

CHP-FC Work Group Minutes
Storm Response Long Range Plan
Wednesday January 30, 2013
1:00 PM – 3:00PM
2W Conference Room
NJ BPU 44 South Clinton Ave.

Key discussion items:

1. Current CHP/FC budget - Mike Winka/TRC
2. Planning for NJCEP Budget for 2014 for CHP/FC - Mike Winka/TRC
3. Current open solicitation discussion for any revisions for 2014 - Mike Winka/Sandy Zeglarski (EDA)
 - a. Should the solicitation be limited/focused on storm response
 - b. Should the solicitation be limited to critical infrastructure
 - c. Should the solicitation focus on micro-grids
4. Status of other states storm response CHP/FC programs
5. Update on Standby charge proceeding
6. Discussion on status of CBA – request for inputs (Frank Felder)
7. Next step in CHP/FC financing

Reason for meeting/Agenda – Mike Winka

- Start planning for 2014 budget process
- Take a look at the current solicitation that hit the street earlier this month, which was the second round of solicitation
 - Discuss what is going on with that solicitation; what we can do to improve it, how much money goes where, what if we put the money in the budget and it is not spent.
 - In terms of sandy response how can we potentially use CHP and micro-grids.
- Goal for this meeting
 - Have the next round of solicitations.
 - Once the Board approves the budget – have solicitation available.
- Current budget 2012-2013 – \$17mil for small CHP, \$6mil already committed, which leaves about \$10 million left in the budget.
- One of the goals for today look is to look at the pipeline to see where the budget should be. What does the market look like today, should we still be putting money in the budget and how much?
- 1st solicitation 6 projects, representing roughly \$11 million.
- 2nd solicitation \$25 million – This is based on a first come first serve basis, get the customers in the program, have projects ready and show that the projects are there to get money out the door, which allows for the 2014 budget.
 - Should get about 50-60 MW
- Mike W. spoke with Sandy Z. from the EDA – there are a number of inquiries but no one has applied as of yet.

Updates from last meeting:

- Gearoid sent around a filing from a hospital in Wisconsin. The question was about whether CHPs could be permitted in a black start situation that would meet the emergency code requirement.
- Mike W. spoke with the DCA whom extended their assistance for any technical related items/issues.
- The connection for DCA will be Darren Port.
- Comment from Geraoid – Propane may be a way to go to provide fuel storage. You can run gas engines on propane. Propane may be another issue that they want to discuss.
- Comment for Craig Swaylik - Just a thought, as a functioning hospital, unless they are out of compliance, typically, a CHP plant will be a form of supplemental generation. The size needs to meet the thermal need, which will not meet anywhere close to the whole hospital.
- Geraoid - At least 50% would not be, which is significant for a hospital
- Craig -Put it this way, a recent project that he was working on, Jersey Shore Medical, has 4 MW, however they will peak around 12-13 MW, but thermal requirements will match the 4 MW demand. While they have black start capability on them, supplemental have other generators which is key to life safety in an emergency. A great additive to them since no hospital has 100% generation which you would like to think they would.
- General Comment – A handful that he has seen permitted at hospitals basically filled the hole with emergency gen-sets on site just with ability to have distributed power while still hooked up to the grid, so if there was a black out, they have capacity to do so, with their own distributed power with a gen-set.
- Question from Anne-Marie to Mike W:

Q: What is the timeline for the budget? If it takes a specific amount of time to reach a decision and then announce and file are we looking at a May timeframe? Since the budget expires in June, should we be looking at a multiyear budget plan?

Mike W. – May not have a board order but in a sense will know what the budget will look like. This question gets to some of the questions that Mike laid out in the beginning. SBC funding will always be this sort of ups and downs, so what are the real funding, the stabilize funding, grant funding? Not sure that the board will be able to say “we will put this much in SBC funding over the next 4 years”. They did that with EDA but that was another state entity. In no way can they say that they can park a certain amount of money in one bucket. On the other side of that, maybe look at the utility filings and they may have to change.

Mike A. comment on question - We should award a contract soon; develop a four year plan to use the budget. Since there will be three to four things happening in parallel, they should plan with an annual appropriations.

- What can be improved in the solicitation?
 - Some of the goals for administration are to move towards micro-grids.
 - Have a “carve out” in the next solicitation for critical facilities. Where should the line been drawn for those sort of facilities?
 - Consider using some of the Connecticut microgrid grant program.
 - Construction costs can be included with the CHP project. The 1st phase of the project is for design. Not included in the program was generation and about 30% of the applicants asked for funding from the generation side.

- CRA straw proposal is out there although not locked down yet, the initial funding for 2014 was \$325mil. Look at past budgets and see what was put into various segments. Last year \$55mil was allocated to the CHP program. It was cut back since it was not used in the first program and because they needed to cut back in most of the programs.
 - USDOE Mid-Atlantic Clean Application Center, put together a policy for NJ, high level.
 - List of Municipalities for CHP use, will be circulated to determine what is potentially available and has been installed.
 - Question: Enernoc study. What is Enernoc doing and does it involve CHP?
 - Answer: No, we didn't ask Enernoc to do anything with CHP.
 - Question: Mike A. Is there going to be a critical infrastructure RFP and a CHP RFP or a CHP RPF with maybe a subset for additional incentive?
 - Answer: Suggesting the latter approach.
 - Question: Are you looking to add to the existing program such that, if you meet these criteria you get extra "x" amount, or limiting the program to critical facilities?
 - Answer: Not limiting, but adding a carve out. Here is "x" amount for CHP program, "x" amount for critical facilities, is there black start capability how much needs to be added to the structure. We do not believe it makes sense putting out 2 solicitations.
 - Comment Joseph Sullivan- Look at what everyone already agrees should be in the group. Hospitals, places of refugee, prisons, etc. And then look at the questionable facilities and decide what everyone wants to do. Put them in one group or another.
 - Comment Craig Swaylik - Carve out what is critical infrastructure? We all know hospitals and so on, but we forget to look at places like Verizon which needs to be generated. We want to push them towards primary generation, also capability of being up and running with having a limited fuel supply should there be an extended outage. Cell service started to go downhill once the fuel started to run out.
 - Mike W. - Will split hairs on what the public should be paying for and what the private entities are making some degree of profit.
 - Passed around micro-grid and loan from Conn. Defined critical facilities to mean: any hospital, police station, fire station, waste water plant sewage treatment plant, public correction facilities, and they throw in are of municipalities the chief officer of the municipalities deem appropriate.
 - Question: Mike A. - Years ago homeland security and FEMA provided money, is that still there?
 - Answer: Mike W. – We have every question out to every agency to see what is available.
 - Comment Craig – Some of the schools who put in the whole school generators were getting homeland security money and that is how they were funding the generators.
 - Comment Joseph Sullivan – American Council met at Foresgate looking seriously to add more emergency generators but not only add more but change over to natural gas, because the biggest problem was not having emergency generators, but being surrounded by water and not being able to get trucks to get fuel to them, so the generators would run dry.
 - Ability to take distributed generation off and on the main site to work together to get closer to full power.
 - Didn't do it on CHP, did it on a mix.
 - There is a window of opportunity to change the situation
- Action Item: Send around definition of critical facilities and get comments.
- Craig Swaylik – We could have multilayered incentives, such as CHP, CHP with black start capabilities, critical facilities. We would love to have hospitals participate but they don't want to

spend money on that, their main concerns are that they need to buy a new MRI equipment. That is where they prefer to spend their money. We may need to give them more incentive to move along on this. So it might be a multi-tiered.

- Mike W. - There is a limited market with a limited budget – last year was \$55mil, and they took some away, do we need less, do we need more. Is that the right amount?
- Anne-Marie – Are we trying to get on a path to get to 15 MW?
- Mike W. - \$25mil will maybe get you 15 MW.
- Craig Swaylik – There is a limited amount of people capable of designing and operating these facilities. Having consistency in program will see more and more dollars in the years once they see the money is there. We will see a build up on the program.
- Mike W. – Wants to put the right amount in the budget.
 - Can't not have excess left over.
 - Need to understand what the pipeline looks like.
 - If you want to send it to the PC or market manager, confidentially this way we can see what the pipeline looks like.
- Mike A- For a critical infrastructure should it be a requirement that it be dual fuel?
- Joseph Sullivan- Often done for economics, if it is not critical do not spend the money on dual fuel. Could have a diesel fuel generator right next to a natural gas co-gen, if you do electrical work right they can work together. Once they get up and running they could minimize the amount of contribution they get from the diesel.
- Bob Kudrik comment -
 - They should have the funding levels over the next 8 years to reach 1500 MW, which would equate to an estimated \$95 million year over year. If they show consistency over the next year with the program they can get more interest in the program and therefore grow the program and keep it moving.
 - Mike W. Response: He cannot ask for \$95mil year over year over the next 8 years. We need to look at this and put it in terms that will be the most cost effective way to run the programs.

Update from Rutgers: (Frank Felder)

- The study is looking at the responses to Sandy electricity outages. Been asked to do a cost benefits analysis of CHPs. 2 Reactions: 1. Sure, 2. Seems like your funded limited, there are more cost benefited programs that make sense to do a cost benefit analysis.
 - Efficiency point of view: determines whether a project makes sense.
 - It would be helpful to get input on what a cost benefit analysis can do in terms of CHP?
 - Cost benefit analysis can be extremely efficient but can also be misused.
 - 1st Step in CHP – collecting studies, publically available, send them his way, just the executive summaries.
 - Prepare a list of requested assumptions that would go into a cost benefited analysis. (Only send stuff not confidential).
 - Near term issue, what is the budget, funding, policy...this study will help set the funding for the state for near and long term.
- Mike W. Action Items: Comment on the critical infrastructures and send responses no later than the month so they can be put into the April filings.

Next meeting to be announced.