

MID ATLANTIC REAL ESTATE JOURNAL

NEW JERSEY-PENNSYLVANIA-DELAWARE-MARYLAND-VIRGINIA

April 25 - May 8, 2008

Volume 20, Issue 8

Law

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Solar Power: The Long-Term Advantage

The potential for recurring economic benefits arising from state

Renewable Portfolio Standards, particularly those with a solar set aside such as New Jersey's Renewable Portfolio Standard ("RPS"), provides an opportunity for long-term rewards to those commercial building owners who are willing to make the up-front capital investment in on-site solar power.

The RPS requires electric suppliers and distributors in the state to include an incrementally increasing percentage of electricity derived from "qualifying renewables" in electricity sold at the retail level with the goal of 22.5% qualifying renewables by 2021. The RPS also requires a separate incrementally increasing minimum percentage



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for solar electric generation -- 2.12% by 2021.

To meet the RPS's solar requirements, in general, electric suppliers and distributors have two options: (a) accrue or obtain the requisite number of Solar Renewable Energy Certificates ("SRECs"), which represent the renewable attributes of one megawatt hour (MWh) of solar generation; or (b) for those suppliers and distributors holding too few SRECs, pay the appropriate solar Alternative Energy Compliance Payment ("SACP") to make up for the shortfall. In practice, the SACP may be viewed as the anticipated upper limit on the market price of a SREC, and is currently set by the New Jersey Board of Public Utilities ("BPU") at \$300 dollars/MWh. SRECs may be retained or sold by the solar generator or host (i.e., commercial building owner) to another party (i.e., electric suppliers and distributors, aggregators, etc.),

and based on information available from the BPU, these certificates were trad-

a market-based model relying predominantly on the value of SRECs.

As energy costs continue to rise, solar power is one solution that offers the added potential for long-term, recurring financial benefits to the commercial building owner while also reducing the building's day to day energy usage and costs.

ing as high as \$270/MWh in December 2007.

New Jersey's ability to meet the RPS's solar requirements depends in large part on the state-wide growth of solar installations and the continued encouragement of these installations to participate in the state's solar market. To spur this development, New Jersey has offered a mix of financial incentives to homeowners, businesses and the like to reduce the associated up-front costs (e.g., direct cash rebates, SRECs). The state is now in the midst of transitioning to

As part of this solar transition and in part to reduce regulatory uncertainty and to promote an orderly market development, the BPU has proposed an eight year schedule for the SACP through 2016 with SACP prices ranging between \$594 and \$711 dollars/MWh. The anticipated increase in the SACP may result in a corresponding market increase in the value of a SREC.

Such an increase could provide long-term, recurring financial benefits to the commercial building owner who is also generating on-site

solar power and accruing SRECs. This benefit would be in addition to a shortened payback period for the initial capital expenditure, continued decreased energy costs over the life of the system and the potential to sell excess solar generation back to the utility through net metering. Moreover, the use of solar may contribute to a reduction in greenhouse gas emissions.

As energy costs continue to rise, solar power is one solution that offers the added potential for long-term, recurring financial benefits to the commercial building owner while also reducing the building's day to day energy usage and costs.

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