

**REC Meeting Notes**  
**March 11, 2008**

**BPU Proceedings**

**Scott Hunter** mentioned that he was pleased with the biopower and wind comments. Scott said OCE will work with the Market Managers to do a revised straw. **Mike Winka** indicated that comments on the current straw have expired. The plan is to shoot for CRA completion for the June 11 Board meeting.

**Mike Ambrosio** indicated that we need to bifurcate the CRA funding decision from the detailed program designs; program design decisions would be timed for the end of Sept. He suggested the REC committee begin to get engaged now in program design discussions, don't wait until the June funding. **Mike Winka** said we could use percentage assumptions until the absolute dollars are defined.

**Fred Hauber** mentioned that module prices are not coming down due to module shortage; questioned the decline in rebate levels as a result. Also suggested that OCE allocate \$20 million in total rebates for each of 4 years instead of declining tiers.

**Lyle Rawlings** on behalf of MSEA acknowledged that the CORE budget needs to be cut but that the (OCE) staff proposal cuts too far, with small projects paying in 36-40% of the costs but only getting 6% of the incentive benefit on a MWH produced basis. MSEA proposed \$107 million over 4 years, which would result in 14% of total MWH invested to coming from smaller systems vs the current share which is 22%. Lots of businesses and jobs are in that residential sector. Lyle also indicated that MSEA looked at rate of return analysis requiring 12% IRR for commercial and 9% for residential, with rebates going from \$2.75, declining by \$.25 per year.

**Scott Hunter and Mike Winka** confirmed that the lower rebates are justified given the emergence of SREC's. **Rick Brooke** indicated that for residential projects it is harder for people to come up with up-front money. **Mike Ambrosio** asked if cumulative REC value could be loaded into an up-front proposal to a customer, **Rick** felt there would be too big discount for that. **Mark Warner** indicated that Sun Farm offers PPA for residential customers, but investors are not interested in these projects, they prefer larger, fewer projects. Speculators are starting to emerge offering to buy REC's but are looking for 35-40% IRR's.

In response to questions about overall funding levels, and allocations between EE and RE, **Mike Ambrosio** indicated that there are iterative formal and informal processes for stakeholder inputs on the CRA. The OCE staff proposal has started the conversation, the Board will weigh in shortly with their views, and formal hearings will be held. There is a lot that can happen between now and June and no final decisions have been made.

**Small Wind Working Group Update:** **Alma Rivera** discussed activities in the small wind working group, including rolling out the new performance based incentive

methodology, and the plan to offer online access to the AWS Truewind calculator. In terms of CRA comments, the group feels there is a significant opportunity for onshore wind provided there are changes to the net metering rules.

### **Biopower Working Group Update:**

**Larry Barth** talked about the newly formed biopower working group. The Feb 7 kickoff meeting brought 55 members across this diverse industry together. The group developed a SWOT analysis for the industry, defined working group subcommittees including Economics and Finance, Feedstock and Rules/Regulations. The team also developed and submitted comments on the CRA, focusing on several key themes including supporting dual firing, the need for incentives to support early stage project development including R&D, and the need for a higher REC price (>\$20) to justify the higher costs of biomass feedstocks. Biomass was also mentioned as having baseload, high capacity factors unlike wind and solar. It was also discussed that biomass will develop its website presence.

**Babu Metgal, President of ITEC**, spoke about the issue with securing and transporting adequate volumes of feedstock, and indicated the need for significant R&D expenditures involving collaboration with universities to solve the feedstock problem. Babu's calculations are the 900MW of biomass would require \$3 billion in investment, and that none of that would happen without feedstock. His proposal is that \$75 million per year in R&D and \$25 million in feasibility support for projects would be needed.

**CORE Program Update:** **Larry Barth** provided an update on the CORE program, indicating no approvals in February awaiting the Board Order on the budget allocation. Both Mike Winka and Scott Hunter indicated their hope the Order would be forthcoming shortly, and indicated that the backlog of letters will start going out once the Order is released. Larry also discussed the Home Performance with Energy Star incentive, and all members in attendance supported the initiative. The Tax Certification requirement was also discussed, and **Mike Ambrosio** qualified that this would be required only for farms, non-profits, commercial and SUNLIT customers, and only for those projects approved after January 28, 2008. Mike also confirmed a 24 hour turnaround from Treasury for building owners with a previously issued tax certification where the 90 day period has lapsed.

**Mark Valori** discussed the new inspection protocol effective April 1, reviewing the agreement reached with DCA that OCE inspections will happen prior to local code inspections. Mark also reminded meeting participants that numerous communications on this topic have been made including the newsletter, in technical trainings and in previous REC committee meetings.

### **RPS Proceedings:**

**Scott Hunter** referred to many rulemakings in process due to recent legislative actions including net metering, the allocation of RGGI dollars, and rules which will allow

utilities to play on both sides of meter. More information about the scheduling of these meetings will be forthcoming.

The recent Board Order dealing with the shortage of class 1 REC's was discussed. Jim Torpey said it is important that the market be sent a signal that BPU is not forgiving the ACP requirement; the market would be adversely affected if the message is that ACP payments are being forgiven. **Mike Winka** made it clear that these ACP payments are being deferred not forgiven. He also made it clear that in the solar market in 2007, there were no extensions granted for solar REC's, and that in fact in energy year 2007, over 1,200 SACP payments were made for \$370K, with those funds being redeployed to support the CORE program.

**Mike Winka** commented on the rulemaking for the solar market transition, indicating that stakeholders comments on the new rules were due March 14, and that the staff would post the next draft reflecting these comments in the NJ public register, which would provide for further public comments via a public hearing. A final Board order on the new rules would have a notice period before taking effect. There was an estimate provided that the timing on the complete order here might be the summer or fall; in parallel the securitization proceedings would continue which would provide ample opportunity for stakeholder input.

**SREC Only Pilot:** **Steve Weise** reviewed the SREC Only pilot metrics, indicating that a net 70 MW of applications have been accepted, and that 33% of accepted projects have reported project status. Based on those who have reported, 50% have financing in place, representing 11.2MW of potential completed projects by year end.

**CPC Update:** **Steve Weise** indicated there were efforts to increase the number of Clean Power partners, with the goal of increasing the number of partners to 40 by year end. New enrollment forms were mailed on March 5, and this followed a March 6 promotion by the utilities. Steve also mentioned that work was in process to complete the REC verification process. **Mike Winka** mentioned that Customer Account Lookup is on the Board agenda for April 6; this will improve marketing efforts. It was also discussed that a competitive solicitation would be developed to expand the product and vendor offerings.

**REDI Update:** **Scott Hunter** gave a briefing on the REDI program which was part of the 2008 contract modifications. Due to a potential conflict of interest due to Honeywell's desire not to be restricted from bidding on work for REDI projects, the BPU voted on Feb 27 to require REDI be removed from market managers and instructed staff to come up with alternative. Staff will report back to Board on this by March 19<sup>th</sup>.

### **Other Business:**

The topic of requests for residential extensions beyond 9 months was raised, **Scott Hunter** indicated that this would require a modification to program rules, and that only

the Board was capable of making this change. He suggested that recommending this program modification could be incorporated into the 2009-12 CRA comments.

A question was raised about the Community Solar initiative as part of the solar market transition, **Mike Winka** mentioned that the Board was open to pilot projects at this time. The primary issue right now is that crossing a public right-away between the solar system and the end user load would designate the generator as a utility.

The PJM-Gats transition from Clean Power Markets was discussed. It was mentioned that Treasury would not issue waivers on contracts so it is unlikely the Clean Power Markets contract would be extended. **Mark Warner** mentioned that this migration should be treated as mission critical contract for entire SREC market. This implies there should be extensive testing and both systems should be run in parallel until we are confident we can cutover to PJM. It was decided to make this a standing agenda item at the REC meetings.

The next REC Committee meeting is scheduled for April 15.

## Renewable Energy Committee Meeting

### Attendees

Tuesday, March 11, 2008

1:00PM - 3:30PM

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