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June 2, 2009

Honorable Stephen M. Sweeney
935 Kings Hwy. Suite 400
Thorofare, NJ 08086
Attn: Mr. Andrew Hendry

RE: S. 2340 Prevailing Wage Requirement for Renewable Energy Projects

Dear Senator Sweeney:

I am writing on behalf of the 72 solar energy businesses which make up the Mid-Atlantic Solar Industries Association (MSEIA), based in central New Jersey. MSEIA is the regional professional trade organization for the advocacy of solar energy and a new renewable energy economic sector for New Jersey, Pennsylvania, and Delaware. The organization was formed in 1997 and was the impetus behind the renewable energy incentives incorporated into the E.D.E.C.A. law of 1999. MSEIA represents small and mid-size solar installers, solar contractors, solar designers/developers and manufacturers of solar modules and components of solar systems. A majority of these businesses are located in New Jersey, with owners and employees that live and work in New Jersey.

Our board members met with you on February 4, 2009, the week before the Senate Labor committee vote, at your office in Woodbury, to discuss our assessment that S.2340 would result in a net loss of renewable energy jobs and hinder the development of solar projects, setting back the solar energy goals of the state, due to total increased project costs and extremely fragile financing climate. At that time, we explained that the legislation as worded (and also currently worded) applied to private - private commercial business contracts for solar installations that are only able to be financed through private financing or ownership-leasing financing (PPAs) because of the existence of Solar Renewable Energy Certificates (SRECs) administered and certified by the PJM certification organization and purchased by by Load Serving Entities

(wholesale electric generators) and not the NJ BPU or NJ ratepayers. The NJBPU does not have a contract with the PJM, nor does it in any way pay for certification and transfer of SRECs. It is important to point out that SRECs are NOT taxpayer funded, but created as a component of the wholesale electric market place. The cost of SRECs is only a component of wholesale electric generating costs. The demand for SREC purchases by electric suppliers is created by E.D.E.CA. via the Renewable Portfolio Standard solar requirement. The NJBPU's only role in SREC based projects is to set the price and length of the Solar Alternative Compliance Payment (SACP) and determine other matters of renewable energy policy, such as the details of the programs that the utilities are offering through solar loan programs (PSEG's Solar Loan I and II; JCPL's Solar Financing Program) such as the length of the contract (called securitizing the SREC). These policy decisions affect the SREC market and the private market for all solar (PV) systems, but the commercial PV systems receive no rebate from the Societal Benefit Charge funding managed by the BPU's New Jersey Clean Energy Program (NJCEP). Current NJCEP policy allows for rebates for PV systems only up to 50 kW. Residential systems are identified as those solar electric systems up to 10 kW. It is often the case that houses of worship, non-profit organizations, small businesses, and small farms wish to install PV systems between the 11 – 50 kW range, receive rebates from the NJCEP, and are therefore, would be subject to this prevailing wage legislation also.

In February, you stated that it was not your intention to subject prevailing wage law on private-to-private commercial business solar projects that only earn SRECs, and receive no other New Jersey subsidy. Furthermore, at the conclusion of our meeting, you stated that you would have your staff arrange a meeting with us, the IBEW, and other pertinent parties "get everyone into a room" to discuss the economics and hopefully work out amendments that would address concerns of both parties. That meeting has not occurred as of yet. Since then, S.2340 moved through committee, and is on 2nd reading, amended as of May 21, 2009 to exempt new residential construction, residential weatherization, and certain municipal projects.

On May 22nd, I spoke to your Chief of Staff, Mr. Andrew Hendry, about our concerns with S.2340 and how the legislation, as worded, will impede the growth of solar energy in New Jersey due to across the board mandated labor costs and job descriptions that will drive up the total project costs of a PV system, and make many solar projects unfinancable. I explained that MSEIA has asked a number of installers to calculate the specific increased project costs of a solar system (PV system – modules, mounting, labor, inverter, BOS, administrative) and how the higher cost of prevailing wage labor would impact the ability to achieve financing of the project, obtain customers, and complete the project.

In addition to the overall increased project cost of the PV system, we asked them to ascertain what the increased costs of auditing, managing, and certifying the prevailing wage law rules required by the NJ Dept. of Labor. Owners of the companies were also asked to address the claim made by certain Assembly members to NJN that “union workers were trained to do this work, and current solar installers are not – therefore the union could do the work more efficiently”(5/21/09). Finally, we asked those installers who have had experience with prevailing wage law, and/or whom have run an energy efficiency project or solar project as a prevailing wage or as a union job to explain their experience with the job rules that govern prevailing wage and how it impacted on the overall cost and efficiency of the project.

The results of this information gathering is as follows:

- Utilizing the wage and benefit charts from two different IBEW unions in NJ, the labor costs for a commercial PV installation will increase between 177% -185% for solar installers; 177% for prevailing wage and benefits only and 185% if drawing from a union hall. A majority of PV installation tasks are currently performed by manufacturer-trained or NABCEP trained solar installers whom are paid between \$25 - \$30/hr. Prevailing wage would require a minimum of \$76.17/hr., or from the union hall, \$78.46/hr.
- Labor cost increases between 177% - 185% will result in overall increase of 10% - 30% to the ENTIRE project cost (\$/watt).
- PV project cost increases between 10% - 30% will result in contracts terminated, lack of financing, terminated financing offers, and terminated projects – projects will not get financed due to the tough financial market, insufficient and longer payback times, and investment decisions that do not allow this level of labor increases.
- Prevailing wage rules do not provide a “B” rate or other lower rate for handling, racking, and installing the solar modules, a significant portion of the work on a PV system project, and work generally performed by laborers and carpenters. This work involves the carrying of metal mounting systems and solar modules to the roof, placing concrete blocks into the framing to weigh down the frame, and bolting the solar modules to the frame. This type of work is typically performed by laborers and carpenters. The prevailing wage law as written forces contractors to utilize higher-paid union electricians for tasks that they are substantially overqualified for. This will further exacerbate project cost increases.

- If prevailing wage law is extended to PV installations, there will be a loss of permanent jobs on solar installation crews as existing jobs migrate to union workers hired project by project. The result will be the loss of existing full time jobs held by NJ residents that entered the solar industry during the past few years, have received extensive training and have years of solar installation experience, and whom have families to support.
- Prevailing wage law results in increased administrative, recordkeeping, and auditing responsibilities on the contractor in order to follow the letter of the law. These responsibilities generally require the contractor to hire additional accounting staff to complete records, and monitor the workforce rules. This further increases project cost.
- Prevailing wage rules, based on the collective bargaining agreements of unions, creates an unfair bidding advantage to unions for PV installation projects. The union is able to modify the workforce rules to include a mix of apprentices and journeymen, and offer a blended rate while non-union contractors following prevailing wage law would not be able to do so. Consequently, the union would always be the “low bidder” at a rate that would be too high for private contractors and their financing criteria.
- PV projects between that are non-residential, but under 50 kW in size, such as churches, synagogues, non-profits, small businesses, and small farms – the projects that most small private solar contractors install – will be adversely affected by a prevailing wage law. These projects currently need the NJCEP rebate provided to them by the SBC fund in order to afford the solar electricity installations that they highly desire. Ironically, it is this particular sector that strongly believes in the environmental and social value of solar energy, and who highly value this opportunity to make a social statement. These projects are not entirely driven by economic benefit, yet the economics are fragile and prevailing wage law will curtail a large number of these projects.
- All renewable energy and energy efficiency projects, except residential, will experience total increased project costs between 10% - 40%. This will include solar, wind, geothermal, and solar-hydrogen fuel cell systems. Energy efficiency projects on commercial buildings are highly labor intensive, and total project cost increases will likely make many energy efficiency projects less attractive due to a lower cost/benefit ratio.
- Enacting the prevailing wage law as written will likely result in the creation of zero to very few jobs for the IBEW in renewable energy because the increased costs and reduced economic attractiveness of New Jersey solar projects will reduce the financing community’s interest in funding New Jersey commercial solar projects.

- PV projects that are considered public, such as schools, municipalities, and state buildings, are currently required to follow prevailing wage and already implement these projects at a higher cost to state taxpayers.
- Utility ratepayer increases: As stated, with prevailing wage law increasing overall projects costs, the impact to utility ratepayers must be considered. If projects do achieve financing and are built, the cost of the SRECs in the wholesale electric market will be higher and that cost will be passed through to ratepayers in New Jersey. If projects are not built, current BPU rules require utilities to pay penalties in the form of the Solar Alternative Compliance Payment, the total cost of which will increase, and consequently, impose additional costs on on ratepayers as a result of a higher wholesale cost of electricity.
- With the increased solar project costs, New Jersey will no longer be a destination state for contractors, solar project developers, and solar module manufacturers. PV projects will stagnate in our current severe economic downturn and very difficult project financing market, resulting in the failure of NJ to meet its solar energy goals, Renewable Portfolio Standard, or achieve an adequate reduction in the state’s emission of global greenhouse gases.

As the above analysis demonstrates, S. 2340 will adversely impact the growth of the solar industry in New Jersey, likely result in a net loss of green renewable energy jobs in this nascent industry in economically difficult times, certainly increase costs to utility ratepayers and result in the failure of the state to meet its renewable energy goals and global warming gas reduction goals.

Consequently, we ask for the consideration of the following amendments to S.2340:

Suggested Amendments:

S.2340 (2R) page 2

Line 21 – Insert after (C.34:11-56.26) and shall not apply to any renewable energy project receiving only the right to earn “solar renewable energy certificates (SRECs)”, and solar energy projects between 10 kW and 50 kW.

Line 26 - delete “incentive”; delete “credit”

(continued – next page)

Amendments to S.2340 (continued):

Line 27 – delete “investment”; delete “incentive”

Line 28 – delete “approved”; delete “authorized”

Line 29 – delete “administered or provided by the board”

Line 31 – change Line 31 to read: “except that “board financial assistance” *does not include any solar renewable energy certificate financed-based projects, any rebate... etc.*

Thank you for your consideration of this analysis and its recommendations. We look forward to speaking with you further about the impact of S.2340 on the future of solar energy in New Jersey

Respectfully Yours,

Dennis Wilson

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Vice-President for New Jersey
MSEIA

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