Notes for the RE meeting
9/21/10 – 1:00pm – 3:30pm

Introductions:

Clean Energy Budgets (Mike Ambrosio) (Spreadsheet #1 -Draft 2011 Budget)
Mike Ambrosio reviewed the spreadsheet with the draft budget and said these are for discussion.
Mike A stated the following:

- Funding is by budget category tab – 2008 board set a funding level – staff had a proposed allocation
- EDA Grant program - $23,500,000
- $22 Million for RE programs
- Honeywell contract expires on 1/12/2011 so the process for this year is that Honeywell will submit final proposed changes to the program, contract modifications and then the compliance filing will happen after the contract is approved to be extended.
- Clean power choice has no new budget for 2011
- CORE is just carryover of $23 million
- Renewable energy grid connect is a new program (focus is on biopower and wind grid projects)
- Next step is finalizing the recommendation and open to more public comment.

EDA Compliance Filing (Kathleen Coviello & Barbara Pierce) (Presentation #2 – RE committee meeting – EDA)
Kathleen C and Barbara P. shared initial ideas on what programs will be included in the EDA budget of $33 Million for 2011.

Edison Innovation Clean Energy Manufacturing Fund (CEMF)

- launched in 2009 – focus on growing green jobs – Budget is $12M per year for 5 years
- Provides grants and 0% interest loan of up to $3,300,000 per facility project for funding Energy Efficiency and Class I renewable energy equipment manufacturers.
- This program is not for start ups. The company needs to have an established business and then want to locate a facility in NJ
- Up to $1 million can be converted to a grant
- No customer fees and the application process is rolling
- Currently exploring new program conditions for 2011:
    - Requirement for awardees to exert best efforts to provide discount pricing to NJ consumers
    - Interest rate and term adjustments – There needs to be an interest rate
    - Awardees: Petra Solar, Applicad, Noveda Technologies and Princeton Power Systems – 3 are currently undergoing due diligence

ARRA Combined Heat and Power Program (ARRA CHP)

- $18 Million competitive grant to support development, design and construction of high efficiency commercial, industrial or municipal CHP project
- Need to be able to generate at least 1MW to be considered

Retail Margin Fund Combined Heat and Power

New programs:

Edison Innovation Green Grown Fund (EIGGF)
- Filling a hole in marketplace for green funding not currently satisfied by current EDA programs. Many companies need growth capital not manufacturing funds
- Low interest loans to Class 1 renewable or energy efficient – focus on discount to selling to NJ businesses. Need private sector manufacturing funds
- Requesting $5million in 2011 – currently has a pent up demand for this offering

Energy Efficiency Revolving Load Fund (EERLF)

- Companion Loan Program to the current NJBPU C & I Pay for Performance Incentive Program
- Can loan up to 80%
- Requesting $20 million for this program in 2011
- Current Pay for performance program creates the Energy Reduction Plan
- EDA loan to fund the installation of recommended measures
- Post reporting

Key into the pay for performance peak demand in excess of 200kW in 12 months
Minimum threshold energy saving (currently 15%)
Loan amounts are from $250K to $2.5 M – loan interest – percent increase based up how long the loan will be taking out.

Questions or comments from the audience:
- Nothing in the EDA suite that discusses loans in the renewable energy area. Mike A discussed that the EDA does not cater to the small residential or smaller commercial.

Mike W – the EDA financing is the renewable energy program.

Question from the audience – Where is the EDA program requests in the spreadsheet?
Mike A - $37 million ($20 million financing, 12 million NJ manufacturing and $5 million)

Question from the audience – PSE&G loan program it would be great if there were more synergies between that loan program and the EDA loan programs.

Mike Winka - We may only have $33 Million to give to the program but we will not allocate the funds – the EDA can allocate based upon demand – The EDA would need to tell the BPU how the budget will be allocated. EDA stressed that they are focused on having the loans revolving so that can get the money back into the funds. Recycling the funds.

Another question: EDA does charge application and administrative fees for all funding – currently the new programs using the SBC can not include fees. It is free money and the demand was incredible but the quality of the projects was not as qualified as if there were fees.

Funding Cycle 3 Update (Presentation #3 – Operations Update) (Larry Barth)

- As of the date of the meeting we had over 800 applications received and about 2 million left in budget. It has slowed down a lot and also most of the FC3 was residential not residential PPA.
- SRP trend increasing – last year only 270 registrations were accepted in total but this year in August alone we received over 400 registrations

2011 Program Plan Review: Summary of Stakeholder Comments (Presentation #4) (Larry Barth)

With the August 25th version of the 2011 RE program straw proposal the MM gave the following guidance to responders.

– With regard to NJREMI: Would direct to manufacturer incentives be more efficient?
– With regard to incentive models the BPU is interested in new incentive models including such competitive solicitations, and interest rate buy-downs; for

any financing ideas interested in private banks providing the loans not EDA

• Guidance on comments:
• Proposals must have low administrative costs
• Plan must be able to be deployed Jan 1
• Plans that support EDC financed will be viewed more favorably
• Plans must simplify application process and reduce inspections

All comments from all participants are available in the presentation
Listed below is the discussion on each comment:

Rebates –

- MSEIA - say that far too much money is going to a few select through the loan and grant EDA programs and far too less is going to help the large NJ audience.

- Comment – there is no new program waiting to replace these rebates. Would like a gradual rebate – says $6 Million to still stay in a prescriptive per watt for residential

Mike A said that it seems like the comment that the SREC program is not ready but yet we just saw that SRP applications are up especially in residential. 20% share for residential is low compared to the other national markets.

Another comment was that there is false buoyancy in the SREC market with the high prices. Once we catch up with the RPS which we will soon without a rebate we will not see the number of applications continue. Many residential customers are misinformed.

Mike A – What are the barriers with the SREC program? The loan II – PSE&G program was working well but a comment said that the Solar Loan II program was designed to include rebates.

SREC solicitation has not worked with the residential market: It is a very complicated program. MSEIA has proposed changes and they do not know when or if the will be in place.

The three utilities in the NERA program are in discussions with MSEIA and rate council to see what changes may make sense for 2011 to help the marketplace.

Comments – lack of interest at the SREC solicitation is that the spot market is so high right now and people are banking on a number that is not sustainable right now. We need to reduce the SREC pricing. Attracting a lot of speculators enter markets which will not be good.

Comment - EDA programs are getting a significant amount of money and that money is going to only a few.

Residential systems have a higher cost to purchase and install. Focus needs to be on fixing the SREC market for smaller residential.

Competitive Solicitation – Michael Flett of Flett Exchange: - keep the rebates but include a competitive solicitation. We have a successful program and we all know that the smaller systems will cost more than the larger systems. If our long-term goal is to keep growing the behind the meter projects, than we will need to keep the rebates. Let the rebates go down but not away. Competitive market that would reduce the rebate based upon the number of requests for the rebate funding. It spreads out the money to more people.
Concern was raises that since we might go down such low numbers the rebate becomes not valuable.
Rate counsel also supported this approach but also realizes that as the rebate are so small it becomes a very challenging program and very costly to implement.

NREMI discussion:

Denise Donohue – Cadmus Solar – NJ REMI is critical to competing with other products manufactured outside of NJ. She supports the current REMI program and is frustrated that it is the smallest portion of the budget.

Jeffrey Lamb NJR Home Services: The EDA should administer NJREMI but it is critical that the incentive help the user and not the manufacturer. There needs to be a commitment from the manufacturer about how they will use the incentive.

Rate council – feel that the money should go to the ratepayers not the manufacturers and wanted to make sure that the numbers/costs justify this. However, they do agree that pay the manufacturer not all the end users it would keep the admin costs.
It is critical that the homeowner see the benefit,

Question arose for EDA - How they would demonstrate that they were pricing lower in NJ ?– EDA said it would be part of the reporting

Other thought was to include all the rebates in the NJREMI budget

Loans:

- Rick Brookes – Jersey Solar discussed an interest rate buy down program. ½ % interest rate would be bought down once the loan is approved. Rick said they could do a loan program for about 38 cents per watt.
- Mike A. – is there a way to structure without the administration – could the bank do the due diligence. Remove all the program requirements.
- Would MSEIA support this – if we could find the banks and the loans are competitive. Customers go to their own banks. If residential market had 20% at 100mW – 20mW - $100 million in residential business.
- Rick said that some of the banks have solar finance programs
- It was suggested that we have trade ally for banks that offer loans for solar systems
- It was suggested that we guarantee the loans by the state. Mike W said it would be too difficult for treasury – they would have to allocate the funding.
- It is difficult to be the 2nd loan on a mortgage so many homeowners would only have to go to their own banks
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Comment – we currently monitor the performance of the system and we would lose all of that if we give it to the bank.

Action – work with EDA to talk with some regional banks about this concept . It was also suggested that the EDA help develop a standard contract

Other comments:
Wind and Biomass has a too low budget compared to solar. What about including other renewable technology in that budget? Hydro etc.

Administrative fees:
Mike A – admin fee supports the old projects completion not just new projects – Charlie said overall the budget includes only a 5% admin fee.

Jeff Lamb – inspections should not be needed when you look at the loan programs? The SREC meter is mandatory. Who is being served by the paperwork? Is it needed? What can you do to make that change to the program?

Currently the EDC programs are requiring full inspections 100% - PSE&G said they think they can not mandate an inspection. The other utilities have it in their compliance filing so that would need to be changed.

Concerns on not have program inspections – With PPA's and other system owners – they would be concerned about the output so they are going to make sure the system is installed properly so it is producing.

The local inspections would be the program inspections. Concern is that building inspectors do not care about the production of the system. We could see many systems not producing if we do not have program inspections.

RE 2011 Draft Program Plan (Presentation #5 – Charlie Garrison)

$12M –

- $5.0 – non-solar
- .8 0 NJREMI
- $3 million admin
- $3.2 rebates

Joe Genello – reviewed the market manager's revenue – RE is just over $5M
EE is gong to $13, 390 and RE is going to $3.4M

Carryover was about $62Million from 2010 commitments to be processed in 2011.

Some programs are growing SRP could be 200% growth and admin costs are going down 11%.

How do we cut the budget and increase service delivery:

- IT automation
- Process improvements
- Greater upstream usage
- Shifting responsibilities to participants
- Streamlining program options/requirements

Suggestions include:

- Allocate $3.5 Mil To Support EDC Solar Financing Projects
  - Incentive payment is only available to projects that are awarded an EDC Solar financing program contract.
- Market Segments; Residential Up To 10 kW And Public And Non-profit Up To 50 kW.
- Payment Caps At 7.5 kW For Residential And 30 kW For Public And Non-profit.
- $.75/Watt for projects installed before 6/1/2011; $.50/Watt between 6/1 and 12/31/2011

This would not be a rebate, just an incentive. There would be no financial commitments and reserving money - it is a first come first serve and you only get registered you do not get a commitment but you only get the money once you submit the documentation at final paperwork.

Mike W – The staff is leaning towards no rebates so this is another way to help support the EDC financing. We have unsubscribed programs that we are looking to help out.

Concern – Why would you pay someone an incentive for shifting the risk to the utility so that the ratepayer can take on more burden. This seems opposite to what we should be doing.
Other concern – the goal is to bring the price of SREC's down. But is the cost to the ratepayers may be more by moving people to this option.

MSEA does support the long term contracts. We do need to get the SREC price down. Issues – This excludes PSE& G. If this is proposed it should also go to solar loan II or somehow include PSE&G. There are still problems in the NERA programs.

It was suggested that the program changes so it is not a bid and is simpler. There would be changes to the EDC program.

Other suggestions Reduce admin cost discussed by Charlie include:

- Reduce Application Requirements And Review
  - Eliminate Several Current Requirements For Initial And Final Application Processing
- Create Two Tiers For Inspection
  - Rooftop With Similar Scope Currently Used
  - Ground Based Verify System Is In Place And Operational
- Reduce Inspection Sampling To 20% For Rebates And 10% For SRP

Next Steps: (Mike Winka)
Mike Winka reminded that the Energy Master Plan discussions are tomorrow and Friday.

The next step is to finalize the compliance filing and have a public meeting in November. Then an early December board meeting to approve.

Mike W said there would be 3 more opportunities to give us input on budget.

The meeting adjourned at 3:45pm.

Renewable Energy Committee Meeting - Attendees

Tuesday, September 21, 2010 1:00pm - 4:00pm
Conservation Services Group
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