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**Remarks of Stefanie A. Brand,  
Director of the N.J. Division of Rate Counsel  
Regarding A915 (Authorizes Creation of Local Renewable Energy Generation  
Systems) and A3142, Presented at the Assembly Telecommunications and  
Utilities Committee Meeting  
September 13, 2010**

Good morning. My name is Stefanie Brand. I am the Director of the Division of Rate Counsel. I would like to thank Chairman Chivukula and Members of the Assembly Telecommunications and Utilities Committee for the opportunity to testify today regarding Bills A915 (authorizes the creation of local renewable energy generation systems and provides for the sale of renewable power generation) and A3142 (Directs BPU to undertake local government renewable energy generation demonstration project).

The Division of Rate Counsel represents and protects the interest of all utility consumers—residential customers, small business customers, small and large industrial customers, schools, libraries and other institutions in our communities. Rate Counsel is a party in cases where New Jersey utilities seek changes in their rates or services. Rate Counsel also gives consumers a voice in setting energy, water and telecommunications policy that will affect the rendering of utility services well into the future.

Rate Counsel strongly urges this Committee not to pass A915 and A3142 out of Committee today. Both bills set up a structure that is overly complicated and unworkable. They are also simply unnecessary. The state is well on its way to developing a robust solar industry and the programs established by these bill do not add to that progress. They create overly complicated and unnecessary subsidies and programs.

A915 allows residential customers to join together as a cooperative or “LREC” and sign up with a solar developer to create a “CREG” to generate solar electricity to sell into the PJM grid. If that’s not enough to confuse you, there is then a complicated equation by which the utilities are required to collect the money from PJM and return it to the LREC members at varying rates that don’t necessarily correspond to what they paid or what they collected in payments from PJM. It is an arrangement so complicated that those of us who do this for a living can’t even figure it out. Imagine what will happen when a developer tries to explain it to a group of consumers who are not versed in the “the PJM electric power-pool’s real-time locational marginal pricing rate...for the respective zone in the PJM electric power pool.” The system designed by this bill is so complicated that it will inevitably lead to disputes and abuses. Consumers who are trying to save on their electricity costs and support renewable energy deserve a bill they can understand, and additional time should be taken to make this bill workable before it leaves committee.

Not only are we concerned about consumer confusion and consumer protections, the provisions providing for these solar projects to connect to the grid could raise reliability issues that would have to be addressed in order to ensure reliability of the grid

and avoid added costs for other ratepayers. There does not appear to be a limit in the bill on the size of the projects, and yet the distribution systems they must be connected to can reliably interconnect only with smaller projects. It is difficult or impossible to reliably interconnect more than a few megawatts of generation to most distribution circuits given their current design. PJM will inevitably require interconnection studies before these projects can connect to the grid. Ratepayers should not be asked to pay for these studies or any necessary improvements to the distribution systems that are required for these projects. The bill, however, is silent on that point. The bill is also silent on who bears the cost if the electricity sold by the CREGS is worth less than what the utility must pay to the LRECs. The bill does not ensure that ratepayers as a whole will not be asked to subsidize these projects.

A915 thus provides a subsidy where none is warranted. Several existing programs already provide ratepayer funded incentives to encourage renewable energy, and those programs are succeeding in positioning this state to meet its renewable goals. A review is currently ongoing to examine those programs and refine our policies and goals to further improve the State's renewable energy programs. This bill should not go forward while that review is pending.

A3142 ostensibly sets up a "pilot" so that a municipal or county government can set up a "CREG" program like the ones in A915. The bill goes further, however, to make clear that ratepayers will subsidize any discrepancy between the revenues of the project and its costs through a "reconciliation clause." Once again this bill is unfair and unworkable. There is no policy justification for adding additional costs to ratepayers when they are already subsidizing solar through the Societal Benefits Charge. There is

also no need for this additional program given that municipalities and counties may already build solar facilities on their property and use the revenues to offset their energy costs – which will ultimately flow to their citizens hopefully through property tax reductions. There is simply no need to create a new, extremely complicated program when current programs suffice to meet the state’s goals of encouraging cost-effective renewable energy.

Finally, what I hope is just a housekeeping matter, both bills delete from N.J.S.A. 48:3-87 language that says:

An electric power supplier or basic generation service provider may satisfy the requirements of this subsection by participating in a renewable energy trading program approved by the board in consultation with the Department of Environmental Protection.

This language has been relied upon by the Board to support the development of the Renewable Energy Credit trading programs that currently support renewable energy programs. It is not clear whether this language was simply moved elsewhere, but I did not see it, and I note that it is important to provide legal support to our current programs.

In sum, the programs established by these bills are unworkable and unnecessary. They add ratepayer subsidies to benefit certain customers but serve no compelling societal goal. Adding such subsidies to those already funded by ratepayers through the Societal Benefits Charge is unfair and unnecessarily burdens ratepayers who are already struggling to pay their bills. We therefore urge that these bills not be passed out of Committee today.

Thank you for the opportunity to testify. I am available to answer any questions.