

Renewable Energy Committee Meeting –Notes – July 14, 2008

The URL for the meeting is: <https://www2.gotomeeting.com/join/868516154>
Conference Call: Call in number 1-866-740-1260; Access Code 218-3408#.

Maureen Quaid brought the meeting to order at 1:00 PM.

Introductions

30-35 attendees were in the room. Another unknown number attended by teleconference.

Agenda Items and Comments included

1. Information Items

CORE expiration letter comments

L. Barth addressed this briefly and Mike Ambrosio expanded upon it. In a nutshell through time extensions granted in a July 11th BPU Order of Clarification, any new commitment letters issued in 2008 for projects equal to less than 10KW will be given additional time to complete projects. Projects which had expirations dates from January 1 2008 through July 11, 2008 will be given a 3 months extension—until October 11, 2008.

Specific information on the time extensions for other periods are contained in the Word document titled “Doc 12” circulated to the group at the meeting and sent electronically on July 16th.

2. Economic Development Authority (Edison Innovation Fund)

Mike Winka introduced Barbara Pierce’s presentation commenting that in 2008 budget order there are revisions to what had previously been done in REDI, Renewable Energy Business Venture, and Renewable Energy Power Plants. Those Programs are being restructured into two new Programs: the Edison Innovation Manufacturing Fund Program and the Innovation Research and Development Fund Program—basically clean energy technology funding, supported by \$15 million annually for five years.

Barbara Pierce, EDA Product Director, presented the PowerPoint presentation titled “RE Committee Meeting_EDA (7-15-08) revised.ppt” distributed to the group July 16th. It included three major topic areas:

- NJCEP Renewable Energy Programs
- NJEDA Edison Innovation Fund Programs
- New Clean Energy Programs Under Development

Questions included:

- (1) Total funding available for projects from Ed Merrick at Trinity Solar. He pointed out that based upon the values presented in the presentation that as few as 4 companies could receive the total annual funding available. Barbara confirmed that but clarified they are still fine tuning the application and requirements. She also added that her presentation focused on the use of \$12 million annually of the funds available and that \$3 million will be available through the Research and Development Fund.
- (2) Another question arose about the amount of municipal bonds to be issued under the program. Barbara said this is in early stage discussions and she can not provide a figure.

3. Commission on Science and Technology

Joseph Tetteh, the Associate Director of Business Relations for the Commission on Science and Technology presented “Edison Fund Incentive Program.ppt” distributed to the RE group on July 16th. This presentation addressed the activities planned under the Innovation

Research and Development Fund Program. Joseph pointed out that this Program has been set up to provide science and policy advice for the Governor's office. The main topics included:

- Edison Innovation Research and Development Fund
- Edison Innovation Fund for Clean Energy
- Incubator Seed Fund
- New Jersey Technology Fellowship Program
- SBIR Training & Bridge Grant
- Technology Incubator Network
- Stem Cell Research Grant Program
- University Intellectual Property Program

Barbara Pierce mentioned at the end of the presentation that there are more than 30 programs to support NJ business in high tech including both Programs.

4. 2009 Renewable Program Plans

David Hill introduced plans and background to them and said more detail will be provided at the August meeting, but that he wanted to review proposed program narratives. He and the subsequent speakers used the PowerPoint presentation "REDGAP 2009 proposal 080715.ppt" distributed on July 16th as a foundation for their comments. That presentation has the following outline.

- Program Goals & Renewable Generation
- Program Description
- Target Markets & Eligibility
- Proposed Program Design Changes
- Offerings
- Budget
- Market Development and Marketing
- Quality Control & Quality Assurance

Larry Barth then address the Program Goals and Program description portion

Questions included the size of system proposed for net metering in the wind area. Larry clarified that any size system is possible as long as it is less than on site usage, but that the maximum amount which would be paid would be capped.

Maureen Quid then addressed Proposed Design Changes section.

David Hill then followed with comments on the Offerings section and addressed biopower, wind, and solar in that order.

Questions on the biopower portion included one about whether or not feasibility studies would be attract a rebate. Answer: Systems costs yes, but not feasibility costs.

In the solar section discussion Mike Ambrosio clarified that rebates apply only to systems with a size less than 50KW, and if the system in total is larger than 50KW there is not a rebate on the first 50KW. Mike also clarified that the 50KW limit is cumulative to the site; this is also existing policy. Questions also arose about the "carve out" between residential and all other systems, which was deferred until later.

David Hill then continued the presentation focusing on the structure of the rebates and how they function over time depending on demand and timing of the demand. One of the purposes of proposed rebate plan is to more closely match demand with the incentives.

Fred Hauber asked, Is the \$2.40 rebate number a proposal, or example? D. Hill, it is a proposal for less than 10 KW systems (residential). Fred asked what would happen if demand was less than expected. M Quaid commented this is a proposal and can be revisited. Mike Ambrosio further added the Board can always change the rebate levels if the level is not working. David H said this design is trying to protect against rapid over subscription and close down of program, situations which have presented themselves in the past.

Lyle Rawlings questioned the \$20 million budget amounts. Mike Ambrosio clarified saying that is an early number and not a final one. Lyle continued saying about 13 MW is what is going to be supported based upon a revised likely figure of say \$30 Million. Lyle followed on with a discussion about how the "first refusal" block would work within the proposal. David expanded on the capacity blocks concept by saying that they are not necessarily tied to the annual budget cycle.

Lyle noted that there might be a big rush in the first block period and therefore artificially driving down rebates but that later periods might be slower and thus require a ratcheting up of the incentives. M. Quaid emphasized that the intention is to smooth the flows not accentuate them. LR mentions that there is a big backlog of demand that will push us over tops of blocks.

Fred Hauber asked if the proposal continued the currently OCE thinking of targeting a 10 year payback for the ratepayer. D Hill said he was using \$350 MWh, installed costs of \$7.50/W which is something more like a 12 year payback. Mike Winka added that if the market sells out at 12 years, why would we want to pay more, especially coming out of a 4 year period when we have been continuously over subscribed. The BPU commissioners do not want lines, program shutdowns for months at a time.

There will be two rebate charts with different sets of rebates, one for "residential" and one for the "other" category, with separate step downs. If one is exceeded before the other there may be some reallocation of funds. They will have distinct own capacity blocks and step downs.

A new question focused on the ratepayer impact of the proposals. Mike Ambrosio said it is about \$265 million in total is being collected for the program for renewable and residential efficiency programs from ratepayers.

Discussion followed on a new question about the pros/cons of continuing to require signed contracts with all applications. The current thinking is... yes they will continue to be required. The program wants to avoid "speculative applications" which tie up funds. The idea of charging application fees was proposed and Mike Ambrosio said that with Honeywell's involvement in the Programs this may now be possible. Previously it had been determined the State could not do this.

Fred Hauber asked to be on record as opposing that any contract be accepted in the program without a signature.

Mike Ambrosio asked for feedback on these latest proposals from the group

The proposals were broadly recognized as much better than earlier ones by a number of participants. Additional discussion regarding the size of residential systems supported by the program arose with one participant noting that for some very large homes built in recent years the 10KW limit is too small.

There was also strong feeling that incentives should not be provided to private businesses which can take advantage of many other incentives to support systems, and that funding should be directed towards the not for profit, schools, and similar organization which want to participate but do not have access to the same financial incentives as the private sector. Consideration will be given to excluding projects which are tax advantaged from the 10-50KW "other" group. The solar alliance will provide written feedback on this aspect of the proposals by July 22.

5. 2009 Budget Overview

Mike Ambrosio discussed the draft budget proposal contained in the excel file distributed "Draft 2009 Budgets.xls" emphasizing the distribution of the budgets from the sheet titled Renewable Energy Budgets:

The intention is to have everything approved in a December Board meeting. Near term timelines are for Honeywell to have a final budget at by mid September. D Hill added that the proposed rebates for 2009 are \$32 million for solar, \$9 million for Biomass, and \$6 million for wind for a total of \$47 million. Some discussion ensued about possibility being able to pre-commit some of the 2009 funding to the solar "right of first refusal" segment, but Mike indicated this is likely to be difficult given past experience in discussions with legal. Lyle Rawlings indicated it is important to get projects moving as the survival of some of the solar installers depends upon it.

Market Development and Marketing for the integrated program

Maureen Quaid indicated the general strategy is to continue things we are doing this year and expand into new activities.

She referenced the presentations by Larry Barth earlier and the focus on markets by technology and the following points across all the technologies:

- Increased transparency, including enhanced reporting which is timely, accurate, and reliable that is on line before 2009 begins
- Public presence-Speakers Bureau and Events: the intention is to respond to and expand upon the numerous requests for information, presentations, etc to all kinds of organizations.
- Trade Development network: infrastructure
- Building alliances with other players: at the state level, utilities, energy efficiency world
- Account management for key markets, i.e. the ability to put together the renewable and efficiency opportunities for all the key markets.
- Enhancement of public information and making it easily available, i.e. website, standard press kit, standard technical measures, increasing the amount of public education about various RE sources and how they integrate.
- Support of policy initiatives: e.g. net metering community energy, etc. along the lines Steve Wiese has done for the GATS transition this year.
- Facilitate program training, integration of people and companies across RE
- Increase Recognition of what NJ is doing; permanent signage, case studies, etc

Questions were about:

The GATS transition...fast track or slow track. Mike Ambrosio said Treasury is looking at extending the Clean Power Markets contract for 6-9 months with the objective of focusing on a transition to GATS, and that GATS is likely to be ready to begin the transition as of the end of August with their new system. Detailed guidance will be submitted prior to the end of July.

Quality Control & Inspections

Mark Valori picked up this part of the presentation and reviewed the appropriate slides from "REDGAP 2009 proposal 080715.ppt"

He said the major change is from a 100% inspection to a quality assurance model and that the model gradually be phased in beginning in 2009. He reviewed in detail the flow chart slide titled "2009 – 2012 RE Project Inspection Quality Assurance Model".

He emphasized that there is not change in the technical standards, but in the change towards an audit type program there needs to be a quality assurance stage at the front, some sort of

certification of installer process at the front end. The certification process would apply to all installers even those doing systems for years, and the certification would be given to the company doing the work, not individual installers.

Susan from Board's legal division asked to whom this process applies...solar installers or all RE installers. Mark indicated that it would be applied to all RE projects. Mike Ambrosio indicated as well that the inspection applies to anyone involved in any OCE program, via rebates or SRECs. Susan said it is very important that we stay consistent with other requirements for State. The intention is to do so with certification occurring in 2009 and implementation in 2010. Mike Ambrosio also concurred and indicated that since this is a first draft there would be ample time to fine tune it.

Question: How much would we save in administration costs by changing process? Maureen Quaid indicated there would be some savings but the overall administration cost is small and that there may not be savings if the volume of systems goes up even with some reduced inspections. There are also upfront costs which do not exist today. She added that on a similar volume the costs once the new system is implemented might decline as much as 50%.

Mike Ambrosio asked if we could charge fees to installers to cover the cost of this part of the program.

CleanPower Choice

Bill Marshall discussed the proposed changes in CPC for 2009 and reviewed the PowerPoint presentation titled "CPC Proposed Design Changes 2009" distributed along with the other presentations. There were three areas presented:

- Program Design Approach
- Performance Standards & Goals
- Marketing Strategies to Increase Enrollment & MWh Growth

Mike Ambrosio asked for clarification on the involvement of Community Partners in the promotion of CPC. Maureen Quaid and Anne Marie McShea indicated that yes they were part of the 2009 plan as they have been.

Fred Lynk asked who might let the contract to select a smaller number of CPMs. Maureen said she did not know the exact legalities of the process, but that the OCE or Dept of Treasury would probably let the contract. Additionally the Market Manager would support the process by helping develop the RFP, evaluating proposals that come in, making recommendations about who should be selected, and forwarding it to the appropriate decisions makers. Anne Marie pointed out that no decision has been made on this point and that any change from the current situation would have to go in front of the BPU. M Quaid suggested to that we could explore an approach in which the EDCs contract with the EDCs, co-brand the Program, and increase the commitment of the EDCs. Fred indicated that that was not the purpose of his question-in fact his question was in the opposite direction.

6. Other Points of Discussion in the Waning time for the meeting

Securitization Update:

Mike Winka spoke to a handout titled "Revised Solar Securitization Straw-July 11, 2008" which has been circulated with other materials.

The position currently is to have the EDCs (except PSEG) submit a RGGI filing by September 30th for long term contracting. PSEG is to consult with BPU staff and stakeholders to complete a

plan to be submitted by November, 2008. Mike expects a Board Order by July 30th to this effect to make the 8 modifications outlined in the straw proposal and subsequent modifications circulated.

Mike addressed a question about New Natural Resources' preparation of PSEG type loan style program stating he has not seen any such proposal or know anything about it. Mike Ambrosio added that the requirements are for the electric companies at this time, not the gas companies. It does not preclude them from any RGGI filing, or address it. M Quaid asked if the timeline for the RGGI filing was the same as the compliance filings for the utilities. Mike confirmed that they are different.

Queue:

Mike Ambrosio commented that at the last meeting staff had conservatively estimated \$30-40 million would be available to reduce the queue. But that based on the current numbers it looks like there will be about \$50 million to be applied to clean out the queue in the CORE Program. It will be on the July Board agenda. This should be enough to resolve the "regular" queue, but it would not as of yet cover everything in the "supplemental queue". Mike answered a question about the size of the supplemental queue saying it is at \$47 million and growing because many of the submissions had "TBD" dollars indicated. No additional projects are coming into the queue.

Net Metering & Interconnection:

A question arose about the "mega rule". Anne Marie commented that there will be a meeting on the 23rd of July on Net Metering & Interconnection and this which would partially would address the "mega" rule. She referenced the proposal circulated by Mike Winka titled the RedSky proposal which is a petition before the Board and has asked for comments on the issues it raises about net metering & aggregated electricity loads. At the next RE meeting there will be formal request for comments on community solar. Mike Winka indicated that Atlantic City Electric's technical response to the RedSky proposal has been positive, suggesting that with an integral meter many issues could be resolved at this farm location. This farm situation is a mini microcosm of a community energy type situation and worthwhile considering the associated issues within the context of community energy.

7. Next Meeting:

The next meeting is schedule for August 26th and Honeywell will distribute detailed plans to the RE committee around August 19th.

M. Quaid adjourned the meeting at 4:20 PM.

Renewable Energy Committee Meeting – Attendees

Tuesday, July 15, 2008 - 1:00PM - 4:00PM

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