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**Remarks of Stefanie A. Brand, Director, Division of Rate Counsel, on
S2605 (Directs BPU to establish utility-scale solar energy
development program.)
Submitted to the Senate Environment and Energy Committee Meeting,
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My name is Stefanie Brand, and I am the Director of the Division of Rate Counsel. I would like to thank Chairman Smith and the Committee for the opportunity to testify before you on behalf of ratepayers regarding S2605 (utility scale solar).

As you are aware, the Division of Rate Counsel represents and protects the interest of all consumers -- residential customers, small business customers, small and large industrial customers, schools, libraries and other institutions in our communities. Rate Counsel gives consumers a voice in setting energy, water and telecommunications policy that will affect the rendering of utility services well into the future.

I have previously testified before this committee on this bill and we've sent letters about the significant impacts of this bill and requested amendments. While Rate Counsel supports solar energy as a key component to reaching the state's energy goals, we continue to urge you to do so in a cost-effective and fair way.

I want to focus today on certain aspects of this bill that will have particularly significant impacts on customers. Specifically, this bill essentially guts the rate cap that was included in the Clean Energy Act in 2018 to protect ratepayers from the runaway SREC prices that we have been paying for over the years. As I am sure you recall, the Clean Energy Act was passed at the same time as the legislation that granted subsidies to the tune of \$300 million per year to the state's nuclear power plants, and it includes a number of clean energy initiatives designed to help us meet our climate goals, including initiatives related to energy efficiency, off-shore wind, energy storage, community solar and Class I renewable energy including solar.

The provisions of the Clean Energy Act related to the Solar and Class I renewable portfolio standards (RPS) included a recognition that our solar program up to that point was too expensive. By that point ratepayers had paid billions of dollars to subsidize what amounted to approximately 5% of our load. The Act called upon BPU to modify or replace the current SREC program with an eye toward continually reducing the cost of achieving our solar energy goals and utilizing as much as possible market-based and competitive processes. See, N.J.S.A. 48:3-87(d). The Act also established what it called a "maximum incentive payment cap" for the Class I renewable portfolio energy requirement, limiting the costs to customers of meeting the Class I RPS to 9% of the total paid for electricity by all customers in the state for energy years 2019 through 2021 and 7% thereafter. These provisions represented important protections for

customers, who would be paying for the clean energy transition contemplated in the ZEC Act and the Clean Energy Act.

While we still do not know what the overall rate impact will be for this transition – the Board of Public Utilities just last week hired a consultant to do that analysis and we are told that it will take 18 months till we have an answer – we know it will be expensive. So it is essential that we not waste money on any one component of this initiative. That is why this very same Legislature only a few years ago recognized the need to make the solar industry competitive, and the need to force solar developers to compete with each other for the subsidies to be paid by New Jersey customers. Competition brings prices down. It's a well-established fact. And let's be clear, the cap established by this Legislature was quite generous. The 7% cap that would be in effect over the long term amounts to approximately \$750 million per year. That is money directly paid for by New Jersey residents and businesses in their monthly bills . But that is not all of the money the solar developers will earn. On top of that they will be paid for the electricity they generate and for the net metering benefits they earn if their project qualifies for net metering.

What this bill does is essentially eliminate that cap and dispense with the goal of making this a competitive industry. We are basically back to where we started. Under this bill only 40% of solar projects will be subject to competition and those projects will be exempted from the cap. The segmentation of the competitive portions of the program is likely to diminish competition within that

40%, but at least there will be some competition to encourage efficiency and put downward pressure on prices. However, for the projects not subject to competition, the bill would also re-define the cap in a way that would remove any real limits for the 60% of the projects that would remain subject to the “cap.”. In terms of costs, the bill calls for netting out environmental, health and other “benefits” that cannot be accurately quantified, so that the costs actually paid by customers are under counted. At the same time, the bill has us double counting some environmental costs that are already reflected in the rates we pay for our electricity as part of an effort to goose up the formula to essentially render any consumer protection provided by the cap meaningless.

Without a cap or any competition, we are back to where we started before the Clean Energy Act. We are still paying \$250 SRECs for the projects built before the law was changed. With the elimination of the competitive projects from the cap and the manipulation of the formula by netting out and double counting “benefits” our consultants have estimated that the annual costs of meeting the Class I RPS will be closer to \$1.2 billion per year rather than \$750 million. That is not an investment number. It is directly paid for by your constituents every single year. Let me say that again. Your constituents will pay approximately \$1.2 billion every single year in their bills for the costs of this legislation. And it may not even be for the 20-30% of our load that we are looking to get from solar in the future. It may be for far less. In fact, it looks like if this bill passes we may end up paying more for solar than we will end up paying

for off shore wind, which will represent a much larger segment of our clean energy portfolio. And although I am no fan of the nuclear subsidies we are paying, this bill would have us pay *four times* the amount of subsidies to solar developers than what we are paying to nuclear generators. And because it would allow these developers credit for unquantifiable environmental “benefits” the amount they make is no longer tied to how much they need in order to make these projects economically viable. It’s now based on some amorphous unquantifiable cost benefit calculation in which the sky apparently is the limit.

What is making solar in New Jersey so expensive? The industry will cite the cost of land in New Jersey and the need to pay prevailing wage, but that does not explain the huge difference in cost. Other states with high land costs such as Maryland for example are able to develop solar for less. The off-shore wind companies will also be paying New Jersey wages when they build their facilities here. It is indisputable that over the last 8 years or so the costs of solar components have dropped 3.5-4% per year. But our prices have not. Where is that money going?

The difference I believe is competition. We cannot continue to let these developers continue to run to the Legislature, the BPU, the Governor’s office asking for more and more money without holding them to account. We cannot pay over \$1.2 billion every year for a small sliver of our electricity needs. We have to force these companies to compete with each other in order to make them operate efficiently and bring prices down. In other parts of the clean energy

economy where we are seeing competition develop we are seeing downward pressure on prices. If we do not start going down that road now, we will never reach our clean energy goals and still have a healthy economy. I can't urge you enough to pause and think about what we are doing here before going down this road again.

And the fact is although we must act to address climate change, we do have time to do this right. The sky is not falling. The BPU is in the midst of the stakeholder process you ordered. You should let that process play out rather than let the solar industry come to the legislature to change the aspects of that discussion that may not go their way. The rate impact analysis of the EMP is just starting. It's late. I agree. But do you really want to buy something of this magnitude before you actually know what it costs? Right now there are approximately a million customers in this state who are having difficulty paying their bills. You owe it to them to be smart consumers on their behalf. If you were replacing your own roof would you just tell the contractor to charge you whatever he wants? Wouldn't you at least get bids from a few competing contractors? And let's be clear, the utilities have not let up during the pandemic in terms of filing for rate increases. We have managed to postpone most increases at least until the fall, but the moratorium on shut offs will expire in the coming months and we are going to see those bills come due. For the sake of your constituents, we have to be smarter about this. Or the actions you take today are going to keep us from

reaching our climate goals and keep us from achieving a healthy clean energy economy.

Thank you for the opportunity to submit this testimony. We urge you not to pass this bill out of committee today. I am happy to answer any questions you have. Thank you very much for your consideration.