot. There are other factors and provisions that also should be addressed in

order to efficiently deliver community solar to low and moderate income customers.

We would suggest the following modifications to the GEA platform to accommodate a Community Solar GEA program:

- Proposers that compete in the public procurement process to supply solar energy for a community solar GEA would not be required to be a registered Third-Party Supplier with the State;
- Bidders would not be required to provide the billing platform; this would be handled by the utilities. In this way, the PPA charges are a separate line item on the utility bill; and the utility reimburses the PPA provider separately;
- One downside to a TPS model is that under BPU rules (applicable to all TPS transactions, not just those involving GEA programs) the utility can refuse to accept for consolidated billing those accounts that have been delinquent for 120 days or more. This would tend to disqualify a significant portion of residents in low-income communities and is generally considered a significant reason why the GEA platform has been successful in many suburban areas but has not successfully penetrated into NJ's larger cities. In order to adequately serve the low-income community, this would need to be addressed in any pilot rules as follows:
 - The PPA from the winning bidder – the Community Solar Provider - would provide the Community Solar Project with solar energy through a contract with a government aggregation entity.
 - The Utility would cover the payment to the Solar Provider for the transaction and charge the customer. Further, the Utility would cover all accounts in the Community Solar Project (including utility customers that may be in arrears). Utility recovery of costs for providing this service would have to be accounted for in the SBC as is currently the case for low income support programs.

- The Utility maintains the right to terminate service to customers as per established protocols.
 - The charge would appear on the Utility customer's bill as a separate line item, just like a GEA type payment.
 - The Utility and the Community Solar Provider would reconcile as a separate transaction.
- When existing Community Solar Project customers move, the new resident has a new account established which may not be automatically enrolled. Other customers may opt-out over time. These effects could be exacerbated in urban settings as the turnover rate tends to be higher in areas with lower home ownership and higher rental rates. A periodic "sweep" of new customers in a municipality would provide a mechanism to "fill" that open subscription in the program.
- Contract terms would typically run for 15 years. This is currently permitted under Local Public Contract Law for solar PPAs. Unlike normal commodity contracts, solar developers need longer-term commitments to allow project financing. A GEA-based Community Solar Program (with its proven opt-out approach) would form the basis for a municipality to continuously have enough customers to commit to purchase solar energy to satisfy a specified project size. A certain level of non-participation would be assumed to determine the appropriate project size; and the municipality could designate a solar vendor to provide community solar through a competitive procurement process (price and other factors considered).

We appreciate the opportunity to provide these comments and are available for further discussion.