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VIA ELECTRONIC DELIVERY & OVERNIGHT MAIL

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 So. Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

Re: New Jersey Community Solar Energy Pilot Plan
Docket No.: QO18060646

Dear Secretary Camacho-Welch:

Please accept this correspondence on behalf of Public Service Electric and Gas Company (“PSE&G” or “Company”) in connection with the above-referenced matter. PSE&G welcomes the opportunity to provide comments and respond to Staff’s questions. PSE&G remains committed to working with the Board and all stakeholders to take steps to implement the Community Solar Energy Pilot Program described in the Clean Energy Act (P.L.2018, c.17). Consistent with this objective, PSE&G respectfully submits the following responses to the questions indicated:

I. Siting and Project Size

1) What should the annual Pilot Program capacity limit be? Please justify your answer both qualitatively and quantitatively.

Response: Given that the Clean Energy Act (the “Act”) contemplates 50 MWs per year as a baseline for the permanent program (see Section 5.f(2) of the Act), we recommend that the Pilot Program capacity be limited to 25 MWs per year. Inasmuch as this is a Pilot Program, PSE&G believes that we should “walk before we run”. In other words, it is imperative that we get the rules right so as to create a seamless experience for our customers, minimize costs and eliminate unforeseen market and back office disruptions. Once the rules are right and all of the kinks in the Pilot Program have been eliminated, we can ramp up to a fully functioning permanent program.

2) How should the annual Pilot Program capacity be allocated between Electric Distribution Companies ("EDCs")? How should excess annual capacity be reallocated if not used?

Response: Given the Act's 5 MW size limitation (per project) and PSE&G's recommended 25 MW Pilot Project, commonsense suggests that at least one solar project be located in each EDC's service territory. This will allow each EDC to develop its processes and procedures and back office systems that will be required when the Pilot Program is made permanent.

3) How should the Pilot Program annual capacity limit be divided among different project categories? What should those categories be (e.g., "small," "brownfield, landfill, historic fill," and "LMI" project types)? Please propose a breakdown of categories, with respective percentages of the annual capacity limit.

Response: Other than the overall Pilot Program limitations, PSE&G believes there should be no sub-limit on generating capacity for landfill and brownfield sites.

4) Should co-location of solar projects be allowed? What conditions or limits should apply?

Response: PSE&G assumes that the term "co-location" means that a developer wants to construct solar projects on adjoining properties. If that assumption is correct, PSE&G believes that all standard interconnection requirements should apply, as well as all other applicable laws and regulations.

5) What should the geographic limitations for community solar pilot projects and subscribers be (i.e., how far from the project can subscribers reside)? Please justify how your proposal maintains the community link between project and subscribers, without compromising the feasibility of community solar pilot projects.

Response: All subscribers and the associated solar project must be entirely located within the same EDC service territory.

6) What land use restrictions and limitations, if any, should apply to siting community solar pilot projects? Should siting of community solar pilot projects be restricted to certain areas? Your answer should include a specific discussion of community solar on farmland and open space. Land use restrictions will be consistent with current New Jersey statutes and regulations.

Response: PSE&G recommends that all existing and future state and local land use restrictions be applied to the Pilot Program solar projects.

8) What liability, provisions, and exemptions should apply to community solar developers and subscribers for projects located on landfills and/or contaminated land?

Response: PSE&G believes that Pilot Program solar projects should adhere to all current and future laws, particularly those designed to protect the environment and the health and safety of New Jersey citizens. Pilot Program solar projects should not be exempt from current law.

III. Value of the Credit

13) The BPU is currently working to determine an appropriate value of the credit on each participating subscriber's bill. The BPU requests that stakeholders provide indicative financial data and analysis in response to the scenarios described below. Please ensure responses include quantitative and qualitative assessments. Responses may also include quantitative and qualitative assessments for alternative variations to these scenarios that you believe to be relevant and representative of the New Jersey market (e.g., variations on project size, location, type of off takers etc.).

Response: PSE&G looks forward to working with BPU staff and stakeholders to develop the details of an appropriate credit value, and the related business processes. The methodology to determine the value of a credit to a subscriber should include the following concepts:

- The credit should be a fixed dollar credit ("Fixed Dollar Credit") that appears as a separate line item, or otherwise clearly represented, on the customer's bill from the EDC.
- The Fixed Dollar Credit should be established utilizing the percent allocation of each subscriber (in relation to the metered solar generation of the host facility), and applying an average retail rate inclusive of supply and delivery charges.
- The Fixed Dollar Credit would only be applicable to subscribers with active EDC accounts. Subscriber accounts that go inactive after initiation of Community Solar service would be treated consistent with the process established for residual credits at the end of an annualized term.
- Customers participating as subscribers must agree to a remote read smart meter upon EDC request.

The Company offers that the use of a Fixed Dollar Credit is preferable to an energy (kWh) credit for the following reasons:

- The Fixed Dollar Credit presents the financial benefits of the credit to the customer in a clear and concise manner, as opposed to an energy-credit method which would reduce the metered kWh by the allocated energy for bill calculation and presentment on the bill (as the net kWh). In addition, as the metered kWh would remain unchanged on the bill, the customer could retain a history of their actual usage in their premise, so as to facilitate the ability to accurately conduct energy efficiency or similar evaluations in the future.

- The use of a Fixed Dollar Credit avoids process issues between and for EDCs and TPSs, as the Fixed Dollar Credit would not impact TPSs or their transactions with customers or the EDC. As such, the Fixed Dollar Credit reduces the number of entities impacted or involved in the transaction. In contrast, if energy (kWh) credits were utilized, such energy credits (a) would impact the amounts TPSs would bill customers monthly, (b) any end-of-period or annualized credits may require additional investment in EDI transactions between EDCs and TPSs, and (c) would require TPSs to respond to customer inquiries regarding the same.

14) How should the community bill credit be administered? Should an annualized period mechanism be used for community solar? If yes, should the annualized period be set once per Pilot Project, or once for each individual community solar subscriber?

Response: The community solar Fixed Dollar Credit should be administered on a monthly basis. However, an annualized period should be established for each subscriber, initiating with their start of service in the community solar program. Such a requirement is appropriate and reasonable to avoid the development of excessive and long-term residual credits.

16) What should happen to excess credits on a subscriber's bill at the end of a year?

Response: Excess Fixed Dollar Credits (if any) on a subscriber's bill at the end of the annualized period should be returned to the subscriber.

17) Are there charges on subscribers' utility bills towards which the community solar bill credit should not be able to be applied?

Response: The Fixed Dollar Credit applied to the customer's bill would be applicable to the total amount due to the EDC.

18) Should unsubscribed energy be purchased by the EDCs at avoided cost or area locational marginal pricing ("LMP")? Or should the community solar pilot project bear the loss of unsubscribed energy?

Response: PSE&G would purchase unsubscribed energy in a manner consistent with PSE&G's Purchased Electric Power ("PEP") tariff service (i.e., LMP-based price) but in a new, to-be-developed Company Tariff service designed specifically for Community Solar.

19) Should Pilot Projects be eligible for solar renewable energy certificates ("SRECs")? If yes, should the SREC be given to the subscriber or to the community solar project owners?

Response: The Board should consider the megawatt hours produced by community solar projects as counting toward RPS requirements. That said, the Pilot Projects should not be eligible for SRECs.

20) What components of the Community Solar Energy Pilot Program should be eligible for rate recovery by the EDCs? Include specific reference to what costs should be included to implement and comply with the Pilot Program. What should be the process for determining eligible costs? What should the process be for reviewing eligible costs and the proposed mechanism for recovery?

Response: Inasmuch as this is a Pilot Program, it is difficult to accurately and completely identify all of the potential costs that the EDCs will experience. As a general rule and consistent with the Act, any incremental costs incurred by the EDCs in the implementation, compliance and administration of the Pilot Program should be eligible for typical rate recovery. These costs include, but are not limited to, administrative costs, ongoing costs associated with electronic communication and data transmittal with the applicable entities, modification of billing/IT systems, and interconnection upgrades and infrastructure.

Additionally, the Company proposes that the aggregated Fixed Dollar Credit applied to subscribers' bills, as well as any payments made to the host facility by the EDC for any unsubscribed allocation of the system capacity, be recoverable through the Company's Non-Utility Generation Charge (NGC). This method of cost recovery is consistent with other solar facilities that currently sell their output to the Company under its PEP tariff-based purchase schedule, and would also provide a clear accounting of the total dollars associated with the credits. Additionally, as the Company proposes that the host facility be directly connected to the distribution system, such a system will effectively reduce losses on the Company's distribution system, which should benefit all customers' supply bills (and serve as an offset to the costs recovered through the NGC).

IV. Applications and Interconnection

22) What specific measures should be implemented to ensure an effective and streamlined interconnection process for community solar pilot projects?

Response: To ensure the safe and reliable operation of the electric distribution system, project developers must adhere to all current and future interconnection policies and procedures applicable to each EDC.

23) What measures can be implemented to minimize negative impacts and maximize grid benefits to the distribution system of an EDC?

Response: To ensure the safe and reliable operation of the electric distribution system, project developers must adhere to all current and future interconnection policies and procedures applicable to each EDC.

24) Should existing solar projects be allowed to reclassify as community solar pilot projects?

Response: No. One of the objectives of the Act is to foster new solar project development. Permitting existing solar projects to reclassify as community solar pilot projects would potentially defeat the purpose of the Act.

25) How can community solar subscription organizations most efficiently submit all required information regarding individual subscriptions to both the BPU and the relevant EDC?

Response: The process to be developed to share information should be a standardized electronic process that minimizes errors and administrative costs. No paper submissions/spreadsheets should be permitted. These transactions will be feeding EDC's billing and financial reporting systems and need to meet audit, compliance and other reporting requirements. It would make sense to utilize the EDI transaction system that the EDCs and suppliers are already utilizing for retail access transactions, for Community Solar as well.

26) What reporting requirements should apply to EDCs with respect to the Pilot Program?

Response: The EDCs should work with Board staff to identify reporting requirements, if any. The goal should be to eliminate any reporting requirements that do not materially advance the goals and objectives of the Act.

29) What information regarding community solar pilot projects should be made available on the BPU website? Should website publication be automatic upon approval of the project by the Board, or only upon request from community solar project owners?

Response: PSE&G believes that the following would be useful information that should be made available on the BPU website:

- Status of subscription applications
- Installed capacity per EDC
- Outstanding capacity per EDC
- Community solar pipeline

V. Customer Subscriptions, Customer Protection

31) Should there be a minimum number of subscribers per community solar pilot project? If so, what should it be? Please provide specific support for this number.

Response: Per Section 5d. of the Act, there should be at least 2 participating subscribers. We also recommend there be a maximum of 200 subscribers for every 1 MW of generating capacity in the community solar pilot project.

32) What should be the maximum subscription size for each subscriber? Should specific limits be placed on residential versus commercial subscribers?

Response: Consistent with the existing net metering rules, and so as to avoid perpetual residual credits, the percent allocation of the output of the host system for an individual subscriber should not exceed that subscriber's annual electric usage.

34) Should subscriptions be portable? If yes, under what conditions?

Response: Subscriptions may be portable within the original EDC service territory so long as (a) prior notification is provided to the EDC, (b) the load at the new location is equal to or greater than the load at the original location and (c) the transaction is reported through the automated system (i.e., EDI). Additionally, allocation percentages associated with each specific subscriber must remain constant for each annualized period to minimize administrative burden.

35) Please identify what specific limits, if any, should be placed on the transferability of subscriptions, in accordance with applicable statutes, rules, and regulations. If the BPU were to determine that transcriptions are fully transferable (i.e., able to be brokered and sold), what consumer protections should be established? Please include consideration of, among other things, necessary approvals and certificates, to ensure that if a community solar subscription market, including through third parties, were to develop, that said market is fair and transparent?

Response: Due to billing complexities, subscriptions should not be transferable, at least for the Pilot Program.

37) Besides NJ building codes and standards, what specific technical standards should the BPU cite in its rules and regulations for the community solar pilot projects?

Response: Community solar pilot projects should be subject to all current and future laws applicable to any solar project. Without limiting the foregoing, the solar projects should be subject to all land use requirements, BPU rules regarding

qualification for the receipt of SRECs (if it is ultimately determined that community solar projects are entitled to receive SRECs), environmental laws, interconnection requirements and procedures, and electrical codes.

38) Please provide general comments on any issues not specifically addressed in the questions above. Please do not reiterate previously made comments, keep these comments succinct, and make specific reference to their applicability in the New Jersey context.

Response: PSE&G believes that the following concepts should be incorporated into the Pilot Program and the future permanent program

- EDCs should be able to develop solar projects that can participate in the Pilot Program and permanent program.
- All community solar projects must be directly connected to the EDC's distribution system, and not connected behind a customer's meter as a load reducer.
- Solar projects participating in the Pilot Program cannot also be participants in the PJM wholesale market.
- The EDCs should not be responsible for billing the subscriber for any charges due to the host facility or related entity, or for any payments due to the same.

Once again, PSE&G appreciates the opportunity to participate in this stakeholder process and to provide these comments. We thank Staff for its consideration of our submission.

Respectfully submitted,



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