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April 16, 2025

Via Electronic Mail board.secretary@bpu.nj.gov

Sherri L. Lewis, Secretary of the Board
44 South Clinton Ave., 1st Floor
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Trenton, NJ 08625-0350

**Re: I/M/O Successor Solar Incentive Program Pursuant to P.L. 2021, C.169
I/M/O Certification of Energy Year 2023 COS CAP Calculation and
Setting ADI Program Megawatt Blocks for Energy Year 2025
BPU Docket Nos. QO20020184 & QO24020117**

Dear Secretary Lewis:

Please accept for filing these comments being submitted on behalf of the New Jersey Division of Rate Counsel in accordance with the request for information ("Notice") issued by the Board of Public Utilities ("Board") in this matter on March 17, 2025. In accordance with the Notice, these comments are being filed electronically with the Board at board.secretary@bpu.nj.gov.

Please acknowledge receipt of these comments.

Sherri L. Lewis,
Secretary of the Board
April 16, 2025

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Thank you for your consideration and attention to this matter.

Respectfully submitted,

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STATE OF NEW JERSEY
BEFORE THE BOARD OF PUBLIC UTILITIES

IN THE MATTER OF SUCCESSOR)	
SOLAR INCENTIVE PROGRAM)	Docket No. QO20020184
PURSUANT TO P.L. 2021, C.169)	
)	
IN THE MATTER OF CERTIFICATION)	
OF ENERGY YEAR 2023 COST CAP)	
CALCULATION AND SETTING)	Docket No. QO24090723
ADI PROGRAM MEGAWATT BLOCKS)	
FOR ENERGY YEAR 2025)	

COMMENTS OF THE
NEW JERSEY DIVISION OF RATE COUNSEL
IN RESPONSE TO THE BOARD’S NOTICE DATED MARCH 17, 2025

APRIL 16, 2025

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I. Introduction

The New Jersey Division Rate Counsel (“Rate Counsel”) thanks the Staff of the Board of Utilities (“Board Staff”) for the opportunity to provide these written comments in response to the Request for Comment contained in the Notice issued March 17, 2025, regarding the potential use of an updated Social Cost of Carbon Dioxide (“SC-CO2”) value in calculating the cost cap established by the Clean Energy Act of 2018 (“Clean Energy Act” or “CEA”).

Rate Counsel appreciates Board Staff initiating this stakeholder process and the opportunity for public input on a topic that will have significant implications for New Jersey’s clean energy development costs and how those costs are recovered in the rates of every New Jersey household, business, and industry.

Rate Counsel is the statutory representative of New Jersey’s ratepayers in all matters before the Board of Public Utilities (“BPU” or “Board”). As such, Rate Counsel has a strong and continuing interest in ensuring that the Board’s implementations of the renewable energy cost cap remain faithful to the legislative intent of the Clean Energy Act—namely, to support the development of clean energy resources while safeguarding ratepayers from unreasonable or unjustified costs. Our remaining written comments in response to the Request for Comment are organized into six sections as follows:

Section II provides background on the enabling legislation for the clean cost rate cap, the specifics regarding the cost cap calculation, and why the legislative precedent and methodological approaches are important to this proceeding and assuring affordable energy for all New Jersey ratepayers;

Section III outlines additional methodological, legal, and modeling concerns associated with the Board Staff’s proposed SC-CO2 value;

Section IV discusses the risks of relying on volatile federal policy changes in long-term cost cap planning;

Section V evaluates the cost and ratepayer impacts of using revised SC-CO₂ values in cost cap calculations;

Section VI presents Rate Counsel's recommendations to the Board; and

Section VII concludes with a summary of concerns and call for measured, transparent regulatory action.

Board Staff's proposal will make a dramatic change to how the sSC-CO₂ is calculated, relying upon a proposal from the prior federal administration—one that is almost certainly to be changed in the current administration. The methodology proposed by Board Staff will use a different discount rate—different than previously used and different from the discount rate that is traditionally utilized. This change will have a dramatic impact on the rates paid by New Jersey ratepayers, increasing them exponentially. This is even more concerning given the affordability issues plaguing ratepayers this year. Moreover, basing changes to the SC-CO₂ social cost of carbon based on political considerations will add a level of volatility that will harm not only ratepayers, but investors seeking certainty in the market. Board Staff's proposed change does not make sense methodologically, technically or historically and will have a significant adverse impact on ratepayers. For this reason, Staff's proposal should be rejected.

II. Background

In 2018, New Jersey enacted the Clean Energy Act (P.L. 2018 c.17), a landmark legislation aimed at advancing the State's commitment to renewable energy and long-term sustainability. The CEA establishes ambitious goals for increasing the share of electricity derived from renewable generation sources as well as a host of other clean energy initiatives.

The goal of the legislation is not only to reduce greenhouse gas (“GHG”) emissions, but also foster economic growth within the clean energy sector and New Jersey as a whole. Among other provisions, the CEA increases New Jersey’s Renewable Portfolio Standard (“RPS”) to require that 50 percent of electricity sold in the State be derived from Class I renewable energy sources by 2030.¹

In the years leading up to the CEA, New Jersey expanded several clean energy incentives including the RPS, the Solar Renewable Energy Certificate (“SREC”) program, energy efficiency, building decarbonization, and early-stage offshore wind (“OSW”) development. While these efforts positioned New Jersey as a national leader in clean energy development, the CEA also brought increased scrutiny over program costs, rate impacts, and long-term affordability of clean energy mandates.

The legislature also recognized that growth in New Jersey’s renewable energy programs must be balanced with reasonable protections for ratepayers. Specifically, Section 38 (d) (2) of the Clean Energy Act states:

...the Board shall ensure that the cost to customers of the Class 1 renewable energy requirement imposed pursuant to this subsection shall not exceed nine percent of the total paid for electricity by all customers in the State for energy year 2019, energy year 2020, and energy year 2021, respectively, and shall not exceed seven percent of the total paid for electricity by all customers in the States in any energy year thereafter.

In the 2021 amendments to the CEA, which established the successor solar program, the legislature modified the cost cap calculation by requiring that “such calculation reflect any energy and environmental savings attributable to the Class I program including, but not be

¹ “Governor Murphy Signs Historic Clean Energy Legislation,” State of New Jersey, Office of the Governor, May 23, 2018. https://www.nj.gov/governor/news/news/562018/20180523a_cleanEnergy.shtml

limited to, the social cost of carbon dioxide emissions.” P.L. 2021 c. 169. Specifically, N.J.S.A 48:3-87(d)(4) states:

In calculating the cost to customers of the Class I renewable energy requirement, the board shall reflect any energy and environmental savings attributable to the Class I program in its calculation, which shall include, but not be limited to, the social cost of carbon dioxide emissions at a value no less than the most recently published three percent discount rate scenario of the United States Government Interagency Working Group on Social Cost of Greenhouse Gases.

To implement this statutory directive, the Board adopted N.J.A.C. 14:8-2.12, which sets forth the procedures and methodologies by which the Board calculates compliance with the cost cap. Under this rule, the Board calculates the gross costs of qualifying Class I renewable energy programs and subtracts quantifiable energy and environmental savings to determine net cost, which is incorporated to the applicable statutory cap.²

The environmental savings component includes the value of avoided GHG emissions, which is calculated by multiplying avoided emissions by an assigned SC-CO2 value.³ Under N.J.A.C 14:8-2:12(a)(2)(iii), the SC-CO2 value must be equal to or greater than the SC-CO2 value reported under the three percent discount rate scenario estimated by the Interagency Working Group (“IWG”).⁴

This framework reflects the legislature’s intent to strike an appropriate balance between advancing clean energy development and maintaining affordability for New Jersey’s residential and small commercial ratepayers. To implement this mandate, the Board adopted rules to guide the implementation of the cost cap in a manner that ensures both transparency and ratepayer protection, as is reflected in N.J.A.C.14:8-2:12:

² N.J.A.C. 14:8-2.12(a)(2).

³ Id. at (a)(2)(iii).

⁴ Id.

...the Board finds that establishing a clear and transparent methodology for calculating the Cost Cap is necessary to implement the statutory requirement while ensuring that **clean energy investments remain affordable to all New Jersey ratepayers.**

The cost cap mechanism serves not only as a safeguard for ratepayers, but also as a tool for promoting transparency, accountability, and fiscal discipline in the administration of clean energy programs across New Jersey.

Underpinning any calculation must be the legislature's concern that costs to ratepayers are not unduly burdensome as evidenced by the mandate that the Board "take any steps necessary to prevent the exceedance of the cap on the cost to customers including, but not limited to, adjusting the Class I renewable energy requirement" N.J.S.A. 48:3-87(d)(4).

III. Problems with the Proposed SC-CO2 Value

a. Methodological Concerns

The revised SC-CO2 estimate published by the United States Environmental Protection Agency ("EPA") in 2023 is \$204/ton (or \$233 adjusted for inflation by Staff). Based on this calculation Board Staff proposes a \$245/ton value for calculating the EY2024 cost cap—substantially higher than the current standard used by the Board, which values SC-CO2 at \$57 or \$62 adjusted for inflation in EY2023. Notably, the revised figure was not issued by the IWG, but was instead derived from an independent study prepared by the EPA.⁵ Importantly, the proposed SC-CO2 value from the EPA study used a two percent discount rate which is lower than all three discount rate scenarios presented in the IWG Report.⁶ This lower discount rate

⁵ U.S. Environmental Protection Agency, Proposed Rule: Update to the Social Cost of Greenhouse Gases Estimates, 88 Fed. Reg. 75242 (Nov. 16, 2023).

⁶ See, White House Office of Management and Budget (OMB) Circular No. A-94, Guidelines and Discount Rates

materially increases the present value of projected climate damages and significantly inflates the SC-CO2 value.⁷ Substituting this lower rate into the cost cap framework will result in disproportionately high and likely questionable estimates of environmental benefits, which will (a) understate the true net cost of Class I renewable energy and other clean energy programs, (b) result in high renewable and clean energy budgets and financial support allowances, and (c) will lead to higher than necessary rates and detrimental ratepayer impacts (that includes diminishing household energy affordability).

While some may argue that lower discount rates better reflect intergenerational equity, applying them in a fashion that is inconsistent with basic economic principles and assumptions will likely lead to volatile outcomes. In the context of a statutory rate impact cap, this volatility will create financial uncertainty for ratepayers and clean energy developers. Importantly, clean energy developers must finance projects in capital markets at rates far in excess of two percent, a rate which at this point in time does not even come close to covering inflation., and these rates are ultimately passed onto ratepayers. This leads to a disconnect in the measurement of the cost of clean energy benefits and costs, which in turn, leads to economic inefficiencies that are borne exclusively by ratepayers through higher energy bills: something the spirit of the CEA seeks to avoid.

In addition to the theoretical shortcomings, the revised SC-CO2 estimate proposed by Board Staff raises significant policy concerns. As demonstrated later in section V, substituting a lower discount rate materially inflates the estimated environmental benefits used in the cost cap

for Benefit-Cost Analysis of Federal Programs Appendix D; the federal government currently defines a social discount rate for use in analyses of public investments of 3.1 percent if the benefits or costs included in the analysis do not reflect certainty-equivalent valuations.

⁷ U.S. Environmental Protection Agency, Proposed Rule: Update to the Social Cost of Greenhouse Gases Estimates, 88 Fed. Reg. 75242 (Nov. 16, 2023).

calculation. This overstates the net benefits of Class I renewable and clean energy program costs, results in higher program budgets and ratepayer financial support for clean energy, and entirely disregards the Legislature’s intent to protect ratepayers. Equally egregious is the fact that the revised EPA value reflects global damages rather than United States-specific or New Jersey-specific impacts.⁸ The use of a global estimate will require New Jersey ratepayers to financially support environmental benefits to which they have little to no claim. Put differently, the use of a global SC-CO2 estimate will confer environmental benefits to those outside the state, at New Jersey ratepayers’ expense—clearly not something suggested nor implied by the legislatively mandated cost-cap.

Considering these issues, the EPA’s 2023 SC-CO2 estimates represent a significant methodological departure from the value currently utilized. The use of such deficient SC-CO2 valuations will only serve to undermine the Legislature’s intent to protect ratepayers from excessive renewable and other clean energy program costs.

b. Legal and Regulatory Concerns

In addition to methodological flaws, Board Staff’s proposal to use the EPA’s revised SC-CO2 estimates raises significant legal and regulatory concerns. First, the EPA’s revised estimate was published as part of a proposed rule, not a final peer-reviewed analysis adopted by the IWG or approved by the Office of Management and Budget (“OMB”).⁹ It therefore lacks the procedural rigor to place it in the same category as the most recently published IWG value currently relied on by the Board.¹⁰

⁸ U.S. Environmental Protection Agency, Report on the Social Cost of Greenhouse Gases: Estimates Incorporating Recent Scientific Advances, EPA-HQ-OAR-2021-0317, November 2023, Executive Summary, at pg. 1.

⁹ Id. at 9.

¹⁰ N.J.A.C 14:8-2.12(a)(2)(iii).

Second, even if the EPA's SC-CO2 estimate were finalized at the federal level, its use would still be inconsistent with the Board's historic practice because the proposed two percent discount rate is lower than all three discount rate scenarios historically considered under the IWG Report. The Board's prior decision to utilize higher discount rates reflect both regulatory precedent¹¹ and a deliberate policy balance between environmental benefits and ensuring cost containment.

Third, the proposed SC-CO2 value could violate New Jersey statutes where SC-CO2 estimates are commonly applied. For instance, the proposed SC-CO2 estimate would violate the statutory requirements for OSW projects which require the cost-benefit analysis for a qualifying project to demonstrate "positive economic and environmental net benefits to the State."¹² Because the proposed SC-CO2 value reflects global rather than New Jersey-specific impacts, it could not be used to measure the cost effectiveness of OSW projects.

Finally, using a global damage-based SC-CO2 value in a state-specific cost containment mechanism may exceed the scope of authority under the CEA which directs the Board to ensure that annual increases in rates arising from renewable energy costs do not exceed a formulaic percentage. By applying a valuation that is for global climate damages, rather than those reasonably attributed to New Jersey or the United States, the Board may be exceeding the scope of cost and benefits contemplated by the Legislature.¹³

¹¹ Interagency Working Group, Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis, (August 2016).

¹² N.J.A.C. 48:3-87.1(b)(1)(b).

¹³ Chamber of Commerce v. EPA, 642 F.3d 192, 200–01 (D.C. Cir. 2011) (benefits must reasonably relate to statutory objectives of cost regulation).

These legal and regulatory risks further reinforce the need for caution. Any changes to the SC-CO₂ value used in cost cap calculations should be made through formal, transparent process and remain consistent with both the letter and spirit of the CEA.

Taken together, the methodological shortcomings of the EPA's revised SC-CO₂ value and its inconsistencies with the Board's existing regulatory framework present serious concerns that warrant rejection of Board Staff's proposal. Board Staff's proposal will only serve to introduce a volatile, politically sensitive federal metric into a statutory mechanism that is fundamentally designed to ensure long-term affordability and stability for all New Jersey ratepayers at a time when BPU has reiterated its commitment towards ensuring affordability.¹⁴

IV. Timing and Volatility

a. Historical Swing in Federal SC-CO₂ Values

The potential adoption of the EPA's revised SC-CO₂ value also raises broader questions of timing, consistency, and policy volatility. The SC-CO₂ value has historically fluctuated across federal administrations and policy environments, with major changes observed under the Obama, Trump, and Biden administrations. Anchoring long-term cost containment calculations to such a shifting metric creates unnecessary exposure for New Jersey ratepayers and undermines the predictability of the Board's energy framework.

Specifically, the IWG updated existing estimates regarding the SC-CO₂ with a central cost estimate of approximately \$42 per ton (2007 dollars) using a three percent discount rate during the Obama administration.¹⁵ This value served as the basis for cost-benefit analysis across federal agencies.

¹⁴Brattle Group, An Assessment of Energy Affordability in New Jersey and Alternative Policy and Rate Options Report Docket No. QO24110853 (December 9, 2024) ("Brattle Report").

¹⁵Interagency Working Group on Social Cost of Carbon, Technical Support Document, 2016.

The Trump administration then rescinded the IWG process and introduced a revised SC-CO₂ estimate that reflected domestic damages, rather than global, and used higher discount rates, reducing the central estimate to \$1-\$7 2017 dollars per ton.¹⁶

In 2021, the Biden administration reinstated the IWG process and restored the earlier Obama-era SC-CO₂ estimate updated to \$51 dollars per ton to reflect 2020 dollars, and commissioned a broader investigation to update the SC-CO₂.¹⁷ In 2023, the EPA issued a proposed rule adopting a revised SC-CO₂ of approximately \$233 per ton, based on a two percent discount rate and updated global damage functions.¹⁸

Following the 2024 election, the second-term Trump administration disbanded the IWG via Executive Order (“EO”)14154.¹⁹ The EO described the Obama and Biden-era analyses as having “logical deficiencies.” Surprisingly, the EO did not restore the earlier guidance used in the first term of the Trump administration, but instead directed federal agencies to refrain from using climate damages estimates in cost benefit analysis unless explicitly required by statute.²⁰ The EPA has since announced plans to “overhaul” the SC-CO₂ framework, suggesting a significant change in the direction of federal guidance on the SC-CO₂ valuation.²¹

The policy whiplash in the value of SC-CO₂, from \$1 per ton to \$233 per ton and now effectively zero within a single decade raises major concerns that underscores the pitfalls of relying on this metric as a regulatory tool. Anchoring New Jersey’s long-term cost containment

¹⁶ Executive Order 13783, Promoting Energy Independence and Economic Growth, 82 FR 16092 (March 28, 2017), See generally, US EPA Regulatory Impact Analyses, 2017–2020.

¹⁷ Executive Order 13990, Protecting Public Health and the Environment and Restoring Science To Tackle the Climate Crisis, 86 FR 7037, (Jan. 20, 2021); IWG, Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide Interim Estimates under Executive Order 13990, (February 2021).

¹⁸ US EPA, Proposed Rule: Update to the Social Cost of Greenhouse Gases Estimates, 88 FR 75242 (Nov. 16, 2023).

¹⁹ Executive Order 14154, Unleashing American Energy, 90 FR 8353 (Jan. 20, 2025).

²⁰ Id.

²¹ U.S. EPA Press Statement, March 12, 2025.

mechanism to such a politically sensitive and administratively unstable value would expose ratepayers to undo risk, especially for residential and small commercial ratepayers. The volatility of the SC-CO₂ undermines its utility as a reliable input for determining compliance with statutory thresholds tied to affordability and predictability.

Embedding a metric this volatile and politicized into the cost cap framework would erode the core legislative intent of the CEA: to protect ratepayers by ensuring that renewable energy programs proceed in a manner that is affordable, transparent, and economically sustainable. If the value of the SC-CO₂ can be radically altered by each federal administration, then its use in a state-level affordability mechanism effectively nullifies the guardrails the Legislature put in place.

b. Regulatory and Economic Risk of Premature Adoption

The premature adoption of the EPA's revised SC-CO₂ estimate would introduce unnecessary regulatory and financial risk at a time when stability and paramount. The value has not been finalized, lacks formal interagency endorsement, and was not adopted through a process consistent with prior federal standards.²² Adopting this value now would represent a premature and unilateral departure from the Board's current regulatory framework, introducing uncertainty into a cost containment mechanism that was design to promote predictability, affordability and transparency.

SC-CO₂ estimates are also out of alignment with the current federal administration's policy which will likely provide significantly different guidance in the upcoming months. Following the 2024 election, the Trump administration disbanded the IWG via Executive order, withdrew climate damage guidance, and directed agencies to refrain from applying such values

²² EPA, Proposed Rule: Update to the Social Cost of Greenhouse Gases Estimates, 88 Fed. Reg. 75242 (Nov. 16, 2023).

in cost-benefit analysis unless explicitly required by statute.²³ Increasing the existing SC-CO2 value by nearly fourfold at a time of federal regulatory change introduces unnecessary risk with a policy mismatch between state and federal governments, increasing the risk of regulatory whiplash and diminishing ratepayer confidence in the stability of Board-administered programs.

The Board is also managing several concurrent clean energy priorities, including OSW, solar incentive adjustments, building decarbonization, energy efficiency, and grid modernization, to name a few.²⁴ Introducing a politically volatile metric into the cost cap mechanism would add complexity and risk at a time where regulatory clarity is crucial. This volatility will be more apparent if the Board accepts Staff's recommendation since, whether intentional or not, these SC-CO2 values will come to represent the Board's official position and will likely be reflected in all future New Jersey regulatory filings that address infrastructure improvement programs, fuel switching programs for gas utilities, energy efficiency Triennial program approvals, OSW applications, among many others. This could introduce an opportunity for even higher ratepayer costs if it allowed for more clean energy budget "headroom," or for less cost-effective clean energy resources to enter into rates.

In the absence of a final federal standard and amid clear signals of federal retrenchment, adoption of the EPA's proposed SC-CO2 value at this time would be inconsistent with the statutory objective of the CEA and could expose ratepayers to unnecessary cost impacts.

²³ Executive Order 14154, Unleashing American Energy, 90 FR 8353 (Jan. 20, 2025).

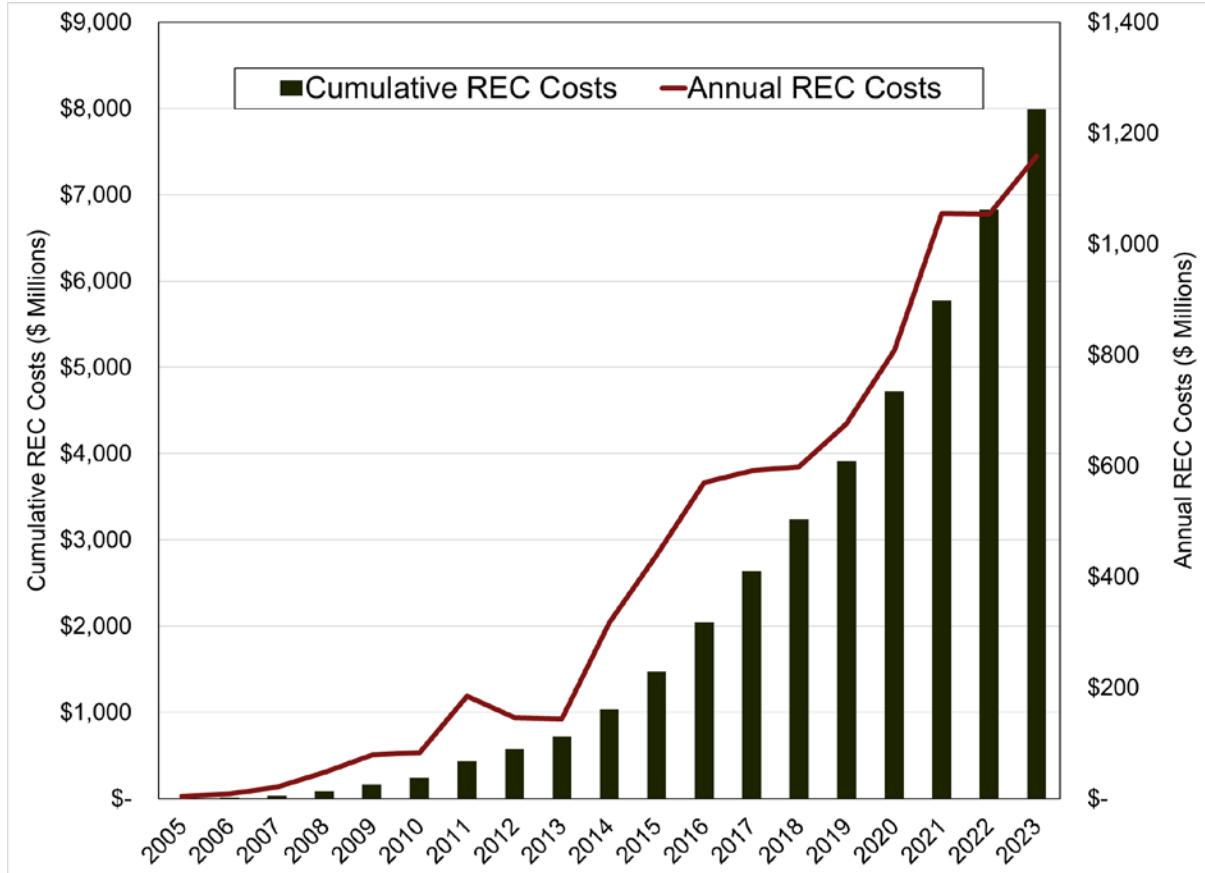
²⁴ See I/M/O A Solar Successor Incentive Program Pursuant To P.L. 2018, C.17, BPU Docket No. QO20020184, Decision and Order (January 28, 2021)(" Order Adopting the Successor Solar Incentive Program"); I/M/O The Opening of New Jersey's Third Solicitation for Offshore Wind Renewable Energy Certificates (OREC), BPU Docket No. QO22080481, Decision and Order, (March 6, 2023).

V. Cost and Ratepayer Impact

a. Renewable Costs Included in Cost Cap

Solar energy costs account for the overwhelming share of New Jersey’s renewable energy costs, and likely, its overall clean energy expenses. Ratepayers have been called upon time after time, to provide substantial financial support for the state’s renewable energy goals through the development of not only SRECs but through the Transition Renewable Energy Certificate (“TREC”) and the newer SREC-II costs that support the Board’s SuSI program. Figure 1 shows that combined costs related to these RECs have risen significantly over the last two decades with annual costs reaching \$1.16 billion in EY 2023. In total, the REC programs have cost ratepayers nearly \$8 billion since 2005 and are expected to continue growing unless effective cost caps are put in place.

Figure 1: Total RPS REC Costs by EY



Source: Energy Year RPS Compliance Results (2004 to 2023), NJ Clean Energy.

b. SC-CO2 Effect on Cost Cap Calculations

The proposed SC-CO2 value of \$245 per ton would completely undermine the cost cap established by New Jersey to curb rate increases that have been generated by the Board's renewable energy programs, particularly those dedicated to financially supporting solar energy. Since costs under this cap are calculated "net" of estimated SC-CO2 benefits, an inflated SC-CO2 value creates the illusion of lower renewable energy costs, or in this case, negative renewable energy costs. In fact, Board Staff reported that if the proposed SC-CO2 valuation methodology (based on the 2023 EPA Report) was used to calculate the EY 2023 cost cap, it

would have resulted in a cost cap equal to negative 2.56 percent compared to 6.29 percent under the prior methodology (based on the 2016 IWG Report).²⁵

Table 1 demonstrates how inflated SC-CO₂ values have distorted the incentives behind the cost cap mechanism. For example, in EY 2023 the 2023 EPA Report estimates a marginal SC-CO₂ benefit value of \$86 per MWh. This is \$11 greater than the marginal cost of REC retirements during that same year. At these SC-CO₂ levels, the cost cap calculation would reach an unreasonable conclusion that each REC retirement not only costs New Jersey ratepayers nothing, but actually saves them money, or alternatively, there are billions in environmental benefits that far offset any financial support New Jersey ratepayers may be called upon to provide. Such an outcome is unacceptable and contrary to the CEA goals of mitigating the rate impacts arising from renewable and clean energy development, particularly solar energy support. If SC-CO₂ values from the 2016 IWG Report were utilized, the marginal benefits for SC-CO₂ would significantly discount the actual costs of RECs (by 31 percent) but not to the point where “net costs” are actually calculated as a “negative” number.

²⁵ I/M/O Successor Solar Incentive Program Pursuant to P.L. 2021, C.169, BPU, Docket Nos. QO20020184 and QO24020117, Request for Information (March 17, 2025).

Table 1: Marginal Cost Analysis²⁶

	Energy Year			
	2020	2021	2022	2023
Based on 2023 EPA Report				
Total SC-CO2 Benefit (\$ Millions)	\$ 955	\$ 1,189	\$ 1,174	\$ 1,329
Total REC Retirements (MWh)	13,366,254	15,618,081	14,896,772	15,511,259
Marginal SC-CO2 Value (\$/MWh)	\$ 71.44	\$ 76.15	\$ 78.79	\$ 85.70
Cost per REC Retirement (\$/MWh)	\$ 60.50	\$ 67.56	\$ 70.76	\$ 74.73
Marginal Cost Net of SC-CO2 (\$/MWh)	\$ (10.95)	\$ (8.59)	\$ (8.03)	\$ (10.97)
Based on 2016 IWG Report				
Total SC-CO2 Benefit (\$ Millions)	\$ 254	\$ 316	\$ 312	\$ 354
Total REC Retirements (MWh)	13,366,254	15,618,081	14,896,772	15,511,259
Marginal SC-CO2 Value (\$/MWh)	\$ 19.01	\$ 20.26	\$ 20.96	\$ 22.80
Cost per REC Retirement (\$/MWh)	\$ 60.50	\$ 67.56	\$ 70.76	\$ 74.73
Marginal Cost Net of SC-CO2 (\$/MWh)	\$ 41.49	\$ 47.29	\$ 49.79	\$ 51.93

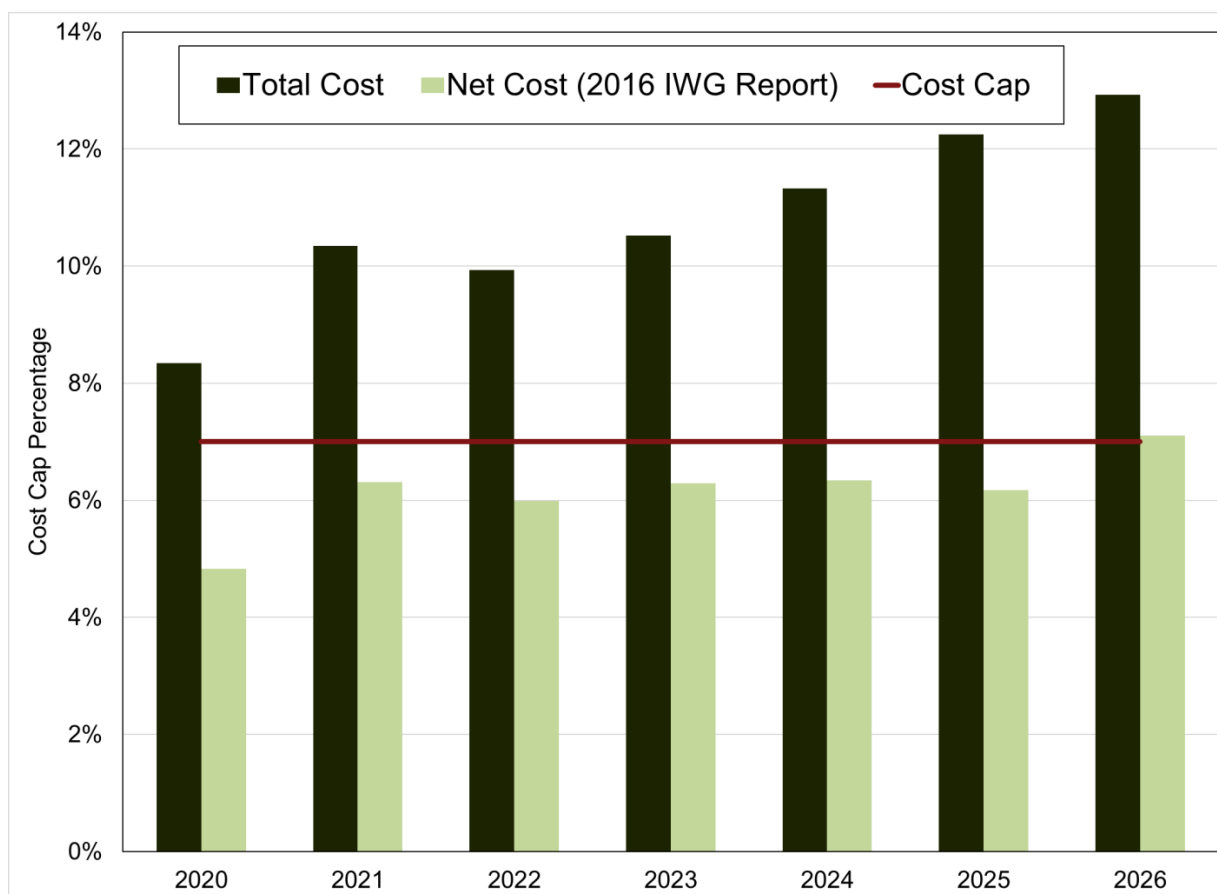
Source: : (1) Energy Year RPS Compliance Results (2004 to 2023), NJ Clean Energy. (2) Commission Order 5-22-24-8J, Appendix A. (

Figure 2 below demonstrates how the use of inflated and unreasonable SC-CO2 values distorts the calculation of “net costs” for the CEA rate cap. The darker series charts total renewable energy cost changes (in percentage terms) without the netted benefits such as carbon values, whereas the lighter series charts those annual percent changes “netting” purported benefits including CO2. The chart clearly shows excessive “gross” rate impacts (which exclude purported CO2 benefits). The Board needs to recognize that these annual percent changes will be the **real measurable and demonstrative rate impacts** ratepayers will experience on their bills each and every day. These annual cost increases are anywhere between six to eight percent, far, far in excess of the CEA budget cap on a stand-alone basis. While it is true that the “net costs” using the 2016 IWG Report will likely not exceed the price cap until 2026, ratepayers will not receive any financial compensation for any of these purported CO2 benefits. These

²⁶ Total SC-CO2 was estimated for 2020 through 2022 in the 2023 EPA Report scenario using the reported benefits in 2023 and reported benefits for 2020 through 2023 under the 2016 IWG Report scenario.

purported environmental benefits will not help these households offset their electricity costs, nor will it afford them any financial resource with which they can pay their rent, grocery bills, or other household expenditures. Even more egregious is the fact that if Board Staff's proposed 2023 EPA Report CO2 values were used, the net cost series would actually show negative annual percent changes: in other words, the chart would purport to show that costs are actually going down for New Jersey ratepayers given the benefits they are purportedly received through these CO2 values over time.

Figure 2: Cost Cap Percentage by EY

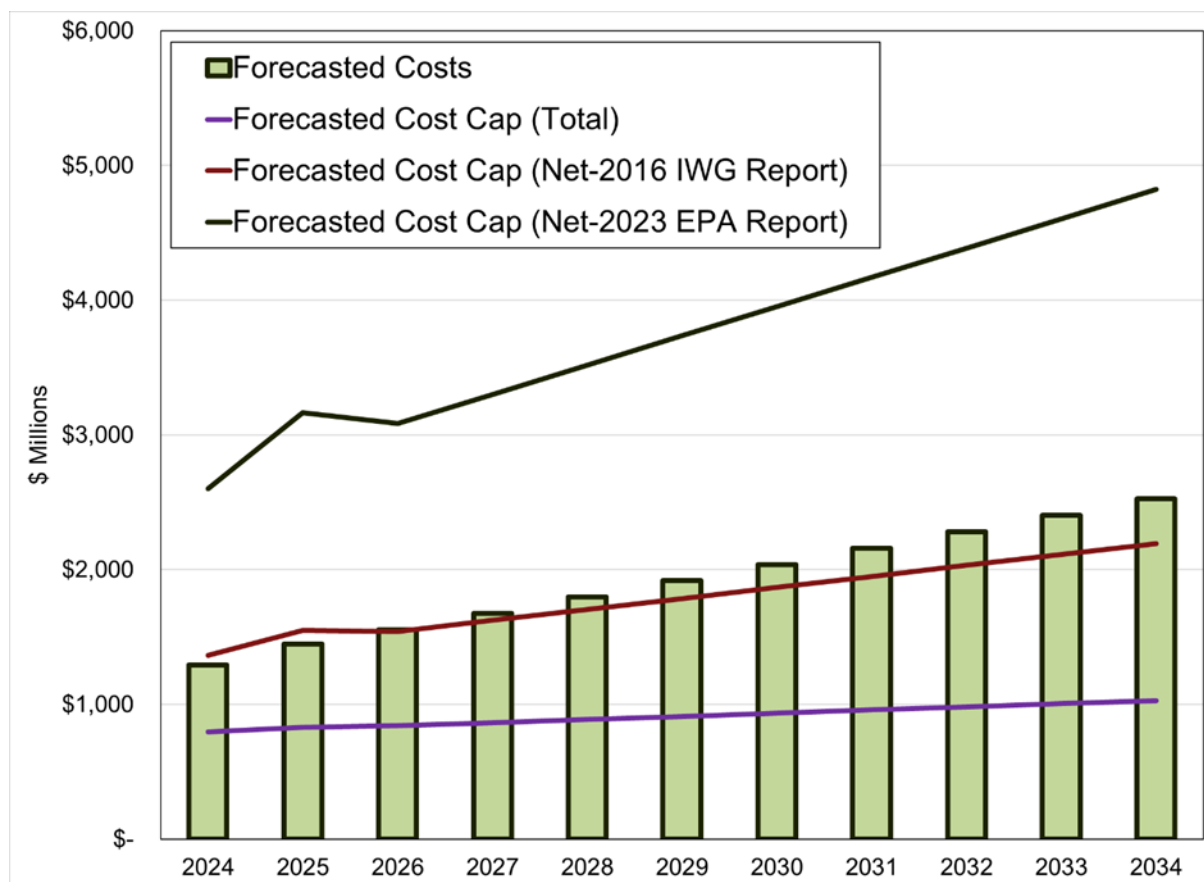


Source: Commission Order 5-22-24-8J, Appendix A.

Figure 3 below shows how effective different calculated cost cap scenarios would be at containing renewable energy costs going forward. When setting SC-CO2 values based on the

2016 IWG Report, the cost cap would likely require New Jersey to scale back renewable cost increases, placing a greater emphasis on cost-efficiency in future program designs. Conversely, the proposed SC-CO2 values from the 2023 EPA Report would do nothing to contain costs based on current spending trends by allowing renewable costs to more than double before reaching the new cap.

Figure 3: Forecasted Cost Caps Relative to Current Cost Trend



Source: Commission Order 5-22-24-8J, Appendix A.

c. Ratepayer Impact

The 2016 IWG Report CO2 values could result in total renewable energy cost inflation of up to 71 percent relative to what those costs would have been had the CO2 values been excluded (i.e., total renewable energy support costs without net benefits like SC-CO2). By adopting the

higher SC-CO2 values from the 2023 EPA Report, the spending cap would nearly double. In effect, the cap would allow spending to rise by up to **\$2.6 billion** in EY 2024 before renewable program costs would reach its over-stated cost cap. At that level, an average residential customer would be required to pay an estimated \$17.75 per month (see Table 2 below) solely for renewable REC costs. These costs do not include the numerous other spending programs currently impacting these same ratepayers.

Table 2: Bill Impact Analysis

	EY 2024		
	Total Cost (No Benefits)	Net Cost (2016 IWG Report)	Net Cost (2023 EPA Report)
Allowed Under Cost Cap (\$Millions)	\$ 798	\$ 1,366	\$ 2,601
Annual Mwh Sales	97,494,689	97,494,689	97,494,689
Cost per Kwh	\$ 0.008	\$ 0.014	\$ 0.027
<u>Monthly Bill Impact by Class</u>			
Residential	\$ 5.45	\$ 9.32	\$ 17.75
Commercial	48.00	82.21	156.49
Industrial	410.37	702.78	1,337.85

Source: (1) Commission Order 5-22-24-8J, Appendix A; (2) EIA-861.

d. Impacts on Other Clean Energy Development Costs

Board Staff's SC-CO2 proposal will have ramifications that go beyond the renewable energy costs contained in the cost cap calculation since this value will likely set the precedent for how environmental externalities are valued for other resource proposals made before the Board. For instance, New Jersey uses SC-CO2 values as part of the cost efficiency calculations used to support energy efficiency ("EE") and peak demand reduction ("PDR") program spending

decisions.²⁷ These SC-CO2 values are required under the Board’s primary screening tool referred to as the “New Jersey Cost Test” (or “NJCT”).²⁸ Exponentially greater SC-CO2 estimates will justify greater levels of spending which can have a significant impact on ratepayers given that spending proposals related to Triennium 2 amounted to more than \$6 .1 billion . Table 3 below shows how the proposed SC-CO2 methodology would have increased the cost-efficient share of the Triennium 2 budget by nearly a billion dollars

Table 3: Requested Triennium 2 EE and PDR Spending by Utility

Utility	Requested Program Budget	Cost-Efficient Share of Budget Based on:		Increased Share of Requested Budget
		2016 IWG Report	2023 EPA Report	
	-----(\$ Millions)-----			
Atlantic City Electric	\$ 526	\$ 411	\$ 448	\$ 37
Elizabethtown Gas	277	177	212	34
Jersey Central Power & Light	964	889	889	-
New Jersey Natural Gas	482	327	396	68
Public Service Electric & Gas	3,400	2,257	2,990	732
Rockland Electric Company	61	25	37	12
South Jersey Gas Company	425	206	273	66
Total	\$ 6,136	\$ 4,292	\$ 5,243	\$ 951

Source: Utility EE Filings Requests.

Just as inflated SC-CO2 values can lead to higher spending and financial consequences for customers, the overvaluation of other GHG emissions have the same effect. For instance, methane emissions can play a key role in New Jersey’s natural gas Infrastructure Investment Programs (“IIPs”). Higher methane cost valuations allow utilities to justify greater amounts of

²⁷ New Jersey Board of Public Utilities Division of Clean Energy, Triennium 2, New Jersey Cost Test, pp. 5. <https://www.njcleanenergy.com/files/file/BPU/2023/Market%20Analysis%20Baseline%20Studies/QO23030150-%20Tri2%20EE1%20+%20EE2-%20Order%20Attch%20F-%20NJCT.pdf>

²⁸ New Jersey Cost Test, Triennium 2, p. 5.

spending. This can lead to significant financial harm for ratepayers given that utilities have proposed over \$9.6 billion in IIP spending since 2017 (see Table 4 below).

Table 4: Proposed Natural Gas IIP Spending by Utility and Program

Program Name	Natural Gas IIP Proposal (\$ Millions)
Elizabethtown Gas Company	
IIP	\$ 518
IIP Extension	120
IIP 2	625
New Jersey Natural Gas	
IIP	507
Public Service Electric & Gas	
GSMP II	2,680
Energy Strong II	999
IAP	140
GSMP II Extension	752
GSMP III	2,540
South Jersey Gas Company	
IIP	743
Total	\$ 9,624

Source: IIP Commission Orders.

Another major source of potential renewable energy spending comes from the state's offshore wind ("OSW") program. As part of the selection process for OSW projects, environmental benefits such as avoided CO2 emissions and other GHGs are quantified and incorporated in the overall cost-benefit analysis used to evaluate the cost-effectiveness of OSW

projects.²⁹ Therefore, a significant increase in the SC-CO2 value or other emissions could be used to justify much larger OSW project costs. Consider that one of the most recent awarded bids went to Attentive Energy for a REC price of \$131 per MWh in EY 2032,³⁰³¹ or \$103 per MWh adjusted to EY 2024. Even before the higher emission estimates were available in the initial bidding process, the awarded bid ending up being 14 percent higher than the SREC-II (at \$90). If the emissions values are increased more than threefold, as proposed in these comments, already expensive OSW projects will likely attract significantly more costly bids that would be justified by the new inflated values for measuring avoided CO2 emission benefits.

VI. Conclusion

Based on all of the aforementioned, the Board should reject the proposed SC-CO2 value of \$245 per ton for EY 2024 which results in disproportionately high environmental benefit estimates. These inflated SC-CO2 valuations will (a) understate the true net cost of Class I renewable energy and other clean energy programs, (b) result in high renewable and clean energy budgets and financial support allowances, and (c) will lead to higher than necessary rates and detrimental ratepayer impacts (that includes diminishing household energy affordability). Meanwhile, the Board's existing SC-CO2 value, based on the 2016 IWG Report, is more economically reasonable, and better aligned with current state legislation. In the absence of a final federal standard and amid clear signals of federal retrenchment, adoption of the EPA's proposed SC-CO2 value at this time would be inconsistent with the statutory objective of the CEA and could expose ratepayer to unnecessary cost impacts.

²⁹ I/M/O Opening of New Jersey's Fourth Solicitation for Offshore Wind Renewable Energy Certificates (ORECs), BPU Docket No. QO24020109, Solicitation Guidance Document (April 30, 2024).

³⁰ I/M/O Opening of New Jersey's Third Solicitation for Offshore Wind Renewable Energy Certificates (OREC), BPU Dkt No. QO22080481, Decision and Order at p. 27 (January 24, 2024) at 37.

³¹ I/M/O Opening of New Jersey's Third Solicitation for Offshore Wind Renewable Energy Certificates (OREC), BPU Dkt. No. QO2208048 (January 24, 2024).