

Renewable Energy Committee Meeting – Notes – June 17, 2008

The URL for the meeting is: <https://www2.gotomeeting.com/join/912345762>
Meeting ID: 912-345-762. Conference Call: Call in number 1-866-740-1260; Access Code 218-3408#.

Maureen Quaid brought the meeting to order at 1 pm.

1. Introductions

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

2. RE Budget Review

Mike Ambrosio presented a review of the 2008 budgets, showing a preliminary draft of actual versus estimated expenditures in 2008. He noted \$17 million additional carryover from RE programs, and \$3.7 million in OCE oversight additional carryover. These carryover funds are available for budgeting in future years, with interest in applying these funds to projects in the CORE queue. Total is \$30-\$40 million in carryover.

Mike Dimino, a representative of sewer authorities, said sewer authorities might be the most intensive energy users in the state. He is interested in biopower applications such as sludge digesters. He said he has at least 12 members who have anaerobic digester projects that are ready to go forward, but there is confusion in the industry on how to proceed. Also looking into wind, biopower, even geothermal and micro-hydro applications. He urged more communication and collaboration between industry and BPU, and invited BPU representatives to participate in meetings and committees.

Mike Winka said he was open to working with sewerage districts, and noted BPU has supported work at several already. Quaid said the Market Manager is available for support as well. Ambrosio said we are also now in the process of developing programs going forward, and encouraged participation in that effort as well.

Ambrosio noted that MSEIA had proposed much higher funding levels, but that the carryover might help make up at least some of the difference over the short term. Invited stakeholders to comment and propose allocations of carryover funds to different market segments.

3. CRA – OCE staff proposal

Winka said OCE had briefed commissioners on June 13, no vote or decision by Board at that meeting. He is aiming for July 30 agenda meeting for Board to accept CRA recommendation. Winka said there was more detail in this CRA proceeding than had been provided in previous rounds. Winka said there were two changes: 1) increase in funding level budget to 75 million over 4 years for < 20 kW systems; 2) also recommendation to include \$10 million line item to cover Treasury request. Winka said straw proposal contemplates impacts of RGGI auction allowances, PSEG program, carbon abatement programs, securitization and solar transition costs, etc. Discussed including a trigger to reevaluate programs if combined costs exceed some level. OCE has received about 33 pages of comments to date.

Rick Brooke thanked OCE for raising the recommended funding level. Winka pointed out that recommendation is not final.

A question was asked about the costs of supporting large (>20kW) solar. Winka said they had made an estimate of ratepayer impacts based on assumed SREC pricing, but there was not a significant programmatic budget impact. He said the calculations show something on the order of a \$0.62 annual residential rate increase with each additional \$22 million in annual funding.

David Hill asked whether there was an intention to smoothly ramp down funding year by year in the CRA. Winka said the uneven decline rates were just the result of the formulas they were using, but the critical feature is the bottom line of \$75 million.

4. 2009 Renewable Energy Program Planning

David Hill gave a presentation on development of incentives across all the different market segments. He presented goals of the incentive and program design process. He said the Market Manager was working to develop program designs and narratives, and the purpose today is to vet initial proposals and receive feedback. David said design should be stable, adaptive to market response, and eliminate queues. 11-page incentive design brief has been distributed to REC listserve.

Biopower

Summary initial Market Manager recommendations for biopower included: maintaining a capacity based buydown in 2009; establishing declining block incentives (with first two blocks at 5 MW each); maintaining a technology neutral incentive structure; supporting feasibility studies and other market catalyzing activity; and supporting on-site systems > 2MW and community-based systems. He noted grid-supply projects (not net metered, or behind-the-meter) would be best served through other market development mechanisms.

Fred Lynk asked what a “community-based” biopower system would look like. Hill said it is not strictly defined, but said the feedstocks could be community based – e.g., tree and grass clippings, or the project sponsors could be community based – e.g. municipal and utility authorities.

Larry Barth said biopower target is about 900 MW by 2020, but that NJ has only about 2 MW installed so far. He said industry is complicated with lots of different feedstocks and conversion technologies, and that his presentation is designed to be high-level at this point and identify strategic plans for biopower sector. He presented an assessment of the opportunities in different biopower market sectors, and of the strategic implications for incentive program design.

James Pfifer asked what incentives were available now. Barth said they were posted on the website, and thought they started as much as \$3/watt for first 10kW and declining thereafter. Pfifer said REC and exported energy values are not high enough to justify investment, even after incentives.

Wind

Summary initial Market Manager recommendations for wind included: maintain expected performance based buydown; establish declining block incentives; support feasibility

studies and other market catalyzing activity; and support onsite systems <2MW and community-based systems.

Mark Valori provided an update on wind power market. He said there are only a limited number of wind projects that have come through the CORE program. As of the end of 2007, 4 projects comprising 2.7 MW had received \$1.9M in funding, with most of this going to a single large project. Under new 2008 EPBB incentive structure, many more projects have been proposed and accepted.

Bob Fisher commented on his municipal utility's work with wind. He said wind maps had underestimated wind speed at his site, and they have concluded they have a strong case for developing a 2 MW wind energy system. He noted existing rebate structure was perhaps not appropriate for larger wind installations. Winka said OCE was looking at a solicitation for larger wind projects to accompany the CORE wind incentives. This would be a grant solicitation for EDA finance and funding.

Current EPBB structure is at \$3.20 per annual kWh for the first 16,000 annual kWh, then the incentive drops to \$0.50 per annual kWh.

Solar

Summary initial Market Manager recommendations for solar included a question as to whether there should be a declining capacity block or auction based incentive structure; recommend against using an estimated performance-based buydown; and establishing a "first refusal" incentive block in 2009 at \$2.25/watt. Additional recommendations included: rewarding combined solar with efficiency measures; recommend capacity blocks of about 6 MW each; creation of market segments Open, Affordable, and Public with ~80% of funding in the Open category;

Hill said incentives would start at \$2.25/watt and decline to \$1/watt over time as capacity blocks are subscribed, with steps down from between \$0.10 to \$0.30, with size of step down dependent on how fast the previous block was subscribed.

Hill presented choices of Declining Capacity Block incentive structure versus an Auction Based incentive structure. He presented advantages and disadvantages of each. Scott Hunter said the real choice is not between these two alternatives, but instead open to alternative mechanisms that would prevent the formation of queues and oversubscription.

Fred Hauber asked whether 10 year payback was still a guiding principle, and argued the incentive level assumed an SREC value that was too high. Ambrosio responded that incentive design goal is also to manage oversubscription and continuous program availability, not just to maximize payback. Fred also noted that cost of modules and labor has increased, and it is difficult to make assumptions about future costs and paybacks of different incentive structures.

Scott Schultz asked a question about affordable housing outside of Sunlit program – where would they fit in? Hill said the new program would open and broaden the affordable housing category. Hunter said there is precedent for affordable housing projects being developed outside of the Sunlit program.

Lyle Rawlings asked for consideration of a simple time-based decline in rebates, saying MSEIA had advocated for this in the past. Could make declines occur quarterly rather than annually, so that if block is used up waiting period while applications are not being accepted does not last long.

Mary Uschak said HMFA projects are typically a minimum of 20 kW or more. Thinks declining capacity block structure is acceptable.

Fred Lynk asked about connection of renewable incentives to performance of energy efficiency. He noted there are geographical limitations on access to energy efficiency funds – i.e., smart growth areas for new construction.

Hill clarified that the standard would be Home Performance with Energy Star for existing residential, other target for new construction. But these are early conceptual designs which need to be further fleshed out.

A request was made for a more real-time application process that enables installers to have quick feedback as their application and the availability of funds.

Hill summarized by presenting an overview of the incentive design process. Requested comments by June 25 to enable draft program design narratives for July REC meeting. Final 2009 program plans are to go to the Board by September.

Ambrosio recommends dedicating next meeting almost exclusively to final budget proposal, getting full renewable energy budget out to all in time to develop comments.

CleanPower Choice

Bill Marshall summarized initial Market Manager recommendations for CPC. He noted alignment of CPC program with objectives of the EMP as well as other benefits of the program. Noted there is also a memo regarding the CPC program in the REC meeting handouts.

5. Updates

Short updates were provided on each of the following topics.

- **Municipality Training:** Mark Valori discussed a training for municipalities which was held last week. A written update was circulated in the REC meeting materials.
- **SREC-only Pilot:** Steve Wiese presented on the current status of the Pilot program, noting total and projected enrollment. He said he would be contacting registrants with accepted projects to update their forecasts of project completions. A written update was circulated in the REC meeting materials.
- **GATS Transition:** Wiese talked about a BPU notice and FAQ on transitioning the SREC market from the platform operated by Clean Power Markets to PJM-GATS. He said an additional stakeholder meeting was planned for June 25 at 1 pm in Trenton to further discuss the transition planning and take comments from industry. The BPU notice and FAQ were circulated in the REC meeting materials.
- **CORE Program:** Larry Barth presented an update on the CORE program. A written update was circulated in the REC meeting materials.

- **Solar Working Group:** Mark Valori said the solar technical working group has been working on a municipal RFP template, firefighter best practices, and a certified installer program. A written update was circulated in the REC meeting materials.
- **Wind Working Group:** Mark Loeser presented an update on the wind working group's meeting of June 6. A written update was circulated in the REC meeting materials.
- **Biopower Working Group:**

6. Proceedings Updates

- **Securitization** – Winka said there is a securitization meeting on June 18 in the afternoon. OCE has a straw proposal which was distributed last week.
- **Mega Rule-Making** – Winka said tomorrow's planned meeting was cancelled/postponed. OCE has requested comments on 12 items.

7. Other Business:

July meeting is tentatively set for July 15. Possibly one additional hour on the agenda.

Quaid adjourned the meeting at 4:05 pm.

**Renewable Energy Committee Meeting -
Attendees**

Tuesday, June 17, 2008

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