

**Comments of
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Public Service Electric and Gas Company (PSE&G)**

**BPU Review of Solar Programs
BPU Docket No. EO11050311V
November 17, 2011**

Good afternoon. My name is Al Matos, and I am Vice President – Renewable Energy Solutions for PSE&G. PSE&G has been an active participant in the BPU's stakeholder proceeding examining the future of utility solar programs. We thank you for the opportunity to take part in this process, and to present an update and additional comments today on the BPU's inquiry into the continuing role for utilities in fostering solar development in New Jersey.

At the outset of this proceeding, on May 31st of this year, PSE&G submitted detailed written comments describing the benefits of utility solar programs. PSE&G has two important solar financing programs. Through both the Solar 4 All and Solar Loan programs, PSE&G has helped New Jersey create jobs, support economic development, and support solar development in hard-to-reach market sectors. As of today, PSE&G's Solar 4 All program has hired 18 firms

to develop and build solar facilities. The many engineers, laborers from union halls, and other professionals employed in this process represent the addition of over 600 jobs since Solar 4 All was approved. Add to that another 400 jobs that have been supported by the solar developed through the Solar Loan program. We are proud that many local suppliers have been able to participate providing manufacturing, technology and other innovative products and services to our projects. PSE&G's commitment to use qualified local firms at market competitive prices is one of the keys to providing our citizens and ratepayers effective, transparent and market-based costs in building solar.

Our Solar 4 All and Solar Loan programs are utility-based financing programs approved by the BPU to help establish a solar market in NJ at the least cost to ratepayers. That remains our objective as the market continues to establish itself. While PSE&G's approach is innovative and highly successful, we do recognize that the state's other EDCs submitted to the Long Term Contracting of SRECs as ordered by the BPU. As articulated in prior discussion,

PSE&G remains strongly opposed to implementing Long Term Contracting for SRECs. The reasons are simple. PSE&G does not believe that implementing a program that places a liability on its balance sheet without a corresponding asset is prudent business practice. It will raise the company's level of risk, which translates into higher costs for ratepayers as a hidden subsidy for solar. Rating agencies such as Standard & Poors have expressed this opinion as well. PSE&G's solar financing programs, both Solar 4 All and the Solar Loan program, have assets and liabilities and have been executed as planned, providing the solar industry the opportunity to competitively develop and build solar using PSE&G's low cost of capital, benefiting ratepayers. In our Solar 4 All program all value from the sale of the electricity produced and capacity sold to PJM is returned to ratepayers. Likewise, the full value of SRECs and tax credits generated through these programs is returned to ratepayers, thus minimizing the total cost to ratepayers to build solar. In our solar loan program, I believe we have demonstrated a track record of

delivering programs that brought solar capacity on line when it was needed most at a lower cost than other utility programs.

Participation in PSE&G's solar financing programs, which are authorized by the "RGGI" statute, NJSA 48:3-98.1, needs to be expanded, and this working group's recommendation should provide for that expansion. We believe that this expansion would benefit the market and continue to create jobs in a predictable and transparent way. Indeed, as the Division of Rate Counsel has noted during these proceedings, utility programs are transparent to the public and, by their nature, subject to BPU and Rate Counsel review.

With regard to SREC prices, those prices will be driven by supply and demand, which in turn is driven by the RPS. PSE&G's solar financing programs, and particularly the Solar 4 All program, provide a source of predictable supply that helps to stabilize the SREC market. Moreover, PSE&G's programs provide work for firms that can be competitive due to the support provided by those programs, and those programs also support solar projects in markets where they normally would not be built. This strategy of building solar

sites in under-served markets such as landfills, government facilities and wholesale warehouses makes great use of sites that want solar but are generally unable to execute the project due to a variety of barriers and challenges. PSE&G can implement solar projects at such locations due to our size, our scale and our long term view, thereby unlocking economic value that benefits all of New Jersey. When PSE&G expands these programs it helps NJ enhance its economic development and workforce by creating jobs, driving innovation and providing these markets with a trusted neighbor to operate these solar facilities over the long term of 15 to 25 years.

Over the past several months, many in the solar industry have told me of the great value that PSE&G's solar financing programs, both Solar 4 All and Solar Loan, have been to the industry, and comments in these working group meetings regarding PSE&G's programs have also been positive. Indeed, PSE&G is not aware of any suggestions in this generic proceeding that either of PSE&G's solar financing programs should be cut back or discontinued. Our programs have helped establish New Jersey as a leading solar

market, and while some would say that the SREC market has crashed, I believe the market is doing what it was designed to do; that is, to decouple the price of SRECs from the SACP so that the SREC finds its economic equilibrium price, properly sustaining competitive solar development while minimizing the subsidies paid by ratepayers.

Our track record for program execution speaks for itself. In the short time since the approval of the Solar 4 All program in August 2009, PSE&G has brought 15 solar facilities on line, and installed over 110,000 solar units on utility poles. The Solar Loan program has helped to fund over 430 solar projects that are now in-service, which includes about 370 residential systems. Together, these systems have created over 1,000 jobs.

In closing, I note that there remains a vital and important role for PSE&G in helping achieve the solar energy objectives by extending the Solar 4 All Program to target underserved markets. In these remarks I have emphasized the economic benefits of the programs PSE&G has provided, in terms of jobs, the economic development

benefits of supporting a new manufacturing industry, and helping to stabilize the solar market through regular investment. If the State is to continue to provide subsidies for the continued development of this vital industry, utility financing programs are our best approach. As the BPU moves forward with charting a clean energy future that includes solar development, PSE&G continues to look forward to working with BPU Staff, the Division of Rate Counsel and other parties in this important endeavor.

Thank you very much for your time and attention.