

Renewable Energy Committee Meeting Agenda
June 10th, 2010
1:00 – 3:30

Introductions

RE Budget 2nd Revisions to the NJCEP Budget (Mike Winka)

Mike W stated that the budget revisions are the response to the number of applications for HPwES and the RE program. For the RE program we needed to close the rest of Funding Cycle 2 and for HPwES we issued a temporary suspension of applications until staff can come back to the board with suggestions on how to move ahead. We are approaching budget constraints in all programs. The federal approved programs overall provides direct ARRA funding to counties and municipalities that we don't manage at the state level. The demand for the programs is exceeding the supply of funds available. We will be presenting a solution for Board approval at the next BPU board meeting on June 18th. A notice went out on Monday with our straw proposal. Comments will be accepted until next Monday, 6/14/10. Staff make a recommendation to the board based on that straw proposal and the feedback we receive from stakeholders comments received by 6/14/10..

Mike Ambrosio stated that we needed to expedite this process because there will not be BPU Board meeting in July and we would then need to wait until August to get any approval on the budget.

REIP Budget Position - Funding Cycle 2 & 3 – Presentation #1(Charlie Garrison)

Charlie G. reviewed the REIP Rebate Budget Allocation. In Funding Cycle 2 we have received \$6.3 Million in applications more than we have in budget. Charlie discussed the status of the CORE scrubs of \$8 million that were discussed at the last RE meeting. CORE Scrubs are those are projects that had CORE commitments that have expired or cancelled. In the past those were used for additional funding for the solar rebate program. The last CORE approval for a project went out about a year ago. Most were approved last February 2009 but there were a few that were still approved in April and May. We currently have about \$25 million allocated in the approved status for the CORE program.

Charlie G. reviewed the three Funding Cycle allocations and budgets for 2010. He also discussed that the wind and biopower prospect lists shows the potential for applications to be submitted for \$1.5 million over the 2010 budget so we will not be taking any funding from that budget to put into solar rebates.

Question from the group: If CORE scrubs are from solar projects that have expired why isn't that money going back to Funding cycle 2 to fund more solar projects?

Mike W said that because there is other programs need funding too. Every available dollar in the past, for example the annual interest funds have been put towards solar rebates, but now the other programs are doing as well and need the funding to continue.

The Direct Install program has commitments that need to be paid and this is where much of the CORE scrubs are going. At this point in time there is a lot of demand on the funding side that we need to spread among many programs.

Funding Cycle 2 Approval Status - Presentation #2 (Theresa Heller)

Theresa H shared the status of applications being approved in Funding Cycle 2. The non-residential budget has been fully funded with existing applications that were received in Funding cycle 1 and updated for FC2. Not all of those applications could even be funding with the \$1.5 million budget. None of the new applications for non-residential that were received on May 3rd or later will be funded.

Residential applications received in Funding Cycle 1 then updated for FC2 and deemed complete were all funded. The processing team is working on approving May 3rd new residential applications. \$2 Million of the residential budget of \$6 Million has been approved. Initial analysis shows that all complete residential applications received on May 3rd will be funded.

REIP Program Modifications & Stakeholder Input

Rebate Levels & Analysis – Presentation #3 (David Hill)

David H. reviewed the design objectives for the Funding Cycle #3 program modifications and the straw proposal:

- Continue Sustained Orderly Market Development
- Strong Indicators of Progress
 - Consumer demand
 - Depth and breadth of participation
 - Price trends
- Challenges
 - Budget constraints
 - Rapid growth of demand in other NJCEP segments
 - Early stages of meeting long term goals
- Use program design mechanisms (e.g. Funding Cycles and Capacity Blocks) – that reflect market conditions
- Design rebates for continuing declines
- Wean and modify individual market segments from rebates as appropriate
- Prioritize rebate funds for residential and muni/non-profit segments
 - Potential for sustained high number of projects
 - Favorable jobs impacts
 - Support local and smaller scale business development
 - Muni/nonprofit remains under-served
- Recognize primary value of electricity savings, SRECs, and tax benefits

Recommendations included in the straw proposal include:

- Continue but Modify Residential and Muni/Non-profit Rebates

- Reduce Rebate Levels and Rebate Caps
- Remove some currently funded segments from rebate eligibility
- Combine the solar categories for FC 3 into a single budget (e.g. no budget buckets for solar)

The straw proposal was developed to continue rebates for the sectors that truly need them. David H. reviewed the financial analysis and Net Present Value for a few different scenarios outlined in the straw proposal. The analysis showed that for the commercial sector, the financial analysis is still very attractive even without a rebate.

A comment arose on the SREC prices used in the analysis. Were they valid because they were estimated using the PSEG loan program numbers? It was argued that through brokers you may get a higher price than the PSEG loan program, just less stable.

Larry Barth shared with the group that we received a few suggestions from stakeholders requesting different approaches to the funding cycle funds. Larry B. requested that we hear from those individuals and review their proposals.

Proposal #1:

Colleen Smith - NJ Housing & Mortgage Finance Agency – Rebate priority should go to projects with ARRA Funding

Requesting that any solar project that carries least 60% of project costs from ARRA funding, should be given priority for rebate consideration.

Deadline for ARRA project completion is March 31st 2012 to spend all the ARRA. It was also discussed that at minimum the approval process should be quicker for those that have projects also being funded through ARRA funding.

Proposal #2:

Rick Brooke- Jersey Solar – Financing Program with EDA

Recommending that the remaining REIP Funding Cycle # 3 budget should be allocated to a subsidized low interest financing program administered by the NJ Economic Development Authority (EDA), instead of being allocated to upfront cash rebates which were provided to ratepayers under Funding Cycles 1 and 2. The environmental and economic case for “ going solar” is compelling without rebates, and can be helped more by a subsidized low- interest- financing program administered by the NJEDA. Residential and small commercial ratepayers would arrange for a loan through their own bank, and the NJEDA would assist with the interest payments for the life of the loan.

Mike W. felt there was some interest in this proposal because it seems like it would be less expensive for the BPU. Mike W was not sure that the EDA should administer it, but the Market Managers with the banks could. Mike W. felt this is definitely something that could be considered in 2011. He was not sure the finances all work out but he felt we should explore this further.

Mike A. said that based on discussions he did not think EDA handles residential loans. He would like to explore ways in which the program can allow private banking to apply loans.

Proposal #3

Michael Flett- Competitive Solicitation for FC3 and beyond. Flett Exchange's suggestion is **market based**. Round 3 REIP rebates should be allocated to the most number of participants thus achieving the greatest value for the public. This can be done by having applicants indicate a rebate level that they are willing to accept to develop a solar project. Those willing to accept levels of rebates at lower prices will have a better chance than those who opt to accept high levels. This process also eliminates the prospect of creating queues which have been detrimental in the past towards solar development in NJ

Mike W: I like the idea of competitiveness, but this is adding more effort to MM team. We'd like let them do as much as they can to change the process but September implementation is a tight time frame. It may be administratively time consuming.

Scott Hunter: This cannot be carried out for FC3 but it's valid to look at for 2011.

Proposal #4 –

Floating Rebate-Kurt Gewecke – KG Companies

Idea and process includes:

1. Increase the # of funding cycles to 12 (one for every month)
 - a. Current funding cycle 3 would be divided into the 4 remaining months of the year
2. Application would be taken during the first week of each funding cycle
3. Market Manager would review and approve application in weeks 2-3
 - a. Incomplete applications would be sent back for resubmission in the next funding cycle
4. Market Manager would allocate the available funds equally to each approved application on a per watt basis
 - a. $\text{Rebate} = \text{Total funds available} / \# \text{ of approved applications}$
 - b. Max rebate would be 1.35 per watt
 - c. Any leftover funds would be assigned to the next funding cycle or moved from residential to commercial or vice versa
5. Market Manager would notify approved application via email during the 4th week of the cycle
 - a. Applicants would be required to accept or reject the funding by the end of the 2nd week of the next funding cycle
 - b. Any funds rejected would be put into the next funding cycle

Concern was that a rebate could be as low as 20 cents per watt and the cost of implementation for these very small rebates would be very expensive.

The last idea that was submitted focused on accepting application fees so that applications that did get submitted were valid projects. Mike W. said they did ask the lawyers about this in the past and the lawyers felt this was not legal.

Other comments and suggestions from the group:

- The rebate must be significantly lower so we won't oversubscribe in the first week.
- Need to cut the rebate but not the system size.
- Concern that this uncertainty in sales market, everyone gets in panic mode and sell jobs without merit.
- We need to know that there is support for the residential rebate program. If we transition away from rebates, it is important that the residential and small commercial projects will still have a way to fund their projects.
- Need to find ways to simplify the process as the rebates get smaller. Also reduce administrative burden.

Mike A: The BPU is very interested in anything that could eliminate the admin costs.

Mike W and Mike A have discussed eliminating the contract needed for application approval as well as lower % of state inspections to be performed.

Scott H – You can eliminate more BPU inspections, if we mandated production meters. Comments from the group indicated that we still need inspections to know that the systems are installed correctly.

Scott Hunter said for any additional ideas to be submitted to the OCE by Monday, June 14th but focus on FC3 ideas. The next few RE meetings will focus on ideas for 2011.

Application Selection Process - Presentation #4 - (Tammy Gray)

Tammy G. reviewed a new approach to approving applications in Funding Cycle 3 that would eliminate the concerns discussed with Funding Cycle 2's First in First out approach.

The new approach would focus on a lottery. The application acceptance period would be open from Sept 1st through September 10th. All applications would be entered in a spreadsheet and then a random number generator would be run at the end of the application acceptance period and randomly renumber all the applications. The applications would be processed in this new random order until the entire budget was completely funded.

This would avoid waiting on lines, time stamp issues and all applications would have an equal chance to be funded.

Questions/Comments from the group:

If the goal is to reduce the rebate levels so that everyone's application can be funded do we really need this process?

Tammy G: The MM still feels there needs to be a process in place to determine which applications would get approved first and how we handle oversubscription.

Another comment was that a lottery encourages installers to bring as many jobs in as they can and then see what gets funding. You might find many jobs don't actually happen. This does not stabilize the market. Contractors are telling people that if they have a thought of doing it they should still submit b/c they can withdraw. This lottery won't sway that.

It was also suggested that we include a check box on the application so that if the project doesn't get funding they can automatically get moved to the SRP program.

Charlie Garrison said that applications can submit both SRP and REIP forms together with a letter stating they would opt out of REIP for SRP if they don't get funding.

It was suggested that each installer have an entity cap. The lottery doesn't help smaller installers who only have 2 apps in the lottery, it helps the larger installers that have 150. They have a better chance of getting some of their applications funding and the smaller installer could end up with none approved. Others also felt this method favored the larger installers

Larry B. These are exactly the types of comments that we are looking for you to submit by Monday.

A question from the group - Is there any chance of getting back together to discuss what was commented?

MW- No, the comments need to be submitted by Monday, June 14th and so the staff can put together the proposal for the June 18th BPU board meeting.

EDC Solar Finance Update – Presentation #5 (Fred Lynk – PSE&G)

Fred L. suggested that you can check PSEG.com for more information and updates for remaining commitments. PSE&G has petitioned the BPU to allow PSE&G to finance loans for systems up to 2MW.

Fred reviewed a presentation that discussed PSEG Solar Programs Reporting requirements.

Question arose for Fred - What does he think will happen in the solar 4 all program? Fred suggested that the individual look at the board order. There's a schedule as to what we would build for each year and that's the best idea for what we think will happen.

JCP&L, RECO and ACE SREC Solicitation – (Chantal - NERA)

Chantal summarized the last 3 solicitations:

- Solicitation #1 - 8 bids with 6 awards at a total of 7kW
- Solicitation #2 - 44 bids with 39 awards at a total of 65kW
- Solicitation #3 - 63 bids with 61 awards at a total of 93kW

The 4th solicitation was due on 6-11-10. Website is www.njedcsolar.com

RE Rules and Stakeholder Process Update (OCE Staff)

Scott Hunter provided updates on the following:

Solar Advancement Act approved in January 2010 required the board to change the RPS. Staff developed draft rule change language that we will be recirculating and presenting to the Board at the August board meeting. The RPS is now based on a % based requirement and not a gigawatt based requirement. Other changes, there are many, are changes that would have to go thru the full rulemaking process. Staff will be working thru the RPS stakeholder process. We'll be having another meeting in the future to pick that process where we left off at the last meeting.

Net metering/interconnection discussion to include SREC generation for system that are connected to a transmission line but serving behind the meter energy production for an industrial or commercial NJ based customer. Staff is currently working on this change and will be presented to the board hopefully in August or September.

Energy Master Plan - the Governor's office will be reviewing the EMP with a look at the changed market conditions from Oct 08. The economy, energy consumption, energy crisis have changed. The DEP and the BPU are working w/ Rutgers to redo the model. We were given 90 days to get that process started with a 9 month turnaround for final report.

A question arose about over voltage issues. Customers are still having an issue and I've inquired about test results. I am concerned that the utilities are hiding something and I would like the BPU to look into this further.

Scott Hunter said that the BPU energy group oversees the rules and he suggested that installers work with Jerry May for that organization.

Next Meeting- is scheduled for July 13th from 1:00pm to 3:30pm. Location to be determined.

Renewable Energy Committee Meeting

Friday, June 10, 2010

1:00pm - 4:00pm

Board of Public Utilities
 44 S. Clinton Street - Multipurpose Room
 Trenton, NJ

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