

Agenda Item: 8D

STATE OF NEW JERSEY

Board of Public Utilities
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IN THE MATTER OF THE VERIFIED PETITION OF ORDER

AMERESCO, INC. FOR A WAIVER TO EXTEND THE TREC DEADLINE FOR UNITED STATES JOINT BASE MCGUIRE-DIX-LAKEHURST PROJECT DOCKET NO. Q022050337

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel James A. Boyd, Jr. Esq., Attorney, for Ameresco, Inc. Joseph P. Vitella, P.E., Director of Engineering, Ameresco, Inc.

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a one-year extension to the 34 solar projects developed by Ameresco, Inc. ("Ameresco" or "Petitioner") that are serving the Joint Base McGuire—Dix—Lakehurst ("Joint Base" or "JBMDL") and are registered in the Transition Incentive ("TI") Program ("Projects").

BACKGROUND

On May 23, 2018, the Clean Energy Act was signed into law and became effective immediately. Among many other mandates, the Clean Energy Act directed the Board to adopt rules and regulations to close the Solar Renewable Energy Certificate ("SREC") Registration Program ("SREC Program") to new applications once the Board determined that 5.1 percent of the kilowatthours sold in the state by Third Party Suppliers and Basic Generation Service providers had been generated by solar electric power generators connected to the distribution system. The Clean Energy Act also directed the Board to complete a study ("Capstone Report") that evaluates how to modify or replace the SREC Program to encourage the continued efficient and orderly development of solar renewable energy generating sources throughout the state.

On December 6, 2019, the Board established the TI Program to provide a bridge between the legacy SREC Program and a to-be-developed Successor Incentive program. The TI Program, subsequently codified in rules, provides eligible projects with Transition Renewable Energy

¹ L. 2018, c. 17 ("Clean Energy Act" or "Act").

Certificates ("TRECs") for each megawatt-hour ("MWh") of electricity produced.² Incentives are tailored to specific project types through the use of factors, which are applied to a base incentive rate to provide a particular project type either the full incentive amount or a set percentage of that amount depending on the costs and anticipated revenue streams for the project type. Net metered non-residential projects located on rooftops and carports are eligible to receive a factor of 1.0 and thus the full amount of the base incentive, \$152/MWh. The TI Program portal opened to new registrations on May 1, 2020, and, pursuant to the Board's December 6, 2019 Order and the TI Rules, remained open to new registrations until the establishment of a registration program for the new Successor Program.³ The TI Rules do not provide for automatic or administrative extensions to projects' conditional registration deadlines.

On July 29, 2020, the Board granted a blanket extension to all projects that registered in the TI Program on or before October 30, 2020, setting the new expiration date for all impacted registrations to October 30, 2021.⁴

On April 21, 2021, BPU Staff ("Staff") issued the New Jersey Successor Program Staff Straw Proposal ("Successor Straw Proposal"). The Successor Straw Proposal expanded on the two-pronged incentive program design suggested in the Capstone Report and provided Staff's recommendations for suggested incentive levels, processes, market segment capacity caps, calculation of the statutorily mandated cost cap, and overall implementation of the Successor Program. Five (5) public stakeholder workshops were conducted to address questions about the straw proposal and collect stakeholder feedback on Staff's recommendations. The workshop held on May 7, 2021 specifically addressed the proposed transition from the TI Program to the Successor Program.

On June 24, 2021, the Board granted projects registered in the TI Program on or before the effective date of the order an automatic six-month extension to their existing deadline established at N.J.A.C. 14:8-10.4(e) or (f).⁵

On July 9, 2021, Governor Murphy signed the Solar Act of 2021 (L. 2021, c. 169) into law, effective immediately. Among other requirements, this law directed the Board to develop and launch the Successor Program. On July 28, 2021, the Board announced the closure of the TI Program, effective 30 days later, and the opening of the Successor Solar Incentive ("SuSI") Program.⁶ The TI Program closed to new registrations on August 27, 2021, and the SuSI Program opened on August 28, 2021. The SuSI Program has two (2) components: the Administratively Determined Incentive ("ADI") Program, which provides incentives for residential projects, community solar projects, and non-residential net metered projects sized at five (5) MW and less, and the

² 52 N.J.R. 1850(a) ("TI Rules").

³ In re a New Jersey Solar Transition Pursuant to P.L. 2018, c. 17, BPU Docket No. QO19010068, Order dated January 8, 2020; N.J.A.C. 14:8-10.1; N.J.A.C. 14:8-10.4.

⁴ In re a New Jersey Solar Transition Pursuant to P.L. 2018, c.17 -- Order Providing Extensions to Solar Transition Projects, BPU Docket Nos. QO19010068 & QO20070484, Order dated July 29, 2020.

⁵ In re a New Jersey Solar Transition Pursuant to P.L. 2018, c.17 – Order Addressing Requests for Extension for Projects in the Solar Transition Incentive Program, BPU Docket Nos. QO19010068 & QO21060883, Order dated June 24, 2021.

⁶ In re a New Jersey Solar Transition Pursuant to P.L. 2018, c. 17, BPU Docket No. QO19010068, Order dated July 28, 2021.

Competitive Solicitation Incentive ("CSI") Program, which provides incentives for grid supply projects and non-residential net-metered projects over five (5) MW in capacity. The Board launched the CSI Program per Order dated December 7, 2022.⁷

On August 17, 2022, the Board issued an Order allowing up to two (2) six-month extensions to all solar projects serving public entities that were registered in the TI Program.⁸ On the same day, the Board also granted limited extensions to projects seeking an incentive pursuant to Subsection (t) and to qualifying community solar projects.^{9,10} On the same agenda, the Board also denied extension requests from multiple entities that fell outside these categories.¹¹

PETITION

On May 10, 2022, Ameresco filed a petition with the Board, requesting that the Board waive the TI Program conditional approval deadline pursuant to N.J.A.C. 14:1-1.2(b), and grant a six-month extension of time to commerce commercial operation for its Air Force solar energy projects at JBMDL ("Petition").¹²

According to the Petition, Ameresco received conditional TI Program acceptance letters for each of the Projects during August 2021. Petition at Par. 21. Petitioner described the overall endeavor at JBMDL as consisting of two (2) phases, resulting in a total of \$135 million in investment. The Projects are part of Phase I, while Phase II will include battery storage, microgrid, heating, ventilation, and air conditioning ("HVAC") controls, HVAC improvements and lighting retrofits, in addition to rooftop and ground mount solar. Petition at Par. 30.

Petitioner indicated a "stop work notice" issued by a reviewing office within the United States Air Force prevented the Projects from reaching commercial operation. Petition at Par. 11. Petitioner asserted that the period of the stop work order, compounded by the resulting reassignment of previously scheduled labor, resulted in a six-month delay to work on the project. Petition at Par. 31. Petitioner, therefore, requested a six-month extension.

On June 30, 2022, Ameresco filed a letter with the Board requesting expedited review ("June 30, 2022 Letter").

⁷ In re Competitive Solar Incentive ("CSI") Program Pursuant to P.L. 2021, c.169, Order Launching the CSI Program, BPU Docket No. QO21101186, Order dated December 7, 2022.

⁸ In re a New Jersey Solar Transition Pursuant to P.L. 2018, c.17, Order Granting Extensions to Public Entities Seeking an Incentive Pursuant to the Solar Transition Incentive Program, BPU Docket No. QO19010068, Order dated August 17, 2022 ("Public Entity Extension Order").

⁹ In re a New Jersey Solar Transition Pursuant to P.L. 2018, c.17, Order Granting an Up to 12-Month Extension for Projects Seeking an Incentive Pursuant to Subsection (t) in the Solar Transition Incentive Program, BPU Docket No. QO19010068, Order dated August 17, 2022.

¹⁰ In re the Community Solar Energy Pilot Program; In re the Community Solar Energy Pilot Program Year 2 Application Form and Process; and In re a New Jersey Solar Transition Pursuant to P.L. 2018, c.17, BPU Docket Nos. QO18060646, QO20080556, and QO19010068, Order dated August 17, 2022.

¹¹ <u>In re a New Jersey Solar Transition Pursuant to P.L. 2018, c.17</u>, BPU Docket Nos. QO19010068 et al., Order dated August 17, 2022.

¹² The Board recognizes receipt of Permission to Operate ("PTO") as the indicator that a project has commenced commercial operations.

On September 6, 2022, following issuance of the Public Entity Extension Order on August 17, 2022, Petitioner submitted a letter to the Board Secretary and to the TI Program administrator TRC requesting a six-month extension based on that Order ("September 6, 2022 Letter"). TRC administratively denied this request, specifying that the Joint Base does not qualify as a public entity as that term is defined in that Order.

On October 20, 2022, Ameresco filed another letter with the Board ("October 20, 2022 Letter"), in which Petitioner further argued the unconventional nature of the review that had produced the stop work order. Petitioner also argued that the rationale that supports extensions for public entities applies to JBMDL as well, since the Base hosts a prison and the New Jersey Air National Guard, as well as local government institutions. In addition, Petitioner attached a memorandum expressing support from the Department of the Air Force ("Letter of Support").

Petitioner submitted post-construction certification packages for the Projects in January 2023. The TI Program Administrator has not processed this paperwork pending the Board's ruling on the Petition.

DISCUSSION AND FINDINGS

Petitioner seeks approval of a 6-month extension of time to commence commercial operation for 34 conditionally approved rooftop solar projects with a total capacity of 17,348 kW, located at the United States Joint Base McGuire–Dix–Lakehurst, and waiver of N.J.A.C. 14:8-10.4(e) or (f) in order to do so.

As a threshold issue, the Board addresses Petitioner's claim to be a public entity within the meaning of New Jersey law and thus entitled to an extension pursuant to the Public Entity Extension Order. In that Order, the Board waived its rules to allow up to two (2) six-month extensions to solar projects serving public entities that were conditionally registered in the TI Program. The Board found good cause justifying this waiver because municipal and public school solar projects have been recognized as providing benefits beyond the solar development that they enable and also face unique challenges in achieving commercial operation due to public contracting and permitting requirements.

The Public Entity Extension Order defines "public entity" as it has previously been defined by the Board in the ADI Program Rules at N.J.A.C. 14:8-11.2: "a customer that is a State entity, school district, county, county agency, county authority, municipality, municipal agency, municipal authority, New Jersey public college, or New Jersey public university." The Joint Base does not constitute one of the entities included in this definition.

Petitioner argued, however, that the Board should deem the Joint Base a covered public entity because it is publicly funded and has the purpose of "ensuring the nation's wellbeing through common military readiness." September 6, 2022 Letter. Petitioner also suggested that since the delay that necessitated an extension resulted from the public procurement process of the Department of Defense, the Board equate that delay with the "unique challenges" that the public entities faced as addressed in the Public Entity Extension Order. October 20, 2022 Letter. In addition, Petitioner adduced the presence of several State and local facilities within the Joint

¹³ This definition is also found in the Board's Aggregated Net Metering rules and its Remote Net Metering Order and derives ultimately from statute. N.J.A.C. 14:8-7; <u>In re the Board's Establishment of a Remote Net Metering Application and Approval Process Pursuant to the Clean Energy Act of 2018</u>, BPU Docket No. QO18070697, Order dated September 17, 2018; N.J.S.A. 48:3-87(e)(4).

Base, such as a prison, a public school, and the New Jersey Air National Guard, as further reasons supportive of including the Joint Base as a "public entity." Ibid.

The Board does not find this reasoning persuasive. The definition of "public entity" specifies the entities covered and the Joint Base does not fall within the list so enumerated. Nor does the fact that certain public entities that do qualify are sited within the Joint Base change this conclusion. The character of these specific entities does not radiate out from them and infuse the Joint Base as a whole. Therefore, a solar installation that benefits the Joint Base as a whole rather than a single qualifying entity located on it does not qualify for the exception that the Board established in the Public Entity Extension Order. The Board FINDS that the Joint Base does not constitute a public entity as that term is defined in the Board's rules and Orders.

The Board turns to Petitioner's request for a waiver of the TI Rules. The TI Program does not include a mechanism by which Staff can administratively grant extensions; Board action is required. The Board's rules may be liberally construed to permit the Board to carry out its statutory functions. N.J.A.C. 14:1-1.2. "In special cases and for good cause shown, the Board may, unless otherwise specifically stated, relax or permit deviations from this chapter." N.J.A.C. 14:1-1.2(b). The rules go on to explain that "[t]he Board shall, in accordance with the general purposes and intent of the rules, waive section(s) of its rules if full compliance with the rule(s) would adversely affect the ratepayers of a utility or other regulated entity, the ability of said utility or other regulated entity to continue to render safe, adequate and proper service, or the interests of the general public." N.J.A.C. 14:1-1.2(b)(1).

In reviewing the facts of this matter, the Board notes that while the Joint Base is not a public entity, some of the same considerations that led to the Board's decision to waive the TI Rules in the Public Entity Extension Order are present here. Like the public entities, these projects are subject to a set of contracting mandates tied to government involvement. The United States Defense Logics Agency ("DLA") is the contracting authority for the Projects, and the Air Force Material Command Civil Engineer Center Program Development Division ("AFCEC") provides technical support to facilitate the project for JBMDL. The Projects are also subject to the Unified Facilities Criteria ("UFC"), which are federally-mandated construction criteria applicable to Military Departments, Defense Agencies, and Department of Defense ("DoD") Field Activities. ¹⁴ Petition at Par. 3.

Petitioner stated that after the Projects were conditionally registered in the TI Program and the one-year timeline had begun to run, Petitioner was advised that AFCEC had decided to review the contract specifications, a review that resulted in a "stop work" order. According to Petitioner, AFCEC's review was predicated on an unprecedented interpretation of an existing governing installation code, which interpretation deviated from standard industry practice and could not have been reasonably anticipated by the Petitioner. Petition at Par. 10. The initial stop work order was for a period of 30 days, but was renewed several times and resulted in a reassignment of the previously scheduled workforce. Petitioner asserted that it took additional months to secure and schedule a skilled workforce to mobilize and begin work once the stop work order was lifted, justifying the six-month extension requested. Petition at Pars. 11-12.

In sum, Petitioner argued that the construction delays it faced were unique in that they were caused by the Federal acquisition process and unforeseeable because they resulted from a novel interpretation of Federal specifications.

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¹⁴ DoD Directive 4270.5, Military Construction.

Agenda Item: 8D

The Board is persuaded that the delay described by Petitioner constitutes a unique challenge posed by the specific contracting and permitting processes employed by the DoD, while the unconventional nature of the additional AFCEC review that caused the delay indicates that it could not have reasonably been foreseen. As such, the Board <u>FINDS</u> that the Projects encountered delays similar to those encountered by projects subject to the procurement process for public entities.

In addition, the Board takes note of the support expressed by the United States Air Force. As previously noted, Phase 2 of the JBMDL Project includes battery energy storage and a microgrid, as well as electrical distribution improvements and additional ground-mount photovoltaic systems. In the United States Air Force memo appended to the October 20, 2022 Letter, the Deputy Base Civil Engineer stated that the microgrid will provide on-site generation that will keep critical weapons operational in the event of a grid outage, as well as providing almost 32 MW of electricity generation to the Joint Base. According to the Letter of Support, that generation, combined with energy efficiency upgrades, will mean a 22% reduction in energy consumption and a 42% reduction in electricity usage. Petitioner advised that the TRECs anticipated from the Projects in Phase I are essential to financing the award and implementation of Phase 2 and that the loss of this funding stream would require project restructuring that could result in significant losses to renewable energy development. June 30, 2022 Letter. More generally, the Joint Base is working to become the first energy independent military installation in the country. Thus, the Projects support important federal policies relating to national security as well as energy resiliency and reduced energy costs for the Department of Defense.

In other words, the Projects provide benefits beyond the solar development that they enable. They will reduce the energy burden of the Joint Base, allowing it to provide services with lower energy costs and consequently reduce the burden on taxpayers. They will also make a significant contribution to the Joint Base goal of becoming the first energy independent military installation in the country. The Board also takes note of the benefit the Projects will provide to the public entities situated on the Joint Base, which include several municipal and local entities as well as a prison and the NJ Air National Guard. October 20, 2022 Letter. Thus, as with the contracting difficulties discussed above, the Board <u>FINDS</u> that the benefits provided to the public by the Projects are analogous to the benefits provided by the solar projects of public entities.

Moreover, as the Board has previously recognized, the Joint Base occupies a unique position in the State as a federal military installation. The Joint Base is under constant review for force or mission reduction and base closure, and the State of New Jersey has recognized that the Joint Base and the associated public and private on-base activities provide an economic benefit to the State. State policy, therefore, calls for supporting actions and opportunities that will help maintain the Joint Base and make it more economically viable. Waiving the TI Rule time limit for the Projects will promote renewable energy at the Joint Base, thus increasing the availability of clean power, lower energy costs, and resiliency.

¹⁵ New Jersey Military Installation Growth and Development Task Force Report, July 2015, at p. 6 ("Task Force Report").

¹⁶ In re the Application of NJ Land, LLC Seeking a Declaratory Judgment Pursuant to N.J.S.A. 52:14B-1 et seq., or a Waiver Pursuant to the Waiver Rule, N.J.A.C. 14:1-1.2(b), BPU Docket No. QO16040382, Order dated January 25, 2017 at p. 8 (citing Task Force Report at p. 1).

¹⁷ Id. at p. 8.

Agenda Item: 8D

The Board **FINDS** that waiving the existing development timelines for the Projects appropriately balances the Board's goal of promoting solar development, on the one hand, and ensuring that the ratepayers' dollars are supporting projects that will be completed in a reasonable time period, on the other. Further, full compliance with the existing rules may adversely affect the interest of the general public in the success of and the benefits deriving from these projects; requiring strict compliance with timelines for projects subject to the federal military contracting process may result in the unintended consequence of hindering efforts to reduce the costs of and increase the resilience of a military installation. The Board **NOW FINDS** that good cause exists for granting an extension to projects serving the Joint Base. Therefore, the **HEREBY WAIVES** the timeline at N.J.A.C. 14:8-10.4(f) to permit a limited extension of time for completion of the administrative process and eligibility for the TI Program incentives.

Petitioner has submitted post-construction certification packages for the Projects. Some of the Projects have received PTO from Jersey Central Power & Light Company ("JCP&L") and the post-certification packages for those projects, pursuant to the TI Rules, should contain a PTO from JCP&L. The Board is aware that, because these projects are located on a federal military installation, some have not received PTO from the electric distribution company ("EDC"). For any projects that did not receive PTO from JCP&L, the Board ORDERS that Petitioner submit to the TI Program's administrator a signed and dated copy of an inspection report by a licensed professional engineer, verifying that the installation was inspected and installed in accordance with NEC code requirements. If such a report has already been provided to the program administrator for a given project, Petitioner need not re-submit it.

The Board **DIRECTS** the TI Program administrator to proceed with processing these post-construction certification packages and to notify Petitioner that each Project has received an extension. The extension granted shall be until one (1) month from the effective date of this Order. If the TI Program administrator notifies Petitioner that the post-construction certification package is deficient for any reason, Petitioner shall have 30 days from receipt of the notification to cure any deficiency. If Petitioner fails to cure a deficiency within the time provided by this Order, the registration shall expire. Petitioner may then submit an application for that project to the ADI Program, and the Board **HEREBY WAIVES** for such a project the prohibition on commencing construction prior to receiving acceptance into the ADI Program found at N.J.A.C. 14:8-11.4(b).

The Board <u>DIRECTS</u> Staff to commence a proceeding to amend the TI Rules and SuSI Rules to address those situations in which a solar project has not received PTO from an EDC because it is not located in the service territory of any EDC. Specifically, any amendment should address the start date for SREC eligibility when a solar project has not received PTO from an EDC.

This Order takes effect on November 24, 2023.

DATED: November 17, 2023

BOARD OF PUBLIC UTILITIES BY:

CHRISTINE GUHL

PRESIDENT

MARY-ANNA HOLDEN COMMISSIONER

DR. ZENON CHRISTODOULOU COMMISSIONER

MARIAN ABDOU COMMISSIONER

ATTEST:

SHERRI L. GOLDEN

SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.

Agenda Item: 8D

IN THE MATTER OF THE VERIFIED PETITION OF AMERESCO, INC. FOR A WAIVER TO EXTEND THE TREC DEADLINE FOR UNITED STATES JOINT BASE MCGUIRE-DIX-LAKEHURST PROJECT

DOCKET NO. Q022050337

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