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Board of Public Utilities



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## NOTICE

**IN THE MATTER OF SUCCESSOR SOLAR INCENTIVE PROGRAM PURSUANT TO P.L. 2021,  
C.169**

**IN THE MATTER OF CERTIFICATION OF ENERGY YEAR 2023 COST CAP CALCULATION AND  
SETTING ADI PROGRAM MEGAWATT BLOCKS FOR ENERGY YEAR 2025**

**REQUEST FOR INFORMATION**

**[Docket No. QO20020184 & QO24020117](#)**

Staff of the New Jersey Board of Public Utilities ("NJBP" or "Board") invites all interested parties and members of the public to provide written responses to the Request for Comment contained in this Notice on the appropriate use of the Social Cost of Carbon in the cost cap calculation made pursuant to N.J.S.A. 48:3-87(d).

### **BACKGROUND AND PROCEDURAL HISTORY**

The Clean Energy Act of 2018 ("CEA") included a mandate that the Board ensure that the cost of specific Class I renewable energy ("RE") programs not exceed 9% of the total paid for electricity by all customers in the state in energy year ("EY") 2019, 2020, and 2021, or exceed 7% in each EY thereafter ["Cost Cap" at N.J.S.A. 48:3-87(d)]. The programs subject to the Cost Cap are the Solar Renewable Energy Certificate ("SREC") Registration Program ("SRP"), the Class I RE requirement, the Transition Incentive ("TI") Program, and the Administratively Determined Incentive ("ADI") Program. Offshore Wind Renewable Energy Certificates ("ORECs") and SREC-IIs produced by projects participating in the Competitive Solar Incentive ("CSI") Program are not subject to the Cost Cap. The Board is required to take all necessary steps to prevent the exceedance of the Cost Cap, including, but not limited to, adjusting the Class I RE requirement, if necessary. The Cost Cap was amended in January 2020 to provide the Board with more flexibility in its implementation and further amended as part of the Solar Act of 2021.<sup>1</sup> The Solar Act included new directives on how to calculate the costs and associated benefits of the relevant Class I RE requirement, including a specific mandate that the Board include consideration of energy and environmental savings.<sup>2</sup> Specifically, the amended legislation requires that "the board shall reflect any energy and environmental savings attributable to the Class I program in its calculation, which shall include, but not be limited to, the social cost of carbon dioxide emissions at a value no less than the most recently published three percent discount rate scenario of the United States Government Interagency Working Group on Social Cost of Greenhouse Gases." N.J.S.A. 48:3-87(d)(2).

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<sup>1</sup> S. 4275 (2018), L. 2019, c. 448.

<sup>2</sup> N.J.S.A. 48:3-87(d)(2).

On July 28, 2021, the Board approved a rule proposal to define the methodology and process by which the Board will implement the Cost Cap. The proposal was published in the New Jersey Register on September 7, 2021 and was adopted by the Board on May 18, 2022 (“Cost Cap Calculation Rule”).<sup>3</sup> The Cost Cap Calculation Rule includes a definition of the programs subject to the Cost Cap (“Cost Cap-Applicable Programs”), the manner for calculating applicable costs, and the method for estimating the value of the energy and environmental savings attributable to these programs. The rule also describes the process by which Board Staff (“Staff”) shall calculate the Cost Cap annually, with a forecast prior to the start of each EY and a true-up after the end of the EY, so as to ensure annual verification of Cost Cap compliance without hampering the administration of the ADI Program. Additionally, the Board shall, on an annual basis, certify that the Cost Cap has not been exceeded; identify any amount that was not spent, but was eligible to be spent between EY 2019 through 2024; and take any necessary actions to maintain statutory compliance. The rules allow the Board to adjust the metrics for calculating the social cost of carbon (“SC-CO2”) value or to add additional environmental savings, after a public notice and comment period.

The Cost Cap Calculation Rule provides for the consideration of environmental savings as follows:

The environmental savings attributable to the Cost Cap-Applicable Programs shall be equal to the tons of carbon dioxide not emitted by electric generators located in the PJM region as a result of the Cost Cap-Applicable Programs multiplied by the social cost of carbon value. To calculate the tons of carbon dioxide not emitted, staff shall, on an annual basis, multiply the average historical electric carbon dioxide emissions rate as most recently published by PJM Interconnection by the number of megawatt-hours of zero-carbon electricity generated by resources participating in the Cost Cap-Applicable Programs. The social cost of carbon value shall initially be set equal to the midpoint of social cost of carbon in the most recently published United States Government Interagency Working Group on Social Cost of Greenhouse Gases, which is currently set at the three percent discount rate. The Board may elect, through a Board order, to adjust the social cost of carbon value used based on society's evolving understanding of the costs imposed on society by global climate change, after a notice and comment proceeding, provided that the Board shall not select a scenario that results in a social cost of carbon less than the three percent discount rate. The Board may consider, through a Board order, additional environmental savings associated with reduced particulate matter and other harmful emissions from fossil fuel power plants after a notice and comment proceeding. Any changes to the metrics for calculating the social cost of carbon or the addition of additional environmental savings shall be made only after publication of the proposed changes on the Board's website and a public comment period of at least 30 days.

[N.J.A.C. 14:8-2.12](#) (a)(2)(iii):

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<sup>3</sup> N.J.A.C. 14:8-2.12.

In the Order certifying that the cost cap had not been breached in EY 2023, the Board described how the environmental benefits of its incentive programs were calculated.<sup>4</sup> Staff calculated the Carbon Dioxide (“CO2”) emissions reductions attributable to the Cost Cap-Applicable Programs by multiplying the tons of CO2 reduced as a result of the Cost Cap-Applicable Programs by the value of each ton of emissions avoided, as published by the U.S. Interagency Working Group (“IWG”) on the Social Cost of Greenhouse Gases in 2016.<sup>5</sup>

At the time the Cost Cap calculations for EY 2022 were performed, the SC-CO2 was estimated to be \$57/ton based on the IWG report referenced above. Adjusted for inflation, the IWG estimate was \$62/ton in May 2024 dollars. The Board used that value in calculating the net cost or net benefits of the Cost Cap-Applicable Programs for EY 2023 and calculated the net cost of those programs to be approximately 6.29% of the total paid for electricity by New Jersey electric customers.

In addition, the Board took note of a report published by the U.S. EPA in November 2023 that included revised values for the social cost of carbon.<sup>6</sup> In that report, the SC-CO2 was estimated to be \$204 per ton, which adjusted for inflation yields a value of \$233 per ton in May 2024. The social cost values for greenhouse gases, including CO2, in the referenced EPA report were not separately reviewed or adopted by the IWG.

The Board noted that had it used the \$233/ton estimate of SC-CO2 value in calculating the net cost or net benefits of the Cost Cap-Applicable Programs for EY 2023, those programs would have yielded a net benefit equal to approximately 2.56% of the total paid for electricity by New Jersey electric customers. While noting that the significant increase in the estimated social cost of carbon had not affected the certification of the Cost Cap for EY 2023, the Board stated that this change might have implications for future spending on these programs. Therefore, the Board directed Staff to conduct a proceeding that would provide notice and an opportunity to be heard on the use of this metric.

A recent Presidential Executive Order rescinded both the EPA 2023 estimates and the IWG 2016 estimates for the social cost of greenhouse gases. However, in compliance with the New Jersey Legislature’s directive to use a value for the social cost of carbon no less than the IWG 2016 value, based upon a three percent discount rate, Staff seeks input on other available sources of data. Staff also seeks to utilize a value that is consistent with the SC-CO2 used in other Board proceedings.

For purposes of considering updates to the Cost Cap calculation methodology, the Board directed Staff to conduct a proceeding that will provide notice and an opportunity to comment on the considered updates.

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<sup>4</sup> In re Certification of Energy Year 2023 Cost Cap Calculations and Setting ADI Program Megawatt Blocks for Energy Year 2025, BPU Docket No. QO24020117, Order dated May 22, 2024.

<sup>5</sup> Interagency Working Group on Social Cost of Greenhouse Gases: Technical Support Document: - Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis, August 2016.

<sup>6</sup> EPA Report on the Social Cost of Greenhouse Gases: Estimates Incorporating Recent Scientific Advances, November 2023, Docket ID No. EPA-HQ-OAR-2021-0317.

**Staff seeks input on the following question:**

1. *Please comment on the proposed EY 2024 value for the social cost of carbon of \$245 per ton. Include any rationale and/or calculations where appropriate.*

**COMMENTS**

All public comments should be filed under Docket No. QO24020117.

**The deadline for comments on this matter is 5 p.m. on April 16, 2025.**

Comments may be submitted directly to the specific docket listed above using the “Post Comments” button on the Board’s Public Document Search. Comments are considered public documents for purposes of the State’s Open Public Records Act. Only public documents should be submitted using the “Post Comments” button on the Board’s Public Document Search tool. Any confidential information should be submitted in accordance with the procedures set forth in N.J.A.C. 14:1-12.3. Due to the COVID-19 pandemic, certain rules requiring paper submissions have been temporarily waived. In addition to hard copy submissions, confidential information may also be filed electronically via the Board’s e-filing system or by email to the Secretary of the Board. Please include “Confidential Information” in the subject line of any email. Instructions for confidential e-filing are found on the Board’s webpage <https://www.nj.gov/bpu/agenda/efiling/>.

E-mailed and/or written comments may also be submitted to:

**Sherri L. Lewis**

Secretary of the Board  
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Trenton, NJ 08625-0350  
Phone: 609-292-1599  
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Board Staff looks forward to receiving and reviewing your responses.

*Sherri L. Lewis*

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Sherri L. Lewis  
Secretary of the Board

Dated: 03-17-2025