



Agenda Date: 5/21/26  
Agenda Item: 8C

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**44 South Clinton Avenue, 1<sup>st</sup> Floor**  
**Trenton, New Jersey 08625-0350**  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

CLEAN ENERGY

IN THE MATTER OF A SUCCESSOR SOLAR )	ORDER REGARDING THE
INCENTIVE PROGRAM PURSUANT TO P.L. 2021, )	THREE-YEAR REVIEW OF THE
C.169 )	ADMINISTRATIVELY
)	DETERMINED INCENTIVE
)	PROGRAM
)	)
)	DOCKET NO. QO20020184
)	)
IN THE MATTER OF CERTIFICATION OF ENERGY )	
YEAR 2025 COST CAP CALCULATION AND )	
SETTING ADI PROGRAM MEGAWATT BLOCKS FOR )	
ENERGY YEAR 2027 )	DOCKET NO. QO26030096

Parties of Record:

**Brian O. Lipman, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities (“Board”) considers Board Staff’s (“Staff’s”) recommendations to adjust incentive levels for eligible solar generation resources seeking to participate in the Administratively Determined Incentive (“ADI”) Program. The Board also certifies the calculation of the Energy Year (“EY”) 2025 Cost Cap and sets the ADI Program megawatt (“MW”) block allocations for EY 2027.

**BACKGROUND**

On February 9, 1999, the Electric Discount and Energy Competition Act (“EDECA” or “Act”), N.J.S.A. 48:3-49 et seq., was signed into law, creating the Renewable Portfolio Standard (“RPS”) to spur demand for renewable energy (“RE”) and thus incentivize its development. The RPS represents the percentage of New Jersey’s total retail electricity sales in a given EY that must be offset by the retirement of Renewable Energy Certificates (“RECs”). RECs represent the environmental attributes of one megawatt-hour (“MWh”) of renewable generation; they are created on the basis of RE generated by a facility that has been certified as compliant with New Jersey requirements. RECs may be based on Class I RE, Class II RE, or solar RE, as those terms are defined in the statute, and are identified, respectively, as Class I RECs, Class II RECs, or Solar RECs, known as SRECs. Over the years, the Legislature has revised the RPS, most

recently through the Solar Act of 2021 (“Solar Act”).<sup>1</sup> Pursuant to that act, the Class I RPS was set at 21% beginning January 1, 2020, increased to 35% as of January 1, 2025, and will increase to 50% on January 1, 2030.<sup>2</sup> The Board has codified the RPS in its rules, which include an annual schedule of Class I RPS increases that lead to the statutory 50% Class I RPS in EY 2030.<sup>3</sup> The schedule provides for a Class I RPS of 35% in EY 2025, increasing to 38% in EY 2026.

On May 23, 2018, the Clean Energy Act, L. 2018, c. 17 (“CEA”) was signed into law. Among other mandates, the CEA directed the Board to adopt rules and regulations to close the Solar Renewable Energy Certificate (“SREC”) Registration Program (“SRP”) to new registrations once 5.1% of the kilowatt-hours sold in the State were generated by solar electric power connected to the distribution system (“5.1% Milestone”), and to develop a new solar incentive program. Pursuant to the CEA, the SRP closed on April 30, 2020, following the Board’s determination that the 5.1% Milestone had been attained. The SRP was replaced by the interim Transition Incentive (“TI”) Program, which was created to provide a bridge between the SREC Program and the successor incentive program.

On July 9, 2021, Governor Murphy signed the Solar Act of 2021 (“Solar Act”), L. 2021, c. 169, into law, which directed the Board to develop and launch the Successor Solar Incentive (“SuSI”) Program, among other requirements, to incent the development of at least 3,750 MW<sup>4</sup> of new solar by 2026 through the mechanism of Solar Renewable Energy Certificates (“SREC-IIs”), representing the value of the environmental attributes produced by the solar electric power generation facility. The Solar Act also directed the Board to create a small solar facilities program with administratively set incentive values and a solicitation process for awarding contracts for grid supply solar facilities and net-metered solar facilities greater than 5 MW.<sup>5</sup>

By Order dated July 28, 2021, following an extensive stakeholder process, the Board established the Successor Solar Incentive (“SuSI”) Program, comprised of two sub-programs:<sup>6</sup>

1. the ADI Program for net-metered residential facilities, net-metered non-residential facilities of 5 MW or less, and community solar facilities, and
2. the Competitive Solar Incentive (“CSI”) Program for grid supply solar projects (i.e., those selling into the wholesale markets) and net-metered non-residential projects above 5 MWdc.

The TI Program closed to new registrations on August 27, 2021, and the ADI Program opened to new registrations on August 28, 2021. On December 7, 2022, the Board established the CSI Program, completing the implementation of the SuSI Program.

Rules for the ADI Program, N.J.A.C. 14:8-11.1 to -11.9 became effective on February 22, 2022 (“ADI Rules”).

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<sup>1</sup> L. 2021, c. 169; N.J.S.A. 48:3-114 et seq.

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

<sup>3</sup> N.J.A.C. 14:8-2.3(a).

<sup>4</sup> All MW figures in this order are in direct current or “dc” unless indicated otherwise.

<sup>5</sup> N.J.S.A. 48:3-116(a).

<sup>6</sup> In re a Solar Successor Incentive Program Pursuant to P.L. 2018, c. 17, BPU Docket No. QO20020184, Order dated July 28, 2021 (“SuSI Program Order”).

On December 21, 2023, Governor Murphy signed L. 2023, c. 190, an Act concerning Remote Net Metering (“RNM”) (“RNM Act”) and significantly modifying the existing RNM process. On December 18, 2024, the Board approved the launch of the RNM market segment in the ADI Program and directed Staff to establish an application process.<sup>7</sup>

In the ADI program, the value of SREC-IIs is set administratively by the Board and varies based on project type and size. To ensure compliance with the statutory cap on the cost of certain Class I RE programs, further discussed below, the ADI Program is designed with an annual cap on the capacity allowed to register in the ADI Program. Pursuant to the ADI Rules at N.J.A.C. 14:8-11.7, the Board makes an annual allocation of capacity to each market segment established in the ADI Program. Projects may register on a first-come, first-served basis until a MW block is filled or until the end of the EY, whichever comes first.

### **Cost Cap**

The CEA included a mandate that the Board ensure that the cost of specific Class I RE programs not exceed 7% in each EY after 2021 [“Cost Cap” at N.J.S.A. 48:3-87(d)]. The programs subject to the Cost Cap are the SRP, the Class I RE requirement, the TI Program, and the ADI Program. Offshore Wind Renewable Energy Certificates and SREC-IIs produced by projects participating in the 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 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>8</sup>

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, which was published for comment in the New Jersey Register (“NJR”) on September 7, 2021. The rules took effect upon June 20, 2022. The Cost Cap Calculation Rule includes a definition of the programs subject to the Cost Cap (“Cost Cap-Applicable Programs”),<sup>9</sup> the manner for calculating applicable costs, and the method for estimating the value of the energy and environmental savings attributable to these programs. The Cost Cap Calculation Rule also describes the process by which 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-CO<sub>2</sub>”) value or to add additional environmental savings, after a public notice and comment period.<sup>10</sup>

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<sup>7</sup> In re a Successor Solar Incentive Program Pursuant to P.L. 2021, c. 169; In re the Establishment of a Remote Net Metering Market Segment in the ADI Program and of an Application and Approval Process Pursuant to P.L. 2023, c. 190, BPU Docket Nos. QO20020184 and QO24070554, Order dated December 18, 2024 (“December 2024 RNM Launch Order”).

<sup>8</sup> N.J.S.A. 48:3-87(d)(2).

<sup>9</sup> Cost Cap-Applicable Programs include the SRP Program; the TI Program, the ADI Program, the Class I RPS, and any future Class I program created as part of the RPS.

<sup>10</sup> N.J.A.C. 14:8-2.12(a)(2)(iii).

On May 22, 2024, the Board certified the Cost Cap for EY 2023 and established the market segment allocations for EY 2025.<sup>11</sup> In certifying these costs, the Board relied on the SC-CO<sub>2</sub> contained in the 2016 report of a federal interagency working group (“IWG”), a value of \$62 after adjusting for inflation.<sup>12</sup> In addition, the Board published its calculations using the updated SC-CO<sub>2</sub> recommended by a United States Environmental Protection Agency (“EPA”) report on the social cost of greenhouse gases released in November 2023.<sup>13</sup> The Board also directed Staff to conduct a proceeding on the assumptions used in the Cost Cap calculations, specifically the federal estimate of the SC-CO<sub>2</sub>, and the implications for the Cost Cap. On March 17, 2025, the Board issued a Request for Information (“RFI”) seeking comments on the proposed EY 2024 value for the SC-CO<sub>2</sub> of \$245/ton in EY 2024 dollars.<sup>14</sup> That value was based on the EPA Report.

On May 21, 2025, the Board certified the Cost Cap for EY 2024, noting that using either the value from the IWG Report or that from the EPA Report produced a result compliant with the Cost Cap. As a result, the Board established the market segment allocations for EY 2026. In response to rising electricity prices and sharply increasing Class I REC costs driven by PJM interconnection delays and growing energy demand, the Board also waived the scheduled increase in the Class I RPS for EY 2026, maintaining the requirement at 35% rather than increasing it to 38%. Additionally, the Board directed Staff to initiate a stakeholder proceeding to evaluate the future RPS schedule for EY 2027 through EY 2031 in order to balance clean energy goals with ratepayer affordability.<sup>15</sup>

### **One-Year Review for ADI Program**

The ADI Rules provide that the Board may reset the ADI Program incentive values through a Board Order:

“...no less than once every three years, at least six months prior to the end of the third year, after public notice and comment. Factors considered in this proceeding will include, but not be limited to, existing modeling, major policy changes, market performance, and stakeholder input. The incentive values may be reset prior to the end of a three-year period if deemed necessary by the Board. If the Board does not initiate a triennial review and

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<sup>11</sup> In re a Successor Solar Incentive Program Pursuant to P.L. 2021, C. 169; In re Certification of Energy Year 2023 Cost Cap Calculation and Setting ADI Program Megawatt Blocks for Energy Year 2025; In re the Establishment of a Remote Net Metering Market Segment in the ADI Program Pursuant to P.L. 2023, Chapter 190, BPU Docket Nos. QO20020184, QO24020117, and QO24030197, Order dated May 22, 2024 (“May 2024 Cost Cap Order”).

<sup>12</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 (“IWG Report”).

<sup>13</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 (“EPA Report”).

<sup>14</sup> *Notice, In the Matter of Successor Solar 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, [https://nj.gov/bpu/pdf/publicnotice/Webposting-Notice\\_RFI\\_CostCap.pdf](https://nj.gov/bpu/pdf/publicnotice/Webposting-Notice_RFI_CostCap.pdf); The RFI can also be viewed under the NJBPU Docket Nos. QO20020184 & QO24070554.*

<sup>15</sup> In re a Successor Solar Incentive Program Pursuant to P.L. 2021, C. 169; In re Certification of Energy Year 2024 Cost Cap Calculation and Setting ADI Program Megawatt Blocks for Energy Year 2026, BPU Docket Nos. QO20020184 and QO25030113, Order dated May 21, 2025 (“2025 Cost Cap Order”).

proceeding to affirmatively maintain or reset the incentives, incentives will automatically decrease by 10 percent for the following three-year period, and every subsequent three-year period, until such time as the Board takes action.” N.J.A.C. 14:8-11.6(e).

On March 6, 2023, pursuant to the SuSI Program Order, the Board concluded the One-Year Review of the ADI Program.<sup>16</sup> The Board adjusted incentive levels in the net-metered market segments to better meet the State’s goals. Changes in the incentive levels were made in response to stakeholder input on operational experience with the new program, the pace of registration in each core market segment, and updated incentive modeling incorporating increased costs and interest rates. Incentive levels were reduced in the residential market segment by \$5 per MWh and were increased from \$5 to \$10 per MWh depending upon the market segment within the non-residential MW block.

### **Three-Year Review of the ADI Program**

On June 30, 2025, pursuant to N.J.A.C. 14:8-11.6(e), the Board Secretary issued a notice of a virtual public stakeholder meeting to be held on July 11, 2025, as part of the Three-Year Review of the ADI Program (“Notice”).<sup>17</sup> With the Notice, Staff sought stakeholder input on adjustments to the ADI and Community Solar programs. For the ADI Program, Staff requested feedback on cost adjustments, the impact of inflation and supply chain issues on incentive levels, and whether contractual agreements should apply to CSI and Community Solar Energy Program (“CSEP”) projects. Staff also inquired if large net-metered projects over 5 MW should be included in ADI, whether different incentives for large and small projects are needed, and whether 1 MW is the right threshold for differentiating between large and small projects for purposes of incentive levels. In addition, the Notice included questions on incentives for paired storage, reuse of materials, interconnection delays, appropriate adder levels for any additional costs incurred by public entities, and community solar.

At the virtual public stakeholder meeting on July 11, 2025, Staff provided a report on program performance by market segment and advised stakeholders that the review of incentive levels would incorporate the market’s response to current incentive levels as well as changes in the market. Staff also provided an overview of the incentive modeling approach to be used, key financial inputs under review and anticipated adjustments to the System Advisor Model (“SAM”) models proposed for informing the need for any incentive level changes. Approximately 85 stakeholders attended the public meeting, and nine provided comments. Written comments were accepted until July 21, 2025.

The written responses received by the Board are summarized in Appendix A.<sup>18</sup>

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<sup>16</sup> In re a Successor Solar Incentive Program Pursuant to P.L. 2021, C. 169 – Order Regarding the One Year Review of the Administratively Determined Incentive Program, BPU Docket No. QO20020184, Order dated March 6, 2023 (“2023 One Year Review”).

<sup>17</sup>

[https://www.nj.gov/bpu/pdf/publicnotice/Notice\\_StakeholderMeeting\\_Comments\\_ADI%20Triennial%20Review-2.pdf](https://www.nj.gov/bpu/pdf/publicnotice/Notice_StakeholderMeeting_Comments_ADI%20Triennial%20Review-2.pdf)

<sup>18</sup> Comments submitted in this proceeding can be accessed by searching docket number QO20020184 on the Board’s Public Document Search at the following website: <https://publicaccess.bpu.state.nj.us/>.

On January 20, 2026, Governor Sherrill issued Executive Order No. 2, which directed the Board to implement L. 2025, c. 135 by opening 3,000 MW of capacity in the CSEP within 45 days.<sup>19</sup>

On March 4, 2026, the Board approved an expansion of CSEP by allocating an additional 3,000 MW of capacity for EY 2026, in accordance with Executive Order 2, with a portion specifically reserved for landfill projects.<sup>20</sup> The Board also reduced the community solar incentive level from \$80/MWh to \$60/MWh for new registrations based on updated market conditions and stakeholder input for the Three-Year Review of the ADI Program.

On March 20, 2026, Staff posted a Notice of a straw proposal to amend several sections of the Board's rules governing its clean energy programs at N.J.A.C. 14:8. In compliance with the Board's directive in the 2025 Cost Cap Order to seek stakeholder comment on the future RPS schedule for EY 2027 through EY 2031, the Notice included a proposal to amend the Board's RPS rules at N.J.A.C. 14:8-2.3 to modify the scheduled increase in the Class I RPS for EY 2027 and maintain the requirement at 35% rather than increasing it to 41%.

### **Considerations for Setting Incentive Levels**

Staff considered several factors in developing the recommendation for changes to the ADI incentives:

1. Program performance, including whether individual market segments were meeting the statutory goals;
2. Economic modeling with updated inputs, including updated tax rules associated with the US House of Representatives Bill 1 ("HR1"); and
3. Stakeholder input.

Each will be discussed in turn.

#### 1. Program Performance

##### Residential Market Segment:

ADI Program registration in the residential market segment has frequently exceeded allocations. At its April 22, 2026, agenda meeting, as the residential market segment was on pace to exceed the 250 MW allocated for EY 2026 prior to the end of that energy year, the Board reallocated 35 MW from the non-residential market segment to the residential market segment to ensure stability of the incentive program.<sup>21</sup> The Board had made similar reallocations of capacity to the ADI Program during EY 2023 and EY 2025. The rate of registration increased in the second half of 2025, ahead of the expiration of the Investment Tax Credit ("ITC") for homeowners that owned their solar systems, but the pace did not substantially decrease in early 2026. Instead, customers shifted toward third-party owned projects.

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<sup>19</sup> Exec. Order No. 2 (Jan. 20, 2026), p. 6, available at <https://nj.gov/infobank/eo/057sherrill/pdf/EO-2.pdf>

<sup>20</sup> In re the Community Solar Energy Program - Order Setting Community Solar Energy Program Megawatt Blocks for Energy Year 2026, BPU Docket No. QO22030153, Order dated March 4, 2026 ("March 2026 CSEP Order").

<sup>21</sup> In re a Successor Solar Incentive Program Pursuant to P.L. 2021, C. 169 – Order Reallocating Capacity in the EY26 ADI Program, BPU Docket. No. QO26020044, Order dated April 22, 2026 ("April 2026 Order").

Basing a capacity allocation on the pace of applications at the current incentive levels would require a MW block of approximately 276 MW. In addition, projects registered recently have seen a completion rate of approximately 69%.

### Non-Residential Market Segment:

Registrations in the non-residential market segment continue to trend below expectations. As of April 27, 2026, registrations averaged approximately 1.8 MW per week. At the current pace and existing incentive levels, the non-residential market segment would require a MW block of approximately 94 MW. Staff anticipates that the shortened timeline for federal ITC eligibility will increase capacity subscription uptake in this market segment.

## 2. Economic Modeling Updates for Core Market Segments

Staff updated the economic models used to develop incentive levels for the ADI Program in 2021 in the Solar Transition Capstone Report<sup>22</sup> and in the 2023 One-Year Review. Staff used models in SAM, version 2025.4.16, a program developed by the National Renewable Energy Laboratory. Staff used the models “Detailed PV Model–Residential Owner” and “Detailed PV Model–Commercial Owner” with inputs representing a typical project. Where possible, Staff used the same inputs as the 2023 ADI incentive model, updated to reflect current conditions or inflation adjustments for solar PV capital costs, operation and maintenance costs, net metering credits, and interest rates. Performance-based incentive needs, in dollars per MWh, were estimated for each market segment with an incentive term of 15 years.

For the residential model, Staff made the following changes from the 2023 One-Year Review:

- The representative project had a 9.8 kWdc capacity, an increase from 8 kW, reflecting current installation trends in New Jersey.
- Total DC power loss was set to 20%. This resulted in a year 1 energy yield of the representative project of 1,280 kWh/kW, which is closer to the real-life conditions as reported in electricity generation data from PJM-GATS.<sup>23</sup>
- Total installed capital cost was increased from \$3.51 per watt to \$3.66 per watt, which is the average reported project cost among approximately 17,000 residential projects granted conditional acceptance by the program registration manager between July 2025 and March 2026.
- Electricity rates for net metering were set as the current PSE&G, JCP&L, and ACE tariffs, with a 2% annual real escalation rate.

For the non-residential model, Staff made the following changes from the 2023 One-Year Review:

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<sup>22</sup> [New Jersey Solar Transition Final Capstone Report: Successor Program Review](#), January 7, 2021 (“Capstone Report”).

<sup>23</sup> PJM Interconnection, Inc. (“PJM”) handles the physical electricity grid, and Generation Attribute Tracking System (“GATS”) manages the digital tracking of that electricity’s environmental attributes. PJM Environmental Information Services, Inc. (“PJM EIS”), a wholly-owned subsidiary of PJM, owns and operates GATS to track RECs and environmental emissions data.

- The representative project was a rooftop project with a 250 kW capacity.
- Total DC power loss was set to 20%. This resulted in a year 1 energy yield of the representative project of 1,282 kWh/kW, which is closer to the real-life conditions as reported in electricity generation data from PJM-GATS.
- Total installed capital cost was increased from \$2.37 per watt to \$2.47 per watt, which is the average reported project cost among the approximately 350 non-residential rooftop projects granted conditional acceptance by the program registration manager between January 2025 and March 2026. The sample size for other site types was too small to produce a representative value.
- Electricity rates for net metering were set as the current PSE&G, JCP&L, and ACE tariffs, with a 2% annual real escalation rate.

For both residential and non-residential projects, Staff modeled costs and incentive needs both with and without the ITC.

### 3. Stakeholder Input

Companies and trade groups submitted comments in support of maintaining incentives at current levels or increasing them based upon recent changes to federal policies, including HR1, tariffs, and the Executive Order titled “Ending Market Distortion Subsidies for Unreliable Foreign Controlled Energy Sources,” that was signed on July 7, 2025. Four commenters stated that incentive levels should be increased or changed specifically on the basis of new market conditions related to loss of the ITC and tariffs. Commenters also cited challenges related to interconnection.

One commenter argued that incentive levels should be adjusted more frequently based on changing market conditions.

The New Jersey Division of Rate Counsel (“Rate Counsel”) recommended a 10% reduction in incentive levels for all market segments, as the commenter believes that ratepayers have over-subsidized solar to date and are entitled to relief in the form of lower incentives. The commenter stated that current incentive levels would produce an Internal Rate of Return (“IRR”) that is excessive (11.1%) even with the retirement of the ITC. With the 10% reduction, the IRR would be 6.4%, which the Rate Counsel feels is “not unreasonable.” Moreover, to incent more residential capacity, Rate Counsel recommends that the Board reallocate more capacity to the residential market segment rather than maintaining or increasing incentives.

More detailed summaries of and responses to the stakeholders’ comments can be found in Appendix A.

## **STAFF RECOMMENDATIONS**

### ***Establishing Updated Incentive levels***

In accordance with its rules, the Board has conducted a public proceeding on resetting the incentive values in the ADI Program, with notice and an opportunity to comment. With this process, the Board seeks to ensure that the market receives a clear line of sight to future incentive levels and to prevent boom-and-bust cycles that might occur if incentives are changed more often.

Staff's recommendations for adjustments to incentive levels in the seven market segments of the ADI Program follow.

Staff recommends a decrease in the residential market segment incentive level from the current \$85/MWh to \$77/MWh. Staff recommends no change to the incentive levels for the non-residential market segments. These recommendations are based on an analysis of market performance under current incentive levels, an update to the financial modeling of the market segments, and the stakeholder input solicited in this proceeding.

For the residential market, Staff believes that its recommendation of a modest 9% decrease to the residential solar incentive in the ADI Program represents a reasonable balance between the need to accelerate solar deployment in New Jersey without excessive immediate change and the need to keep costs manageable for ratepayers. The modeling results are sensitive to changes in inputs for costs and revenues. Staff recognizes that there is uncertainty across the industry due to policy changes at the federal level and therefore does not recommend substantial changes at this time, ahead of the expiration of the federal ITC for third-party owned residential projects. On the other hand, the high pace of registrations, although accelerated by these tax changes, indicates that there is substantial program interest beyond the amounts planned for by the Board and that the current incentive level is higher than necessary to spur residential solar development. This change is consistent with the 10% automatic reduction that would have occurred had the Board not initiated this triennial review and proceeding. While installation costs for residential projects in New Jersey are higher than national benchmarks, Staff anticipates future cost reductions due in part to Governor Sherrill's efforts to speed up permitting, as laid out in Executive Order 5, and the pending introduction of a statewide automated permitting platform.

With respect to non-residential market segments, Staff notes that program participation has remained lower than the amounts planned for by the Board. This may be attributed in part to the relatively lower value of net metering for commercial customers, as more of their utility bills are based on demand charges, which solar installations do not directly address. For the RNM segment, Staff believes the low participation rate is also due in part to requirements in the public entity contracting process. Staff believes that allowing the automatic 10% reduction to take effect in these market segments would be detrimental to the growth of clean energy in the State and that current incentive levels should be maintained to continue support for commercial and public entities that wish to install solar systems.

Staff recommends that the incentive level reduction in the residential market segment apply only to prospective project registrations that are submitted on or after 60 days after the effective date of this Order. The adjustment will allow for registration of installers' existing residential customers with agreements that quote current incentive levels but who may be awaiting interconnection approval or permits prior to the change taking effect.

Table 1 below shows Staff's recommended Incentives for each ADI Market Segment:

**Table 1: Current Incentives and Staff's Recommended Incentives**

Market Segments	System Size MW (dc)	Current Incentive Values (\$/SREC-II)	Staff Recommendation (\$/SREC-II)
Net-Metered Residential	All Sizes	\$85	\$77

Small Net-Metered Non-Residential located on Rooftop, Carport, Canopy and Floating Solar	Projects smaller than 1 MW (dc)	\$110	\$110
Small Net-Metered Non-Residential Ground Mount	Projects smaller than 1 MW (dc)	\$90	\$90
Large Net-Metered Non-Residential located on Rooftop, Carport, Canopy and Floating Solar	Projects 1 MW to 5 MW (dc)	\$100	\$100
Large Net-Metered Non-Residential Ground Mount	Projects 1 MW to 5 MW (dc)	\$85	\$85
Community Solar	Up to 5 MW (dc)	\$60	\$60
Remote Net Metering	Up to 5 MW (dc)	\$90	\$90

### **Cost Cap Implementation**

The Cost Cap is a critical component of the Board’s commitment to affordable implementation of various clean energy programs. Pursuant to the Board’s July 28, 2021 Order<sup>24</sup>, Staff trued up the estimated Cost Cap for EY 2025 and updated the forecasts of the Cost Cap for EY 2026 and EY 2027 to reflect new data that has become available. Staff generally utilized the same calculation methodology and data sources as were referenced in the July 2021 Order and the Cost Cap rules.

The Cost Cap denominator is the total paid for electricity by all customers in the State. Staff has collected updated electricity sector expenditures published by the Energy Information Administration (“EIA”). As directed by the Board, Staff adjusted the EIA data to include an estimate of the costs associated with net-metered solar projects that are host-owned, amortized over ten years. Staff updated the number of such net-metered projects based on new installed capacity numbers provided in the Solar Activity Reports, which track registrations and installations of projects participating in the SREC, TI, and ADI registration programs.

The Cost Cap numerator is the cost to customers of the Cost Cap-Applicable Programs, adjusted by the energy and environmental savings attributable to those programs. Staff has updated the data used as inputs to the calculation of the numerator to reflect the EY 2025 RPS compliance report issued by Staff. This report provides the data inputs for the quantity of SRECs retired, the market-derived price of each retired SREC, the quantity of Class I RECs retired, the average price of each retired Class I REC, the quantity and price of Transition Renewable Energy Certificates (“TRECs”) retired, and the quantity and price of SREC-IIs retired.

As noted above, the energy and environmental benefits of these programs are subtracted from their costs as required by the CEA and the Cost Cap rules. To calculate energy savings, Staff used an estimate of the difference between actual energy and capacity costs reported by PJM and what energy and capacity costs would have been without the Cost Cap-Applicable Programs; this difference is described as Demand-Reduction-Induced Price Effects (“DRIPE”). Staff used the same energy and capacity DRIPE values as were used in the Board’s July 2021 Order and applied these values to updated solar installed capacity and total New Jersey electricity sales figures. To estimate environmental benefits, Staff calculated the CO<sub>2</sub> emissions reductions attributable to the Cost Cap-Applicable Programs by multiplying the tons of CO<sub>2</sub> reduced as a result of the Cost Cap-

<sup>24</sup> In re a Solar Successor Incentive Program Pursuant to P.L. 2018, c. 17, BPU Docket No. QO20020184, Order dated July 28, 2021 (“July 2021 Order”).

Applicable Programs by the value of each ton of emissions avoided, as published in the IWG Report and the EPA Report. In determining the reduction in CO<sub>2</sub> emissions, Staff relied on publicly available estimates of the average carbon intensity of electric generators in the PJM region produced by PJM, updated through 2023.<sup>25</sup> In EY 2025 alone the total MWh generated by the New Jersey systems, multiplied by the average carbon emissions per MWh of emission in PJM, produces a reduction in carbon emissions of over eight million tons.

For EY 2025, the SC-CO<sub>2</sub> based on the IWG Report is estimated at \$55 per ton, or approximately \$68 per ton when adjusted to 2025 dollars. Using this value to calculate the net cost and benefits of the Cost Cap-Applicable Programs for EY 2025, the programs' net cost would have been approximately 5.41% of the total amount paid for electricity by New Jersey electric customers.<sup>26</sup>

The SC-CO<sub>2</sub> based on the EPA Report is estimated at \$208 per ton, or approximately \$257 per ton when adjusted to 2025 dollars. Using this more recent value, the Cost Cap-Applicable Programs for EY 2025 would produce a net benefit equal to approximately 7.32% of the total amount paid for electricity by New Jersey electric customers.<sup>27</sup>

Using either metric, the amount spent on the Cost Cap-Applicable Programs for EY 2025 fell below the Cost Cap and complied with the statutory directive. Staff is providing calculations incorporating the SC-CO<sub>2</sub> from both the IWG Report and the EPA Report, in Appendices B-1 and B-2 for the EY 2025 Cost Cap calculations. The Cost Cap is not exceeded regardless of which metric is used. Thus, the Board does not need to choose between the values at this time and Staff does not recommend that the Board adopt either value.

Both the numerator (in the calculation of DRIPE and environmental savings) and the denominator (in the adjustments for host-owned net-metered systems) use data for installed solar capacity. Staff used data from the Solar Activity Reports published on a monthly basis on the Clean Energy Program website.<sup>28</sup> Staff used data from the most recent published report available at the time of the calculation, which provides data as of March 31, 2026.

With respect to forecasting the Cost Cap, Staff recommends maintaining the same underlying approach to estimating data inputs for future EYs as was used to inform the Cost Cap determinations made in the Board's prior year Cost Cap Orders, including the July 2021 Order.<sup>29</sup> The average traded SREC price so far in EY 2026 represents 93% of the Solar Alternative Compliance Payment ("SACP"). Staff recommends that the Board maintain the same approach to modeling future SREC prices and use a base assumption that SRECs will trade at 93% of the SACP for EY 2027.

The latest RPS compliance report indicates that the EY 2025 Class I weighted average price was

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<sup>25</sup> Emission Rates in PJM Reach All-Time Low, PJM Inside Lines (Mar. 28, 2024), <https://insidelines.pjm.com/emission-rates-in-pjm-reach-all-time-low/>.

<sup>26</sup> The cost cap calculation using the prior federal IWG Report estimate for SC-CO<sub>2</sub> is provided in Appendix B-1.

<sup>27</sup> The cost cap calculation using the EPA Report estimate for SC-CO<sub>2</sub> is provided in Appendix B-2.

<sup>28</sup> <https://cleanenergy.nj.gov/resources/solar-activity-reports>.

<sup>29</sup> see, e.g., In re a Successor Solar Incentive Program Pursuant to P.L. 2021, c. 169, BPU Docket No. QO20020184, Order dated May 22, 2024 ("May 2024 Order").

\$27.29, a decrease from the prior year's \$31.76, but higher than publicly available market prices for EY 2026. Accordingly, Staff recommends using the EY 2025 price to forecast Class I REC prices for future EYs.

Although the total cost paid for electricity by all customers in the State increased at a faster pace in the last two energy years than previously, Staff recommends using preliminary data from the EIA for EY 2026 while returning to using a multi-year average based on prior EYs 2022 to 2024 to forecast EY 2027. This methodology is anticipated to produce more realistic estimates of the cost of electricity, taking into account pending rate changes and the amount of electricity sold. Total electricity sales in EY 2026 so far have decreased compared to EY 2025, but Staff recommends forecasting a 1% increase in sales in EY 2027. The forecast uses conservative estimates so that even if sales increase, the Cost Cap will function to protect the ratepayer as intended.

Staff's updated Cost Cap calculations and forecasts are provided in Appendices B-1 and B-2. These appendices include the true-up calculation of the Cost Cap for EY 2025, an estimate for EY 2026, and a forecast for EY 2027. Appendix B-1 incorporates the SC-CO<sub>2</sub> from the IWG Report while B-2 incorporates the SC-CO<sub>2</sub> from the EPA Report. As demonstrated in both sets of calculations, the Cost Cap was not exceeded in EY 2025, nor is it forecast to be exceeded in EY 2026 or EY 2027.

### ***EY 2027 ADI Program Megawatt Blocks***

The MW blocks are an important element of the ADI Program and reflect the Board's commitment to the twin goals of ratepayer affordability and meeting the solar installation targets included in the Solar Act of 2021. These capacity blocks allow the Board to forecast and manage the overall costs of the ADI Program, while providing tangible milestones on the path to achieving the legislative solar development goals and enabling continued growth in a balanced manner. Pursuant to the statutory amendments signed into law on December 21, 2023, as discussed above, in 2024 the Board added a new megawatt block allocation of 50 MW per year for projects eligible for the new RNM market segment in the ADI Program.

The Board considers several factors in setting the ADI Program MW blocks, including the following:

- a. Historical installation rates, with the intent to continue to enable installation rates at or above historical averages;
- b. Equity and accessibility considerations;
- c. Ensuring that there is sufficient liquidity in each market segment;
- d. Ensuring that the total cost to ratepayers remains affordable; and
- e. Ensuring that the Cost Cap is respected.

In addition, Staff notes that the amendments to Solar Act of 2021 described above state that "[t]he small solar facilities incentive program shall aim to provide SREC-IIs for the generation of at least 300 megawatts of net-metered solar facilities per year and 150 megawatts of community solar facilities per year, and 50 megawatts of solar facilities in the [RNM] program[.]"<sup>30</sup> As noted above, the Board opened the revised RNM market segment in the ADI Program in December 2024.

The ADI Program opened for new registrations on August 28, 2021. Capacity allocations are made by Board Order prior to start of a new Energy Year on June 1. The ADI Program registration

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<sup>30</sup> N.J.S.A. 48:3-116(a)

manager maintains a table on the New Jersey Clean Energy Program website which shows, for each MW block, the amount of capacity subscribed to date and the amount of capacity that remains available.<sup>31</sup>

Table 2 below shows Staff's recommended EY 2027 MW blocks:

**Table 2: MW Blocks for EY 2026<sup>32</sup> and 2027**

System Type	Size	EY 2026 MW Block	EY 2027 MW Block
Net-Metered Residential (1)	All sizes	285 MW	300 MW
Net-Metered Non-Residential (all installation types) (2)	All sizes at or below 5 MW	115 MW	150 MW
Remote Net Metering (3)	All sizes at or below 5 MW	50 MW	50 MW
Community Solar (4)	All sizes at or below 5 MW	3000 MW	Unused EY 2026 capacity

Per the table above, Staff notes the following:

1. The net-metered residential MW block was on track to exceed its capacity allocation until the Board issued the April 2026 Order and increased its capacity by 35 MW. Staff, therefore, recommends increasing the capacity allocation for this market segment from 250 MW to 300 MW in EY 2027. In establishing a MW allocation for the residential market segment in EY 2027, Staff recommends the Board consider the registration and project completion rates in the ADI Program. As of April 27, 2026, residential project registrations in EY 2026 have averaged approximately 5.2 MW per week, up from 4.2 MW per week during same time prior year. At this pace, annualized registration capacity would total 276 MW. Staff notes 246 MW of capacity has been registered with 5 weeks remaining in EY 2026. Weekly registration rates fluctuated between an average of 3.8 MW in non-peak periods and 6.1 MW during peak months. The increased residential registration activity may be driven by loss of the ITC, increased utility electric rates, expectations of lower interest rates, heightened concern by solar developers as the end of the EY 2026 and its capacity allocation nears, and uncertainty surrounding tariff increases. Staff also notes that approximately 69% of registered residential projects reached completion in the past 12 months. This increased MW block will help ensure it does not prematurely close due to reaching capacity before the end of the EY, but Staff does not expect costs to be incurred for the full block because the project scrub rate has slightly increased compared to previous years.
2. For the net-metered non-residential MW block, the Board continues to see lower than anticipated capacity subscription rates during EY 2026, despite increased incentive levels

<sup>31</sup> The amount of capacity subscribed and remaining in each market segment is available on the New Jersey Clean Energy Program website at the following link: <https://njadi.customerapplication.com/>.

<sup>32</sup> EY 2026 MW block allocations reflect the reallocation approved in the April 2026 Order.

since the 2023 One-Year Review Order. The increased incentive levels were anticipated to increase the pace of registrations within and the amount of capacity installed in the non-residential market segments. However, the anticipated increase in registrations did not occur, as evidenced by the need to reallocate capacity from the under-subscribed net-metered non-residential market segment in the March 2025 Order and April 2026 Order. As of April 27, 2026, non-residential projects in EY 2026 have averaged approximately 1.8 MW per week, down from 1.9 MW per week during same time prior year. Staff found in the Three-Year Review of the ADI Program that increased costs and continued high interest rates contributed to slower than anticipated uptake in the non-residential MW block. As a result, Staff recommends the Board maintain the incentive levels for the non-residential segment rather than allow them to decrease by 10%. Despite this year's pace of registration, Staff recommends maintaining an allocation of 150 MW in anticipation of more projects registering in the coming year prior to the loss of the ITC.

3. As of April 27, 2026, 1.5 MW of the allocated 50 MW in EY 2026 have been subscribed. Staff continues to see lower than anticipated registrations in this market segment.
4. On March 4, 2026, the Board allocated 3,000 MW to community solar in compliance with L. 2025, c. 135 and Executive Order No. 2. That allocation is valid from March 6, 2026, to December 31, 2029.

As is the Board's standard practice, Staff recommends that all MW values be measured in dc capacity.

### ***EY 2027 RPS Requirement***

Finally, Staff recommends a waiver of the provision of the Board's rules increasing the RPS Class I REC requirement for EY 2027 to 41% and for EY 2028 to 44%. As set forth above, the Legislature has established as a goal for the State a 50% RPS by January 1, 2030, and the Board has codified in its rules a schedule of gradually increasing RPS percentages as steps on the path to that goal. However, the pressures that the Board noted in the 2025 Cost Cap Order on both the supply and demand sides of New Jersey's energy market have not abated. Although Staff's conclusion that the Cost Cap will not be breached means that the Board is not statutorily required to adjust the RPS requirement or take other steps to prevent exceedance of the cap, Staff continues to be concerned about the impacts on New Jersey ratepayers of recent increases in electricity prices and of the contribution of the RPS requirement and the cost of Class I RECs to those costs, and continues to recommend that the Board use all available levers to control these costs. The expansion of artificial intelligence and the data centers needed to support it is still producing a sharp increase in the anticipated demand for energy across the country, including New Jersey. This projected jump in demand comes at a time when for several years the increase in energy supply, and in particular the increase in RE supply, has been severely constrained. Several factors contribute to this constraint, including in significant part the ongoing interconnection queue delays in PJM Interconnection, LLC ("PJM")<sup>33</sup> as well as siting and permitting impediments for RE projects in the PJM region. As a result of this delayed PJM interconnection process, there are relatively few new generation facilities creating energy eligible to serve as the basis for a Class I REC, which may sharply increase the cost of Class I RPS compliance. That cost is ultimately borne by ratepayers, who are also bearing increased costs based on the results of the latest PJM capacity market auction. Although PJM has

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<sup>33</sup> Letter from Mark Takahashi to PJM Stakeholders (Dec. 9, 2024), <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2024/20241209-board-letter-outlining-action-on-capacity-market-adjustments-rri-and-sis.pdf>

been making some changes to address these issues following advocacy by the Board and other stakeholders, additional time is needed to see the results of the changes, and action to control costs for ratepayers is needed in the immediate term. It is for this reason that Staff recommends a change to the RPS requirement. Specifically, Staff recommends that, in light of the overall cost of Class I RECs and in the context of other energy cost increases, the Board waive its rule that increases the RPS requirement to 41% for EY 2027 and 44% for EY 2028, allowing the RPS to remain at 35% for EY 2027 and increasing to 40% for EY 2028. Staff anticipates that the State would benefit from allowing Class I REC prices to stabilize in the near term and take advantage of potentially lower prices closer to the 50% compliance date in 2030. In addition, Staff notes that it has initiated the public stakeholder proceeding that the Board directed Staff to undertake regarding the Board's rules establishing the schedule of increases in the RPS for EY 2027 through 2030. Through that proceeding, Staff anticipates that a final decision on the optimal schedule of RPS increases through 2030 will be determined.

### **DISCUSSION AND FINDINGS**

After a careful review of the record and of Staff's recommendations, the Board **FINDS** that Staff's calculations accurately reflect the variables affecting the total paid for electricity in New Jersey and the cost of the Cost Cap-Applicable Programs.

The Board has carefully considered the comments that were received in the March 2025 Cost Cap stakeholder proceeding as well as the more recent data on the costs of climate change and the impact of New Jersey's solar programs on the costs. The Board **FINDS** that the Cost Cap-Applicable Programs have mitigated CO<sub>2</sub> emissions by over eight million metric tons in EY 2025. The Board is bound by the statutory language – not only the language creating the Cost Cap but also the language directing it to offset the cost of the Cost Cap-Applicable Programs with their environmental and economic benefits. The societal understanding of those benefits and the science informing that understanding, are dynamic and not static. However, the Board is also mindful of the cost of the State's solar programs and the impact on ratepayers and continues to look critically at the cost of all its programs. To mitigate the impact on ratepayers, especially low- and moderate-income customers, the Board explores all avenues to provide relief to them. Compliance with the Cost Cap is one way in which ratepayers are protected. For purposes of certifying that the Cost Cap has not been exceeded in EY 2025, the Board **FINDS** that both the values from the 2016 IWG Report and the 2023 EPA Report produce a result compliant with the Cost Cap. The Board **CERTIFIES** that the Cost Cap was not exceeded in EY 2025 and is not forecast to be exceeded in EY 2026 or EY 2027, as indicated by the calculations in Appendices B-1 and B-2. Therefore, the Board **FINDS** that the Cost Cap does not serve as a constraint for EY 2027 ADI Program incentive allocations at this time.

In light of these findings, the Board **ORDERS** Staff and the ADI Program registration manager to open new EY 2027 capacity allocations for the net-metered market segments, as defined in Appendix C, on June 1, 2026. The Board **FURTHER ORDERS** the ADI Program registration manager to accept new registrations for the residential and non-residential market segments, including CSEP and RNM market segments, on a first-come, first-served basis until the MW block for that market segment is fully subscribed (i.e., when the last registration received in the registration portal causes the total capacity of all registrations in that block to exceed the capacity allocation for said block) or June 1, 2027, whichever occurs first.

The triennial review of ADI Program, as directed by the Board's rules, is intended to draw on lessons learned from the last three years of operational experience. The Board, therefore, uses the Three-Year Review to determine whether the program is reasonably likely to meet its Board-established targets, or whether incentives should be adjusted to better meet those goals. The Board **FINDS** that in furtherance of this goal, Staff conducted a public stakeholder proceeding to inform the triennial review of the ADI Program in accordance with the Board's rules. The Board **FURTHER FINDS** that this public stakeholder proceeding provided participants with adequate notice and opportunity to be heard.

After thorough review of the Notice, Staff's modeling, and all received comments, the Board **HEREBY DIRECTS** Staff to reduce the incentive level for the residential market segment by \$8 per MWh, from \$85 per MWh to \$77 per MWh, for all registrations received on or after July 27, 2026.

Turning to Staff's recommendation to freeze the scheduled increase in the RPS, the Board **FINDS** that the Class I REC market may experience an increase in Class I REC prices as demand increases faster than supply. The Board also agrees that this has occurred primarily as a result of the delayed PJM interconnection process and siting and permitting limitations on eligible generators, in conjunction with a sharp increase in demand. The Board is mindful of the impact this increase would have on New Jersey ratepayers.

The Board is authorized to relax or waive its rules pursuant to N.J.A.C. 14:1-1.2, which provides that the rules may be liberally construed to permit the Board to carry out its statutory functions. In considering whether to grant a waiver, the Board looks to the standards provided in this rule. In special cases upon a showing of good cause, the Board may relax or permit deviations from the rule. N.J.A.C. 14:1-1.2(b). Additionally, the Board shall waive sections of a rule that adversely affects ratepayers, hinders safe, adequate and proper service, or if the waiver is in the interest of the general public. N.J.A.C. 14:1-1.2(b)(1). In determining whether to waive the provision of N.J.A.C. 14:8-2.3(a) that increases the Class I REC requirement of the RPS from 35% to 41% for EY 2027 and from 41% to 44% in EY 2028, the Board weighs the State's renewable energy development goals and its interest in controlling the electricity costs borne by ratepayers.

In considering the scheduled increase to the RPS for the coming EY, the Board is cognizant of the delay in growth of new RE generation in the PJM territory. The Board **FINDS** that there is a shortage of new renewable generation facilities able to create energy eligible to serve as the basis for Class I RECs. In addition, the Board notes the increase in the price of Class I RECs from approximately \$13 in EY 2019 to approximately \$27 in EY 2025. Furthermore, the Board is mindful of the increase in retail electric rates that New Jersey ratepayers have experienced. Thus, the ongoing increase in Class I REC prices is occurring in the context of an unprecedented increase in basic electric rates. In these conditions, the Board **FINDS** that there is good cause to permit a second deviation from the schedule of RPS increases. The Board **FURTHER FINDS** that strict adherence to the rule will adversely affect the ratepayer. Therefore, the Board now **WAIVES** the requirement of N.J.A.C. 14:8-2.3(a) that the percentage of the electricity sold for EY 2027 and EY 2028 that must come from Class I renewable energy sources increase from 35% to 41% and from 41% to 44% respectively and **ORDERS** that the RPS Class I REC requirement for EY 2027 shall remain at 35% and for EY 2028 increase to 40%.

In taking this action, the Board remains mindful of the statutory mandate to arrive at a Class I RPS of 50% as of January 1, 2030, and remains committed to the State's 100% clean electricity goals. The Board notes that Staff has initiated the stakeholder proceeding directed by the Board

to examine the increases in the RPS from EY 2027 through EY 2030 to determine how the cost to the ratepayer may best be mitigated in the achievement of the statutory goal. The Board **FINDS** that this proceeding is the appropriate venue in which to arrive at a final determination of the optimal schedule of increases.

The effective date of this Order is May 28, 2026.

DATED: May 21, 2026

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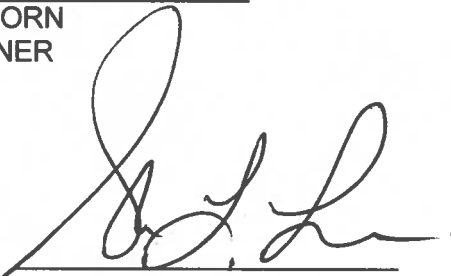
  
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ATTEST:   
SHERRI L. LEWIS  
BOARD SECRETARY

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

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

IN THE MATTER OF CERTIFICATION OF ENERGY YEAR 2025 COST CAP CALCULATION  
AND SETTING ADI PROGRAM MEGAWATT BLOCKS FOR ENERGY YEAR 2027  
DOCKET NOS. QO20020184 and QO26030096

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## APPENDIX A

### STAKEHOLDER COMMENTS AND RESPONSES

The Board received nine written comments on the Staff Stakeholder Notice on the Three-Year Review of the ADI Program, published on July 1, 2025, Docket No. QO20020184.

Comments were received from:

1. New Jersey Division of Rate Counsel (“Rate Counsel”)

Trade Organizations / Coalitions

2. Coalition for Community Solar Access (CCSA), New Jersey Solar Energy Coalition (NJSEC), and Solar Energy Industries Association (SEIA) (“Joint Solar Parties”)
3. Mid-Atlantic Solar & Storage Industries Association (“MSSIA”)

Solar Developers / Industry

4. Ecogy Energy (“Ecogy”)
5. CS Energy, LLC (“CS Energy”)
6. Standard Solar
7. PowerFlex
8. Solar Landscape

9. Gabel Associates on behalf of New Jersey School Board's Association (“NJSBA”)

Stakeholder comments are grouped by the numbered questions in the Stakeholder Notice. Staff has attempted to include the substance of many of the relevant comments into the summaries below as a courtesy to commenters. Comments raised in multiple sections are addressed once.

Questions for Stakeholders

- 1. What cost adjustments should be considered for the ADI market segments since the previous review? Please identify any market conditions that affect the recommendation and provide data or data sources that may be used for specific inputs.**

**COMMENT:** Rate Counsel stated that the potential increase of costs, particularly from the loss of the Investment Tax Credit (ITC), does not necessitate keeping incentives at current levels and recommends a 10% reduction for all market segments, based upon the two Cadmus reports: New Jersey Solar Transition Draft Capstone Report: Successor Program Review (2020)<sup>34</sup> and Memo: Results of Performance-Based Incentive Models (2023).<sup>35</sup> First, stating that commercial systems have up to four years before the phase-out of the ITC, Rate Counsel urges considering the impact on non-residential systems separately from that on residential systems. Rate Counsel then

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<sup>34</sup> <https://www.njcleanenergy.com/files/file/NJ%20Solar%20-%20Draft%20Capstone%20Report%202020-08-11.pdf>

<sup>35</sup> <https://www.njcleanenergy.com/files/file/BPU/2023/IMO%20One%20Year%20Review%20of%20the%20ADI%20Program%20-%202023%20PBI%20Modeling%20Results%20Memo.pdf>

asserts that even without the ITC, current ADI incentive levels would produce an Internal Rate of Return (“IRR”) for residential systems of 11.1%, greater than the 9.7% used in the Capstone Report and which Rate Counsel also believes to be excessive. Without the ITC and with a 10% reduction in the ADI incentive, Rate Counsel estimates that residential systems would have an IRR of 6.4%, which Rate Counsel feels is “not unreasonable”; Rate Counsel believes that ratepayers have over-subsidized solar to date and are entitled to relief in the form of lower incentives. Rate Counsel also argues that the recent increase in the value assigned to the social cost of carbon has rendered the cost cap on solar incentives meaningless and thus Board action to reduce incentives is needed. To incent more residential capacity, Rate Counsel recommends that the Board reallocate more capacity to the residential market segment rather than maintaining or increasing incentives.

The Joint Solar Parties commented that based upon recent and ongoing state and federal policy developments, the Board should interpret any modelling results as inconclusive and suggested that there be a further review next year once federal guidance and market impacts are clearer. To avoid a 10% incentive reduction, the commenters recommended that the Board nonetheless determine that though inconclusive, the modeling suffices to satisfy the requirement of a triennial review. PowerFlex commented that the Board should keep “at least” existing incentive levels and revisit changes after the ITC ends, asserting that states should provide the incentives necessary to counteract the negative impacts of federal action.

MSSIA and several solar developers identified various federal policies, including H.R. 1 and the Executive Order 14315 issued on July 7, 2025<sup>36</sup> as barriers to solar development to which the State should respond with increased support. The solar developers also point to other market and regulatory factors that they believe necessitate higher SREC levels. CS Energy, PowerFlex and Solar Landscape noted the retirement of the ITC as a new market condition that would influence cost consideration. MSSIA, CS Energy, and PowerFlex also identified compliance with Foreign Entity of Concern (“FEOC”) requirements as a concern, as well as the July 7, 2025 EO that directs the federal treasury to provide new guidance regarding safe harboring rules by August 18, 2025. PowerFlex recommended that the Board also consider various ways to ease “development hurdles” so that projects can meet ITC deadlines. Solar Landscape asked the board to consider PJM market constraints as a reason to incentivize distribution-level energy sources as quickly as possible and proposed incentives that support the buildout of 3 GW prescribed in S4530/A5768 as quickly as possible.<sup>37</sup> MSSIA also noted that the new tariffs and the FEOC rules are an important factor that will likely drive up the cost of solar equipment.

Like the Joint Solar Parties, MSSIA further recommended that the Board allow time for these federal changes to be further defined before setting new incentive levels, suggesting that the Board review residential solar incentive levels at the end of 2025 and commercial solar after July 2026. MSSIA noted that this review should consider the effect of commencement of construction rules and opined that these changes will necessitate some increase in incentives. However, MSSIA also noted that the increase in electric price rates will partially offset the loss of federal incentives.

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<sup>36</sup> “Ending Market Distortion Subsidies for Unreliable Foreign Controlled Energy Sources”, July 7, 2025 (“July 7 2025 EO”)

<sup>37</sup> This bill was signed into law on August 22, 2025.

The NJSBA commented that the incentives should be adjusted to reflect changes due to the ITC retirement but reserved its right to quantify the change it would recommend after completing its evaluation of the impacts from the policy changes and receiving further clarification from the federal government.

**RESPONSE:** Staff thanks the commenters for their analysis and shares the collective concern raised about the retirement of the federal ITC and the uncertain impacts FEOC restrictions will have on the costs of new solar energy development. The Board will continue to closely monitor new guidance and clarification from the federal government regarding the phase-out of the solar ITC and FEOC restrictions. The primary “development hurdle” concerning developers appears to be interconnection delays, and this topic is addressed in the response to Question 8 below. The Board may carry out more frequent review of ADI incentive levels as federal policy changes and the market responds. With respect to Rate Counsel’s assertion that Board action to reduce incentives is needed because an alleged Board decision to “apply significantly higher estimates for the social cost of carbon” has rendered the cost cap “meaningless,” Staff would remind Rate Counsel that the Board has not adopted either of the two values discussed for SC-CO<sub>2</sub>, and that the cost cap was not exceeded in EY24 and is not exceeded in EY25 using either of these values.

**2. Do continuing inflationary or supply chain pressures warrant revisiting ADI Program incentive levels to ensure that New Jersey continues to meet its solar targets?**

**COMMENT:** Rate Counsel stated that inflationary and/or supply chain pressures do not warrant revisiting ADI Program incentive levels and that these issues are becoming less significant than in prior years. Rate Counsel noted that demand-side evidence shows that solar adoption in New Jersey is strong and has exceeded available capacity under the current ADI program and reiterated its belief that ADI incentive levels to date have been too generous. Rate Counsel cited the May 2025 Order approving ADI capacity blocks for EY 2026 that noted increased registration activity with weekly registrations averaging approximately 4.2 MW per week in EY 2025.<sup>38</sup> According to Rate Counsel, Staff speculated in this Order that the increased activity might be due to moderating inflation and/or expectation of lower interest rates. Rate Counsel opined that increasing incentives due to perceived inflation and supply chain constraints would be a “day late and a dollar short” and that anything but the default 10% decrease would constitute a “bait and switch” to ratepayers. Instead of maintaining or increasing current incentive levels, Rate Counsel proposes that the Board reallocate capacity to the residential market, where demand is high. Rate Counsel referenced the SuSI Order, which had stated that the ADI fixed incentive obviated the need for a risk premium.<sup>39</sup>

Joint Solar Parties commented that there should not be an automatic 10% reduction in the current incentive structure, which could destabilize the current market environment. The Joint Solar Parties noted that the broader policy and economic landscape is highly unsettled, which they believed undermines confidence in the reliability of any modelling conducted in the near term. The Joint Solar Parties further commented that the Board should consider making changes to the incentive amounts more frequently than in the past to account for a changing and unpredictable policy landscape. The commenter pointed to the directive that solar facilities qualify for tax

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<sup>38</sup> In re Certification of Energy Year 2024 Cost Cap Calculation and Setting ADI Program Megawatt Blocks for Energy Year 2026, Docket No. QO25030113, Order at p. 16, dated May 21, 2025 (“May 2025 Order”).

<sup>39</sup> In re a Solar Successor Incentive Program Pursuant to P.L. 2018, C. 17, Docket No. QO20020184, Order at p. 31 dated July 28, 2021 (“SuSI Order”).

incentives only when placed in service, as well as anticipated but yet unknown impacts from other changes such as including interconnection and other utility delays, permitting issues, and supply chain disruptions. The Joint Solar Parties also noted that they were waiting for more clarity on net-metering, which is a material variable that should be thoughtfully accounted for in any incentive model under consideration.

MSSIA noted that PV system costs have remained steady in recent years, as PV module price decreases and efficiency has offset tariffs and increases in labor rates. MSSIA commented that while supply chain issues and the associated delays are costly to developers these issues are secondary to the loss in federal incentives. MSSIA also asserted that the biggest threat to meeting New Jersey's solar targets is the accelerating rate of interconnection denial and stresses the importance of the rapid completion of the Grid Modernization proceedings, with new rules that require utilities to expand hosting capacity. MSSIA comments that these new rules need to be based upon effective use of existing technologies as well as on the re-examination of old assumptions that have underlain current limitations, such as the level of hosting possible based on current technology.

Ecogy asserted that inflation and supply chain pressures warrant revisiting and raising incentive levels to support an increase in the number of projects constructed, particularly for community solar. The commenter also pointed to the retirement of the ITC and the increase in material and labor costs as new challenges to solar energy affordability.

CS Energy commented that as the retirement of the ITC will spur a short-lived development surge leading to increased material and labor costs, supply chain pressures warrant revisiting incentive levels. In addition, the commenter states that tariffs and FEOC requirements will restrict access to international imports and increase costs for domestic equipment.

Solar Landscape recommended both incentive increases and blanket extensions as necessary to maintain program viability, in particular for community solar. According to the commenter, persistent inflation and supply chain instability continue to increase development costs, with FEOC restrictions already creating major supply chain issues through both price surges and delays to projects through compliant components that are not available. Solar Landscape also stated that tariffs are also increasing costs and slowing procurement.

The NJSBA commented that in the context of severe capacity shortage in the region, the cost of not developing these solar projects will be even higher costs to ratepayers. The NJSBA noted that the cost of fossil fuel or nuclear generation as well as existing capacity shortfalls will contribute to the higher costs. The NJSBA believed this perspective is overlooked when some opponents of incentives argue that increased incentives only add to the cost burden carried by ratepayers. NJSBA noted that, unlike other sources of energy, solar projects benefit public entities, including school districts, thus reducing the property tax burden on residents and businesses.

**RESPONSE:** Staff recognizes that nationwide inflation and supply chain issues may present challenges for project developers in completing new energy projects; however, Staff is not convinced that these challenges require increased incentive levels to reach New Jersey's solar energy targets. Based on the responses received to this question, there is an apparent divide about how solar incentives should be used to correct market and political uncertainty to meet New Jersey's rising energy demand.

Staff agrees with Rate Counsel that solar incentives need to be balanced to promote a stable

solar market in New Jersey without overspending ratepayer dollars and believes that this balance is reflected in its recommended incentive adjustments. Staff also agrees with Rate Counsel that capacity reallocation to the residential segment of ADI remain a good method for balancing solar incentives with demand and will continue recommending those reallocations to keep market segments open through the energy year.

Staff also appreciates the Joint Solar Parties' caution against a static 10% reduction, so the Board can remain flexible to the ongoing policy changes at the federal level. Staff is recommending a more nuanced adjustment. At this time, there are no new developments respecting net metering. With respect to the recommendation of Ecogy, CS Energy, and Solar Landscape that the Board revisit solar incentive levels due to inflationary and supply chain challenges, as previously noted, the Board will revisit incentive levels on an as needed basis.

Staff agrees that interconnection delays pose a serious threat to attainment of the State's solar targets. This concern is addressed below.

The NJSBA did not speak directly to the impact of inflationary or supply chain pressures on solar incentives but commented that in the context of severe capacity shortage in the region, the cost of not developing these solar projects will be even higher prices for ratepayers. Staff agrees that this indirect cost must be weighed against the immediate cost of solar incentives. Similarly, Staff concurs with the commenter that the real but indirect benefit of a reduced property tax burden on residents and businesses must be included in analyzing the immediate cost of solar incentives to ratepayers.

### **3. Should the Board consider contractual agreements for Competitive Solar Incentive (CSI) and CSEP projects in the SuSI Program and if so, how?**

**COMMENT:** Rate Counsel argued that long-term contracting was used in the past but is not consistent with the Board's current market design and should not be considered for CSI and CSEP projects. In Rate Counsel's opinion, ADI awards are already a form of contracts and further contracts would be redundant to the goals of the SuSI Program. In addition, Rate Counsel expressed concern that long-term contracts would put additional financial liability on ratepayers and urged the Board to conduct a separate investigation on potential rate impacts before engaging in any long-term contracting. Finally, Rate Counsel questioned the legality of long-term contracts and whether the Board has the authority to make these agreements, asserting that the Solar Act of 2021 did not contemplate such agreements.

The Joint Solar Parties, Ecogy, and CS Energy recommended that Board implement contractual agreements across all market segments. The Joint Solar Parties and CS Energy stated that there has been a loss of confidence in the State's willingness to honor its financial commitments; they believe that contracts would create transparency and the ability to assess financial risks in participating in the ADI Program. As support for the claim that the solar industry had lost confidence in the State's financial commitments, the Joint Solar Parties and CS Energy pointed to the introduction of S-4300 during the 2024–2025 Legislative Session, which would have eliminated the solar renewable energy portfolio standard and directed the Board to replace SRECs with fixed rate incentives. Ecogy recommended contracts that are more open ended than the current structure; the commenter proposed that SuSI deadlines for commercial operation should not be set until a project has achieved Approval to Install from the EDC. According to the commenter, interconnection is a lengthy process, and EDCs required acceptance into the

applicable SuSI Program before beginning interconnection studies. Ecogy believes that this change would reduce the need for extension requests.

MSSIA stated that their members' feedback did not suggest contracts as an important barrier to development.

PowerFlex requested the Board provide additional detail on the term "contractual agreements" before PowerFlex gives a response, while Solar Landscape noted that more discussion is needed on what contracts would entail, highlighting the need for flexibility. The commenter opposed mandatory contracts for CSEP projects between developers and the BPU unless the EDC is a part of these agreements and held accountable for performance.

**RESPONSE:** Staff thanks all the commenters for their input on whether contractual agreements are necessary for the CSI and CSEP programs. Staff notes that the proposed legislation discussed by some commenters is not currently under consideration.

Staff concurs with Rate Counsel that a contractual agreement may be redundant in award efforts since all past and present awards are made with the assumption that SREC-II payments will remain the same and for 15-years after the time of award. These awards have been a reliable payment mechanism since the start of the program. Staff also sees the concern of Joint Solar Parties, Ecogy, and CS Energy that these unprecedented times of economic and political flux over energy planning expose solar developers to financial risks. However, the robust participation in CSI Solicitation 4 indicates that the current program structure is sufficient for many market parties.

The Board has determined that contractual agreements are not necessary at this time, but may revisit this in the future.

- 4. Should large net-metered projects greater than 5 MW that are currently eligible for the CSI Program be considered for participation in the ADI Program instead? Should there be a project capacity size limit for ADI and if so, what should the limit be?**

**COMMENT:** Rate Counsel opposed including large net-metered projects greater than 5 MW in the ADI Program, stating that these are more appropriately placed in the CSI Program. Rate Counsel commented that doing so would undermine the cost discipline that the CSI Program is designed to promote and could lead to overcompensation for projects that already benefit from economies of scale. Noting that the Board has consistently distinguished between ADI and CSI eligibility based in part upon project size to reflect the different market dynamics and development costs of the different types of projects, Rate Counsel stated that increasing the ADI threshold or allowing exceptions would place upward pressure on incentive budgets and erode the benefits of competition.

The Joint Solar Parties noted that there are very few net-metered projects that exceed 5 MW and that it may be appropriate to consider a lower incentive for these projects; however, the commenter also noted that these projects benefit from economies of scale and that it may be reasonable for them to remain in a price-based solicitation framework. CS Energy agreed with this position.

MSSIA believed that the size limit for the ADI Program should be raised to at least 10 MW, which it asserted would allow for larger distributed solar projects and faster achievement of solar energy targets.

PowerFlex also noted the scarcity of net-metered projects exceeding 5 MW and stated that the limited demand from such projects might make their inclusion in ADI an inefficient use of ratepayer funds. The commenter also noted that the passing of S4530 / A5768 would release 3000 MW of CSEP capacity that might prove more appealing than ADI to net-metered projects greater than 5 MW. Although commenting that large net-metered projects could benefit from eligibility in the ADI Program instead of the CSI Program, PowerFlex noted that the certainty of the ADI Program causes developers to cap system size at 5 MW.

Solar Landscape commented that large net-metered projects should not be considered for the ADI Program, as their inclusion could result in unnecessary incentives for at least some project developers. The commenter also asserted that the two beneficiaries of a large net-metered project, the developer and the on-site electricity user, are identical or closely aligned, which the commenter stated supports the use of the CSI program for such projects because bidders propose the price they need based on their Power Purchase Agreement (“PPA”) or cost structure, subject to a cap.

**RESPONSE:** Board Staff agrees with Rate Counsel, the Joint Solar Parties, CS Energy, and Solar Landscape that allowing large net-metered projects above 5 MW to receive incentives through the ADI Program would undermine the competitive nature of CSI that encourages cost discipline. Contrary to MSSIA’s assertion, the CSI Program affords the opportunity for large distributed projects to contribute to meeting the State’s solar goals; the potentially faster path that would be afforded by the ADI Program does not justify undermining the CSI Program. Board Staff does not recommend that the Board allow such projects to receive incentives through ADI or change the 5MW project capacity limit for ADI projects at this time. This capacity limit was determined to minimize ratepayer cost which remains a priority for the Board.

Furthermore, projects exceeding 5 MW cannot be allowed in the CSEP due to the program’s capacity size limit at 5 MW.

**5. Should there be different incentives for large and small projects and if so, is 1 MW the appropriate threshold?**

**COMMENT:** Rate Counsel stated that it would support removing the larger incentive for projects less than 1 MW. The Rate Counsel noted that, while the ADI Program requires some market segmentation, the Board should be cautious of over-segmentation and also stated that establishing a cap on project size discourages the most cost-efficient projects at the lowest per-unit price.

The Joint Solar Parties, MSSIA, Ecogy, and PowerFlex support differentiating incentive levels between large and small projects at the 1 MW threshold, with PowerFlex proposing a 1 MW AC threshold rather than 1 MW DC to align with federal prevailing wage rules. The Joint Solar Parties comment that this 1 MW threshold aligns with current federal application of the ITC, market structure, and the programs of other leading states in solar policy such as New York, Massachusetts, and California. The Joint Solar Parties also commented that the 1 MW threshold is a meaningful benchmark and that applying a uniform incentive would either over-subsidize larger projects or shortchange smaller projects. CS Energy agrees with this position. MSSIA, on

the other hand, recommended further differentiation among incentives for commercial behind the meter projects: 0 to 250 KW, 250 to 1 MW, 1 MW to 5 MW, and 5 MW to 10 MW projects.

Solar Landscape does not support the 1 MW threshold because they believe this would cause the downscaling of projects, asserting that developers downsized projects in the first round of the CSEP to take advantage of the fact that projects under 1 MW were allowed to bid in without interconnection approval.<sup>40</sup> Solar Landscape opposes differential incentives for community solar projects sited on roofs. The commenter sees less of a problem with differentiating incentives for ground-mount projects, stating that such projects are typically a “bespoke negotiation” with a one-time counter-party. Finally, Solar Landscape states that since co-location for projects up to 10 MW is allowed for uncapped, municipally-owned landfill projects, it would make sense to “squeeze” projects taking advantage of this co-location by differentiating incentives based on size.

**RESPONSE:** Board Staff appreciates the consideration of differentiation of incentives for different project sizes and what those thresholds should be at based on project costs. Staff understands that smaller projects have the potential to cost more but also recognizes that, as noted by Rate Counsel, the existence of thresholds may discourage development of the most cost-efficient projects at the lowest cost per megawatt by incentivizing downsizing projects in order to take advantage of the higher ADI incentive. However, Staff does not recommend changes to the 1 MW threshold at this time. While Staff agrees with Rate Counsel about the risks of over-segmentation and notes potential issues with co-located projects, there remains a cost differential between larger and smaller projects such that different incentives are appropriate. As such, Staff does not believe further segmentation of incentives would be beneficial. Staff continues to recommend the use of DC capacity, which is more closely related to physical project size, costs and generation than AC capacity.

Please see March 2026 CSEP Order regarding implementation of S4530 / A5768 and changes in capacity allocations to community solar.

**6. Should the Board consider ADI incentives for storage paired with commercial and residential solar projects to support demand response? What criteria should be set for the addition of storage?**

**COMMENT:** The Rate Counsel opposed ADI incentives for storage on the ground that it could risk complicating and undermining New Jersey’s Garden State Energy Storage Program (“GSESP”).

MSSIA recommended separate incentives for behind-the-meter storage projects, noting that designing a hybrid incentive would be very difficult. MSSIA asserted that behind-the-meter-storage incentives should be designed based upon the same fixed 15-year incentive per KWh of storage capacity that has been proposed for front-of-the-meter storage and should be a high priority. In the commenter’s opinion, behind-the-meter storage can be deployed faster than front-of-the-meter storage and would reduce prices in PJM capacity markets, improve grid reliability, and facilitate verification because most projects already track their effectiveness in the PJM capacity and transmission markets as a part of their revenue generation. However, MSSIA asserts that tying storage incentives to solar projects would hamper the development of

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<sup>40</sup> It is not clear whether Solar Landscape understands that an incentive differential for projects larger or smaller than 1 MW is currently part of the SuSI.

distributed storage as an important new source of resource adequacy. For behind-the-meter storage co-located with solar, MSSIA noted that the optimal size of the storage system will vary widely based upon site characteristics, use cases, and revenue characteristics and asserted that it would be very difficult to design an incentive that would be optimally effective for both solar and storage. In addition, the commenter argues that not all storage projects can be co-located and that those that are not co-located can still be effective at achieving the policy goal of reducing prices in the PJM markets. MSSIA also commented that an incentive program that pulls distributed storage projects away from PJM sources of revenue, by which it appears to mean an incentive program that requires co-location, will make projects less economically viable and necessitate higher incentive levels.

The Joint Solar Parties and CS Energy asserted that exclusion of ADI-eligible projects from GSESP until next year is a missed opportunity to support more economically vulnerable segments of the solar market, as small-scale storage projects are important for grid reliability and mitigating rising PJM capacity costs.

Ecogy, CS Energy, and PowerFlex supported the consideration of ADI incentives for commercial and residential projects. Ecogy stated that criteria should be set in accordance with the existing requirements for Energy Storage Incentives. PowerFlex recommended that the Board allow stacking incentives and that solar paired with storage should be eligible for incentives in both ADI and GSESP.

Solar Landscape supported ADI incentives for front-of-the-meter storage projects sited on commercial or industrial properties, citing a study by the Brattle Group in support of its contention that this is the highest value use case for storage.<sup>41</sup> According to the commenter, these projects are at least as valuable as behind-the-meter projects when evaluated individually and are also faster to deploy. Solar Landscape believes that front-of-meter storage systems at commercial/industrial sites will become significantly more valuable as virtual power plants.

**RESPONSE:** Board Staff thanks the commenters for their input on an incentive adder for ADI-eligible solar facilities paired with storage. While concerns about timing and market support are duly noted, Staff believes that more information is needed to determine the optimal path forward. Therefore, Staff is seeking more input into distributed storage, which will be a part of the GSESP, and also a part of the Virtual Power Plant policies. Staff published a Request for Information on April 20, 2026<sup>42</sup>. Commenters are encouraged to provide their feedback on this topic in that proceeding.

**7. What incentive levels should be offered to projects that reuse materials from a previous project? Market participants have sought to reuse materials including but not limited to racking and other hardware.**

**COMMENT:** Rate Counsel did not support offering a higher incentive for projects that reuse components. Rate Counsel supported efforts to lower project costs through reuse of materials, when it is possible to do in safe and technologically appropriate means that are compliant with applicable codes. In Rate Counsel's opinion, reuse should result in the reduction of project costs,

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<sup>41</sup> Solar Landscape Comments Docket No. QO22080540 Storage Incentive Program & Brattle Study. December 18, 2024; The Brattle Group, Maximizing Value from New Jersey's Storage Incentive Program. December 16, 2024. [https://publicaccess.bpu.state.nj.us/DocumentHandler.ashx?document\\_id=1367856](https://publicaccess.bpu.state.nj.us/DocumentHandler.ashx?document_id=1367856).

<sup>42</sup> <https://www.nj.gov/bpu/pdf/publicnotice/VPP%20RFI%20Notice.pdf>

and these savings should be reflected in developer's economics. Rate Counsel noted that incentive levels should be based on what is needed to sustain development instead of what developers choose to include in their bill for materials.

The Joint Solar Parties commented that it is unlikely that any set of regulations can adequately account for the complexity of financial implications resulting from reuse of materials and that modeling would be inefficient and imprecise. The Joint Solar Parties recommended that applicants submit petitions that are supported by certified engineering analysis, on the basis of which the Board could accept, reject, or modify the incentive levels sought. In time, the commenter stated, the data gathered could lead to standardized regulatory guidance.

MSSIA believed that re-utilizing certain materials from previous projects is a rational, cost-effective, and environmentally positive practice that should be encouraged, while necessitating enhanced investigation, care, and design work from those doing the engineering and construction. However, MSSIA believed that re-utilization of materials from previous projects would only lead to small cost savings for small number of projects and thus recommends that it is not worth the added administrative burden. MSSIA still welcomes continued dialogue with the Board on how the practice of material re-use can be implemented.

CS Energy commented that many projects in New Jersey and other parts of the region are reaching the end of useful life and significantly underperforming compared to newer technology that have greater energy densities. CS Energy asserted that developers are interested in repowering sites, as there is 705 MW of solar that was built over 10 years ago in New Jersey. CS Energy recommended that the Board establish an incentive level deemed appropriate for repowering solar projects in the current ADI Program or allow participation under the current framework because New Jersey is the most densely populated state.

**RESPONSE:** Staff thanks all of the commenters for their feedback regarding incentives for projects that reutilize materials from a previous project. Staff believes that reutilization of materials should be encouraged, but the complexity and challenges of tracking the cost impact from such reuse make it impractical to develop a set of regulations or incentives as part of this proceeding. Staff appreciates the Joint Solar Parties' point regarding lessons learned from individual proceedings but does not believe that individual petitions provide the best path to solving this issue. Rather, Staff anticipates continued exploration of how best to develop a uniform policy or set of rules to promote the reuse of materials in solar projects and the repowering of solar facilities in a manner that optimizes savings for ratepayers and minimizes the social and environmental costs of solar development. Staff notes that comments on this topic have been taken in the recent SuSI Straw Proposal and encourages commenters to participate in the rulemaking proceeding that is expected to follow from that straw proposal.<sup>43</sup>

**8. Are ADI projects experiencing interconnection delays? If yes, please provide extent of delays, indicate the steps of the process in which delays are being experienced and comment on the extent delays are associated with particular EDCs.**

**COMMENT:** The Joint Solar Parties commented that the main issue is the diminished hosting capacity of the EDCs. The Joint Solar Parties noted that only ACE has taken meaningful steps to

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<sup>43</sup> The Straw Proposal (Docket No. QX25060355) released on March 20, 2026 can be found at this link: <https://www.nj.gov/bpu/pdf/publicnotice/Section%2014-8-11%20amendments.pdf> .

address this issue and encourage the Board to take a more proactive role in directing the remaining EDCs to submit infrastructure improvement plans focused on expanding hosting capacity. The Joint Solar Parties also noted that the interconnection process can be tied up by projects that while ahead of others in the interconnection queue are not meeting milestones, which is described as “squatting.” The commenter proposes that site control requirements be a part of interconnection applications and subsequential milestone requirements. They also noted that EDCs will not issue conditional permits until earlier projects in the queue complete upgrades, a protocol which creates further delays. The Joint Solar Parties stated that the CSEP requirement of a security deposit for awarded projects could address the issue and recommended that the Board accelerate its placement of an escrow agent to implement this practice.

MSSIA also asserted that the primary problem is interconnection problems. MSSIA specifically identified denials as an issue particularly when utilities are making upgrades required for connection, and stated that zero-export-only approvals, which are becoming more common, are equivalent to a delay. MSSIA pointed to one New Jersey school district that was developing solar projects to support their loan payments for energy efficiency programs at six of their schools, in which the utility denied all of their applications to interconnect despite the hosting map showing 12 circuits with existing capacity. According to MSSIA, the reason given for these denials was that a flood of applications from community solar projects had rapidly closed all of those circuits. MSSIA commented that utility hosting maps over the past two to three years revealed a very rapid closing or severe restriction of circuits throughout the state, a trend MSSIA predicts will only accelerate.

Ecogy, CS Energy, Standard Solar, PowerFlex, and Solar Landscape all reported ADI projects experiencing delays due to the interconnection process. Ecogy and Standard Solar commented that they experience delays from initial review and processing of applications for projects in PSE&G and JCP&L territories. Ecogy noted that applications to these EDCs can also be difficult to track and coordinate since they rely upon email communication that is not well organized. Solar Landscape asserted that delays were particularly harmful for community solar projects. CS Energy commented that the interconnection process in ACE can be delayed at multiple points, including two technical reviews, delays in invoicing, and long interconnection construction timelines. PowerFlex commented that interconnection delays are the biggest challenge to ADI projects, especially as some projects will need Permission to Operate within the next two years to be ITC eligible and recommended that the Board consider interconnection costs in ADI incentive levels. PowerFlex noted that the worst delays are in ACE, where the commenter has not pursued a new project since 2022, and more recently in PSE&G territory, noting that this year they have observed a 60% increase in time to receive interconnection approvals. PowerFlex commented that they observed a 66% increase in time for approval in PSE&G territory from 2024 to 2025 and that the utility has been unresponsive to follow-up emails for months, including one delay of more than 4 months for processing a 3 MW rooftop application. PowerFlex also noted it no longer pursues projects in ACE territory and that it has been denied applications by PSE&G for community solar projects, valuing over \$12 million in investment, without consideration by the EDC of alternative installation options.

CS Energy, Standard Solar, and Solar Landscape recommended revisions to the extension process to account for these delays. CS Energy urged the Board to prioritize strictly enforcing recently adopted reforms to the interconnection rules. Standard Solar recommended that deadlines should be related to interconnection review completion (based upon the latter of the date of the ADI or CSEP award or receipt of the full interconnection review and final cost estimate

from the utility). Standard Solar also recommended extending standard in-service deadlines to 2 years from application start date, allowing for two administrative 6-month extensions, and establishing automatic extensions for utility-driven delays. In addition, Standard Solar recommended that the Board adopt a process used in Illinois's solar incentive program and require a refundable deposit with each project extension, to be returned upon successful project completion. The commenter believes such deposits would discourage speculative applications. Solar Landscape recommended extending base deadlines from 1.5 to 3 years for all CSEP projects and enabling registration managers to grant extensions for projects that experience delays caused by EDCs or delays in procurement of long-lead-time equipment. Solar Landscape also strongly urged an immediate blanket extension as a means of mitigating the impact of the accelerated ITC termination.<sup>44</sup>

CS Energy noted that delays can be caused by projects in the interconnection queue that are inactive or speculative, which CS Energy has observed in the JCP&L territory, where they have a community solar project that is unable to be studied because of other proposed projects in the same circuit. Finally, the commenter stated that if S4530 became law and opened 3 GW of capacity under an open solicitation, the program's structure would mean the utilities were flooded with new interconnection requests.

**RESPONSE:** Board Staff notes that grid modernization proceedings are a priority for all of the Board's clean energy programs in order to address and expedite the large number of interconnection applications utilities will need to review. Staff believes that these changes will largely address commenters' concerns. The Board has already adopted amendments to N.J.A.C. 14:8-5.2 and 5.13 to require EDCs to implement an interconnection portal, called the common interconnection application process (CIAP). The Board intends for the CIAP to expedite interconnection applications significantly. The Board has also adopted amendments to N.J.A.C. 14:8-5 to add new timelines for interconnection applicants to prevent "squatting." Staff is also moving forward with a workgroup through the Grid Modernization Forum and intends to launch more workgroups in the future to make additional recommendations to the Board on increasing options to add capacity and accelerate interconnections. The first workgroup under the forum, the Integrated distribution DER group (Docket No. QO24030199) will result in minimum filing requirements for EDCs, including the requirement of having a proactive system upgrade plan, with the goal of increasing hosting capacity in a cost-effective way.

For residential projects, the Board previously addressed these concerns by waiving rules that required receipt of notice of conditional registration before beginning construction, in part to maintain eligibility for the ITC program. This Order also directed EDCs to expedite processing interconnection applications ahead of the December 31, 2025 deadline.<sup>45</sup>

**9. What specific additional costs do projects serving public entities face, and what level of incentive adder would fairly account for those costs? Are there other**

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<sup>44</sup> These comments were collected before the Board granted a waiver on August 13th for the requirement of waiting to construct before receipt of the ADI Program notice of conditional registration approval for residential and net-metered non-residential projects. Docket No. QO20020184.

<sup>45</sup> In re a Successor Solar Incentive Program Pursuant to P.L. 2021, c.169 – Order Allowing Certain ADI Projects to Begin Construction Prior to Receiving Conditional Registration, BPU Docket No. QO20020184, Order dated August 13, 2025.

**considerations that support providing a public entity adder? Please describe these factors.**

**COMMENT:** Rate Counsel commented that the adder should be reduced by 10 percent from \$20 to \$18 per MWh, noting that this recommendation is consistent with their broader recommendation to reduce incentives across all ADI segments.

The Joint Solar Parties, MSSIA, and CS Energy noted public entities experience additional associated soft costs for solar development and that the public benefits from these projects. The Joint Solar Parties commented that these costs include legal review, public engagement, enhanced insurance requirements, and compliance with municipal ordinances and state regulatory obligations. To properly account for these additional costs and continue supporting these projects, the Joint Solar Parties recommended that the Board evaluate the data from the program. MSSIA commented that public entities require prevailing wage for all solar projects, even though most of their projects are under 1 MW and thus prevailing wage is not required by program rules. The commenter also noted that public entities have been traditionally limited to third-party ownership rather than direct ownership, which although it entails more risk would provide more benefits. MSSIA also opined that costs of construction are often higher because bidders perceive that there will be higher administrative and procedural costs, along with restrictions on space and time for work. MSSIA believes that the greater monetary benefits of these projects, which are more broadly shared among taxpayers and students, justify these higher costs. MSSIA stated that roughly 35% of schools in New Jersey have installed solar and that MSSIA analysis indicates that for every \$1.00 of incentives paid, there is at least \$1.50 in cost savings. The commenter believes that this amount will likely increase due to rising cost of electricity. CS Energy also stated that public entities incur additional soft costs, including more complex bidding, legal review, and contract negotiations. CS Energy recommended a 10% adder as reasonable and likely to yield long-term benefits to communities and ratepayers. The NJSBA recommended that the Board continue the current adder for public entities, noting that reduced energy costs realized by school districts translate into direct taxpayer savings.<sup>46</sup> While acknowledging that such incentives would be criticized on the ground that they increase ratepayer costs, the commenter argues that the cost of not incentivizing solar projects would be even higher because, in NJSBA's opinion, continued capacity shortages or alternative energy sources such as nuclear or natural gas would be more costly.

**RESPONSE:** Board Staff appreciates the commentors' justification for the additional adder for public entities and agrees that the additional complexity coupled with the important benefits of projects associated with public entities warrants additional incentive. Staff recommends maintaining the current adder. Staff will consider reducing the adder in the future in order to reduce costs to ratepayers.

**Other – General**

**COMMENT:** Rate Counsel commented that they prefer the CSI Program over the ADI Program because it believes that the latter is based upon an outdated and inefficient incentive model. Rate Counsel believed that incentives based upon competitive bidding are more appropriate for what they believe to be a mature solar energy market, rather than making "guesses" about appropriate incentive levels for various types of solar energy developments. Rate Counsel asserted that the continued reliance on the ADI Program, which makes up for over 66% of all SuSI Program capacity goals, is a disservice to ratepayers.

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<sup>46</sup> NJSBA identified the cost of the public entity adder as \$10 but it is \$20.

**RESPONSE:** Board Staff appreciates the commenter’s support for the CSI Program. Staff notes that New Jersey has a longstanding commitment to fostering the development of different types and sizes of solar facilities, including smaller projects and those sited on preferred land uses, and doing so at a reasonable cost to ratepayers.

**COMMENT:** Rate Counsel commented that the ADI program should be evaluated with discipline to provide relief to ratepayers. The Rate Counsel estimated that the current annual clean energy cost is \$1.27 billion, which is increasing by 15% on an annual average basis over the past decade and has amounted to a total cost of \$7.42 billion in solar energy financial support. Rate Counsel asserted that these increases are unaffordable for most households and need to stop based upon energy affordability concerns.

**RESPONSE:** Board Staff believes that programs should be evaluated based upon concern for energy affordability and should not be supporting the different types of solar development more than what is required to achieve New Jersey’s clean energy goals, which align with both short- and long-term energy affordability and resilience.

**COMMENT:** The NJSBA recommended that the Board establish a new segment or category that specifically incentivizes the development of canopy solar projects. NJSBA shared that these types of projects could especially serve public school districts and property taxpayers and that these types of developments are superior than using greenfield sites as “best use” of land. The NJSBA noted, however, that these types of developments have cost limitations, namely the price of steel.

**RESPONSE:** Board Staff appreciates this comment and supports the development of canopy solar projects. Staff believes that these types of projects are well suited to serve public school districts. While Staff believes that solar canopies on parking lots is better siting option than greenfield sites, Staff continues to believe that there is not adequate justification for any additional incentive beyond that for rooftop projects.

**APPENDIX B-1: Estimates of Cost Cap and Applicable Incentive Costs EY 2019 – 2027  
 Using the Social Cost of Carbon from the 2016 IWG Report**

Energy Year	Numerator Costs				Numerator Benefits			Numerator: Total Net Costs	Denominator
	SRECs (\$)	TRECs (\$)	Non-Solar Class I RECs (\$)	SREC-IIs (\$)	Energy DRIPE (\$)	Capacity DRIPE (\$)	CO2 Emissions Reduction Benefits (\$)	(costs minus benefits) (\$)	(includes adjustments) (\$)
2019	597,056,015	0	79,254,419	0	2,039,429	75,106,798	269,083,759	330,080,448	10,126,800,000
2020	718,628,584	0	89,997,891	0	2,288,518	84,280,092	254,107,191	467,950,674	9,696,900,000
2021	879,374,161	16,721,217	158,944,991	0	2,519,987	92,804,497	316,451,995	643,263,889	10,194,700,000
2022	812,595,198	60,332,026	180,933,237	261,900	2,802,455	103,207,037	312,305,251	635,807,618	10,614,300,000
2023	753,829,923	112,664,323	285,259,894	7,422,889	2,961,312	109,057,343	353,712,982	693,445,392	10,970,588,000
2024	653,253,442	129,670,848	458,896,788	31,439,809	3,240,051	119,322,537	415,200,716	735,497,583	11,271,215,000
2025 (True-up)	630,787,636	141,779,538	552,327,305	63,503,582	3,458,774	127,377,527	576,626,112	680,935,920	12,594,631,000
2026 (Estimate)	607,618,927	158,720,331	546,617,338	92,256,403	3,594,477	132,375,111	586,513,921	682,729,490	14,707,846,277
2027 (Forecast)	560,658,589	170,678,712	653,649,307	159,441,084	3,936,387	144,966,756	694,002,339	701,522,210	15,199,341,161

Energy Year	Annual Cost Cap Calculation (%)	Annual Cost Cap Limit		Annual Head Room Available	Annual Head Room with Carry Over (EY19 – EY27)
	((Numerator / Denominator) * 100) (%)	% of total paid for electricity	Cost Cap Limit (\$)	(cost cap limit minus total net costs) (\$)	(\$)
2019	3.26%	9%	911,412,000	581,331,552	581,331,552
2020	4.83%	9%	872,721,000	404,770,326	986,101,878
2021	6.31%	9%	917,523,000	274,259,111	1,260,360,989
2022	5.99%	7%	743,001,000	107,193,382	1,367,554,371
2023	6.32%	7%	767,941,160	74,495,768	1,442,050,139
2024	6.53%	7%	788,985,050	53,487,467	1,495,537,606
2025 (True-up)	5.41%	7%	881,624,170	200,688,250	
2026 (Estimate)	4.64%	7%	1,029,549,239	346,819,749	
2027 (Forecast)	4.62%	7%	1,063,953,881	362,431,672	

**Notes:**

Actual values from the EY 2019 to EY 2025 Renewable Portfolio Standard are highlighted in gray.

**APPENDIX B-2: Estimates of Cost Cap and Applicable Incentive Costs EY 2019 – 2027  
 Using the Social Cost of Carbon from the 2023 EPA Report**

	Numerator Costs				Numerator Benefits			Numerator: Total Net Costs	Denominator
Energy Year	SRECs (\$)	TRECs (\$)	Non-Solar Class I RECs (\$)	SREC-IIs (\$)	Energy DRIPE (\$)	Capacity DRIPE (\$)	CO2 Emissions Reduction Benefits (\$)	(costs minus benefits) (\$)	(includes adjustments) (\$)
2019	597,056,015	0	79,254,419	0	2,039,429	75,106,798	269,083,759	330,080,448	10,126,800,000
2020	718,628,584	0	89,997,891	0	2,288,518	84,280,092	254,107,191	467,950,674	9,696,900,000
2021	879,374,161	16,721,217	158,944,991	0	2,519,987	92,804,497	316,451,995	643,263,889	10,194,700,000
2022	812,595,198	60,332,026	180,933,237	261,900	2,802,455	103,207,037	312,305,251	635,807,618	10,614,300,000
2023	753,829,923	112,664,323	285,259,894	7,422,889	2,961,312	109,057,343	353,712,982	693,445,392	10,970,588,000
2024	653,253,442	129,670,848	458,896,788	31,439,809	3,240,051	119,322,537	415,200,716	735,497,583	11,271,215,000
2025 (True-up)	630,787,636	141,779,538	552,327,305	63,503,852	3,458,774	127,377,527	2,179,307,511	(921,745,479)	12,594,631,000
2026 (Estimate)	607,618,927	158,720,331	546,617,338	92,256,403	3,594,477	132,375,111	2,216,677,612	(947,434,201)	14,707,846,277
2027 (Forecast)	560,658,589	170,678,712	653,649,307	159,441,084	3,936,387	144,966,756	2,622,920,605	(1,227,396,056)	15,199,341,161

	Annual Cost Cap Calculation (%)	Annual Cost Cap Limit		Annual Head Room Available	Annual Head Room with Carry Over (EY19 – EY27)
Energy Year	((Numerator / Denominator) * 100) (%)	% of total paid for electricity	Cost Cap Limit (\$)	(cost cap limit minus total net costs) (\$)	(\$)
2019	3.26%	9%	911,412,000	581,331,552	581,331,552
2020	4.83%	9%	872,721,000	404,770,326	986,101,878
2021	6.31%	9%	917,523,000	274,259,111	1,260,360,989
2022	5.99%	7%	743,001,000	107,193,382	1,367,554,371
2023	6.32%	7%	767,941,160	74,495,768	1,442,050,139
2024	6.53%	7%	788,985,050	53,487,467	1,495,537,606
2025 (True-up)	-7.32%	7%	881,624,170	1,803,369,649	
2026 (Estimate)	-6.44%	7%	1,029,549,239	1,976,983,440	
2027 (Forecast)	-8.08%	7%	1,063,953,881	2,291,349,937	

Notes: Actual values from the EY 2019 to EY 2025 Renewable Portfolio Standard are highlighted in gray.

**APPENDIX C: Summary of Energy Year 2027 Megawatt Blocks**

<b>Market Segment</b>	<b>Size</b> (measured in MWdc)	<b>MW Blocks for EY 2027</b>
Net Metered Residential	All types and sizes	300 MW
Small Net Metered Non-Residential, Rooftop, Carport, Canopy, and Floating Solar	All projects smaller than 1 MW	150 MW (4 segments)
Large Net Metered Non-Residential, Rooftop, Carport, Canopy, and Floating Solar	Projects 1 MW to 5 MW	
Small Ground Mount Net Metered Non-Residential	All projects smaller than 1 MW	
Large Ground Mount Net Metered Non-Residential	Projects 1 MW to 5 MW	
Remote Net Metering	Up to the 5 MW statutory limit	50 MW
Community Solar	Up to the 5 MW statutory limit	(Unused EY 2026 capacity)