

Straw Proposal for SREC cap and Additional CORE budget –market segment allocation

At the direction of the Commissioners we are seeking input on two items as listed below 1. Straw for SREC Pilot - caps and; 2. CORE budget market segment allocation of additional funds as discussed at the CEC meeting on April 19, 2007 in Trenton. It is anticipated that these issue will be addressed by the Board at there May 23, 2007 agenda meeting.

- 1. Since the Board’s Order establishing the SREC only phase one pilot and the registration form refer to the CORE Policies, as adopted by the Board, as rules for the SREC-only phase one pilot, do the CORE rebate limits on the system size caps and entity caps apply? Specifically, should there be a cap on the size of the system in the SREC phase one pilot for each project and for an entity in total?**

Based on OCE’s analysis there may be a need to generate 8 MW of solar installed through the SREC only phase one pilot in order to meet the Solar RPS requirements for Energy Year 08. There is currently no cap on the overall size of the SREC-only phase one pilot. The input being sort is in regard to the project cap and entity cap and not a cap on the overall size of the phase one pilot which has a time limitation and not a size limitation.

This straw proposal does not address the OCE projected 34 MW potential solar shortfall for EY 09 nor does it address the procedures for any future revisions to the SREC-only phase one pilot which will be discussed, reviewed analyzed and decided by the Board as part of the ACP/SACP proceeding.

Several proposals on the caps were discussed at the RE Committee meeting and the April 19, 2007 CEC meeting but there was no consensus position and therefore OCE is presenting the following staff straw related to the following:

The SREC pilot is based on “no CORE rebates” however the SREC is still an incentive funded through the ratepayers and there is an overriding policy to apply ratepayer funding equitability across all customer classes and in a manner that minimizes the ratepayer’s impacts - considering overall costs and benefits. Therefore, the OCE is proposing the following straw for the phase one pilot which would have to be approved by the Board as set forth in current OCE Policies and Procedures:

- a. Residential systems in the pilot would be maintained the 10 kW AC cap or the net metering limits whichever is less;
 - b. Commercial and Industrial customers cap would be increase to 2MW AC or the net metering limits whichever is less at one site and per entity. The entity cap would be in place until July 1, 2007 and if the shortfall for EY 08 were not filled, the entity cap would be increased to 4 MW. The per site cap would be maintained at the 2MW AC cap or the net metering limit whichever is less.
2. Additional 2006 RE carryover not required for other RE Commitments - CORE market segment allocation as follows:

Please refer to the Honeywell budget report and the OCE 4th quarter summary that were distributed to the RE work group and the CEC for the April 19, 2007 meeting.

As discussed at the CEC meeting, based on the actual 2006 expenditures of the RE program and the OCE Administrative budget versus the 2006 approved budget and the estimated carryover for the 2007 budget, there are now additional funds that can be reallocated to the various CORE market segments in addition to the Board approved 2007 approved budget CORE budget market allocation as a potential line item transfer. The estimated carryover for the 2007 budget is based on actual expenditures through September 2006 and estimated expenditures through the end of the year. The actual 2006 expenditures were less than the estimated amounts which provides for an opportunity to reallocate funds as a line item transfer. This line item transfer would have to be approved by the Board as set forth in current OCE Policies and Procedures. Currently these additional funds are approximately \$18.7 million and may be less depending on the need to cover RE Power Plant projects. This total is made up of the following

- a. \$6.5 million in CORE and Clean Power Choice
- b. \$5.2 million in other RE program – REW Power plants, RE business venture and RE Manufacturing Incentive
- c. \$3 million in OCE oversight – Administration
- d. \$4 million in estimated potential interest on the FY 07 Clean Energy program funds to be calculated and disbursed by Treasury after July 1 , 2007.

There were four proposals discussed for the allocation to the CORE market segments at the CEC meeting as follows:

- a. 50 % to the LTE 10 kW and 50% the GT 10 kW;
- b. 40% to the LTE 10kW; 30% to the GT 10 kW and 30% to publics;
- c. 70% to the LTE 10 kW and 30% to the GT 10kW; and
- d. Based on the 2007 market segment allocation.

Given the above policy on the SREC pilot, the beginning of a queue for public facilities the OCE staff proposes the following:

- a. 50 % for LTE 10 kW;
- b. 25 % to GT 10 kW; and
- c. 25 % for publics

Please submit comments by Friday May 11, 2007. Comments can be submitted to the OCE at OCE@bpu.state.n.us with the subject highlighting the following caption: Straw Proposal for SREC cap and Additional CORE budget –market segment allocation. Comments may be submitted in writing to the following address:

NJBPU – Office of Clean Energy
POB 414
Trenton, NJ 08625-0414

Attn: Michael Winka – Director
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Comments may be submitted at the Special Meeting on the Draft Summit Blue Report to be presented on May 9, 2007 in Newark in the Board Hearing room from 1 to 4.