

Renewable Energy Committee Meeting Notes Tuesday, October 14, 2008. 1-4pm

Maureen Quaid brought the meeting to order at 1:05 pm; approximately 25 individuals were present for the meeting, and an additional unknown number joined by conference call.

1. SREC trading platform transition update

Steve Wiese provided an update on GATS transition plan and operational changes that are currently in effect.

Scott Hunter noted he understands that the CPM extension has been approved by Treasury, but he has not yet seen a final version.

Thirza Jacobus of PSEG asked for clarification on the slide's statement that appeared to indicate that all PSEG customers would need to sign up with GATS. Wiese clarified that the intention of the slide is to say that all PSEG Solar Loan customers, not all PSEG customers, would be signed up with GATS.

Hunter said OCE realizes there is a need for another Board Order to enable issuance of non-solar NJ Class 1 BTM RECs by GATS. A Notice and Board Order process is planned, with timing expected to mirror that for the GATS order of 9/29 – estimates 2-3 months to Order at most.

2. JCP&L and ACE solar proposals

Chris Siebens of JCP&L provided an update on the JCP&L solar proposal. He said JCP&L SREC purchase contracts would be for between 10-15 years, based on semi-annual solicitations. Costs would be reconciled through a new rider, which would pass off benefits or losses to ratepayers. In response to a question, Siebens said JCP&L will use whichever REC platform the state requires. JCP&L's plan anticipates procuring sufficient MW to meet RPS guidelines – about 30 MW for JCP&L, about 15 MW for ACE – over next 3 years.

Hunter said this process is a RGGI filing. BPU staff has 30 days to determine whether the filing is complete. Once it does, the Board has 180 days to approve or modify the filing per RGGI requirements (starting from the date of the filing). If the filing is incomplete, the 180 day schedule would apply from the time the filing is made complete.

3. Adjustments to 2009 Program Plans

Michael Ambrosio provided comments on procedural background issues. He said 2009 funding levels are undergoing continual revision, both due to changing budgeting information and introduction of the ITC extension. Process will involve a Clean Energy Council meeting. The goal is to have Honeywell submit a revised filing by the end of October, and for the Board to review and approve this filing in early November. Ambrosio also noted that Honeywell's current contract expires in mid-January 2009, and is now negotiating an extension of contract.

David Hill discussed adjustments to the 2009 program plans. He noted the federal investment tax credit extension and other elements of the legislation have caused some reconsideration of elements of the 2009 program plan. He said the primary recommendation is to maintain budget levels for solar but reduce incentives and avoid over-incentivizing the market. In the wind market the recommendation is to maintain the EPBB (Expected Performance Based Buydown) and current rebate level, but monitor progress as market grows.

For solar rebate adjustments, recommendations are to:

- Reduce first refusal block from \$2.25 to \$1.25-\$1.75 level.
- Increase MW block size targets rather than decrease overall budget.
- Simplify by eliminating classification of residential systems with PPAs as commercial.
- Maintain same incentives for non-residential (\$1/watt)
- Maintain other basic components and structure

Hill presented financial analyses showing how the revised recommendation affects payback and net present value of residential solar projects of different sizes. Result is that total target for solar increases from 15 MW to 22 MW. Hill invited comment on these plans.

Scott Schultz asked what value Hill used for SRECs in his analysis. Hill said he assumed \$350/SREC in the first year, declining by 3% annually thereafter.

Ambrosio noted some additional funding may become available from offshore wind funds, on the order of approximately \$15 million. Hill noted that the current plan is to have several funding cycles each year, and that new funds could be added in the third funding cycle.

Quaid summarized three groups that will be affected by the recommended changes, and summarized the operational approach and implications for each:

Group 1 – Projects that apply to 2009 REP:

- Make 3rd cycle funding firm
- Increase wind and biopower total rebate \$
- Lower Solar and Wind incentive levels
- Increase block sizes and goals

Group 2 – Residential projects only; projects that have applied to CORE but have not received rebate approvals:

- Projects completing before 12/31/08 receive 2008 incentive levels
- Projects completing after 12/31/08 receive 2009 incentive levels

Group 3 – Projects that have already received approval letters but are not yet completed

- No change recommended as long as the project is completed prior to the expiration date on the approval letter

There was some discussion about the decision in this recommendation not to adjust outstanding rebate commitments shown in approval letters for Group 3. Some participants discussed complications with substituting the ITC for the rebate, for elderly people on fixed income, delay of financial return, lack of financing options currently available. There was a desire to have this decision in writing, and some question as to whether that should be addressed in a letter and whether it requires Board approval. Ambrosio said this could be put before the Board on November 7.

Regarding Group 2, Garrison said there is approximately \$64 million in uncommitted funds, of all but about \$7.5 million is available for solar. Quaid said the Market Manager team is planning to get about 300 new approvals out, about 85 of which were delivered before receiving direction to hold additional approvals. Schultz noted that Group 2 really doesn't have a chance to take advantage of the no change option, because these jobs won't be completed before 12/31/08. The current limits on credit could limit participation among Group 2.

It was noted that utility loan and SREC purchase programs may provide some financing options to fill the current gap in commercial financing options.

Some contractors also noted their contracts are contingent upon approval for funding at specified levels, and that changes to those levels nullify the contracts.

Fred Zalzman asked how the proposed changes would affect commercial projects in CORE queue. Quaid said those projects are not changing, and approval letters are going out. The tax change does not fundamentally affect the economics of commercial projects, so the revised recommendation proposes no changes to how those projects are handled.

Pam Frank noted concern about linking the rebate level to the project completion date.

Garrison noted that the Market Manager would continue to send out approval letters for non-residential projects because those projects will not be affected by changes to the FITC.

Regarding Group 3, Quaid said the Market Manager's initial filing was for \$2.25/watt, but adjusted plan in response to ITC is \$1.25-\$1.75/watt. She asked for comments as to the appropriate rebate level for 2009. Ambrosio asked for clarification about how the rebate levels are to step down over time. Garrison said a 5 cent drop is proposed if block is filled in first month. Each 6 MW block drops 20 cents.

Ambrosio noted that written comments are requested by October 24.

4. Other Comments on 2009 Renewable Energy Program Plans

Regarding grid supply, EDA programs, and CleanPower Choice programs, Hunter said staff is developing compliance filings for remainder of programs not being managed by the market manager. He said the staff filing will include the EDA program, continuation of the manufacturing incentive. He noted that EDA also facilitates payment of grid supply projects. Hunter clarified that grid-supply solar is now eligible to earn solar RECs, but must be connected at distribution level.

Rick Brooke asked how interconnection to electric distribution system versus transmission system affects eligibility to earn SRECs. He used as an example a solar farm is connected at the transmission level, saying it's not clear whether the project would be eligible to generate SRECs. Hunter said the Energy Master Plan recommended changes to RPS are probably the most appropriate forum to clarify these matters.

Wiese asked for clarification on the appropriate path for non-behind-the-meter solar projects proposed for interconnection at the distribution level. Ambrosio said he thought the interconnection would be negotiated with the utility, but the wholesale power sale would go through PJM. Hunter countered that his impression from the net metering proceedings was that, as long as the system was greater than 2 MW and the energy was primarily for wholesale sale, both interconnection and energy sales would go through PJM. If not greater than 2 MW, or if the energy was intended primarily for onsite use, interconnection would be through the distribution utility.

5. Net Metering and Community Energy

On net metering and community energy, Hunter said recent legislation allows large commercial and industrial projects to net meter. BPU staff is recommending as first cut changes to this process inclusion of those rate classes, but still maintaining 2 MW limit on net metering; they are also considering real-time crediting issues, though these are being classified as Phase 2 changes which will take longer to implement. Changes which have already been recommended to the Board include anniversary date changes. A stakeholder group process is underway with next meeting tentatively scheduled for November 6.

6. JCP&L and ACE Solar Proposals

There was some discussion about MW goal estimation and the timing of contract allocations within the ACE and JCP&L solar proposals. Hunter said the next decision point is the completeness determination on RGGI filings within 30 days, noting BPU staff will likely need the full 30 days. He said according to the standards of the RGGI Order, these filings were not strictly complete, but these may be held to a less strict standard since they were added to the RGGI filing requirement by the Board.

7. Schedule Next Meeting

Wednesday, November 12, 1:30 – 3:30 pm.

8. Meeting Adjourn

Quaid adjourned the meeting at 3:25 pm.

Renewable Energy Committee Meeting - Attendees

Tuesday, October 14, 2008

1:00PM - 4:00PM

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