Meeting Notes

CleanPower Choice Working Group Meeting

Location: Conservation Services Group Offices, Iselin, NJ

June 20, 2008

Attendees:
In Person:, Anne Marie McShea (AMM), Bill Marshall, Meg Denney(MD), John Holtz(JH), Bob Maddox(BM), Tom Donadio, John Veprek (JV), Charlie Garrison, Mark Valori, Kim Hoff, Michelle Peal
By Phone: Rich Struck, Diana C. DeAngelis, Chris Siebens, Dave Nichols(DN), John Ogden

Agenda Items:

1. Summary-2007 CPC Annual Report

Anne Marie (AMM) presented the points in the PowerPoint presentation titled "CPC Annual Planning Conference" which was distributed electronically to the CPCWG. She emphasized:

- That all NJ clean energy programs are being aligned to EMP goals and funding for CPC and other energy programs will be based on alignment with EMP.
- The importance of CPC in creating new Class 1 resources based in NJ, an example being the Atlantic City wind farm.
- The enrollment target can be achieved but that the program has to be aligned to achieve that goal.
- That CPC is much more effective from a cost view point than CORE in stimulating investment in the development of MW of new renewable resources.

Bill Marshall presented the summary of the CPC annual report section contained in the presentation.

There was discussion about:
- The need to increase the number of businesses participating in CPC.
- Chris Siebens asked about the calculation of the average kWh per participant and how it was calculated.
- John Holtz (JH) asked if the drop figure was an annual figure. It is, and this was followed by discussion about the many things which influence drops.

AMM then lead a discussion around the comparison of NJ CPC with other national programs and made the following points on each of the tables.

- Total number of participants table:
    - Many programs have been active longer than NJ's program.
    - Many have a one EDC to one CPM relationship.
    - The top ten programs are single utility in a geographic area, where as in NJ our program address a state wide audience across 4 utilities with offers going

out to 3.2 million customers. In this sense NJ is a larger opportunity than any of any programs in the table.

  - JH mentioned that a truer comparison of programs is with PECO, FPL, and PacificCorp. Comparison with National Grid and Excel are not really good since they encompass 3 different markets.

- Customer Participation Rate table:

  - Palo Alto is a unique situation, but we can do better than we have done in participation.

- Green Power Sales table:
  - The point was made that these figures are driven by the number of commercial customers and their large MWh consumption.

- Premium charged on electric usage:

  - Dave Nichols (DN) and JH pointed out that the pricing for many of the programs is less than 1¢ per kWh. AMM added that is why we need to keep our pricing in a range which allows for customers to participate.

  - Bob Maddox (BM) asked if AMM thought that NJ would lower the requirement for the inclusion of NJ Class I RECs from the current 50% making the point that this is the only way to lower the price. AMM deferred the question to later in the day, but she did remind everyone that the program has to be more closely aligned with the EMP focus on “new” NJ based renewables under the goals of the EMP and the original CPC mandate.

  - AMM pointed out one of the negative trends of NJ program versus others has been the trend to increase the prices, acknowledging that this has been due to the supply restraints on class 1 RECs from PJM/NJ.

- Summary Slides

  - AMM reminded everyone that today’s discussion is about how we can achieve the goals of the EMP and the goals as originally designed in the CPC program.

  - JH asked if under RGGI there will be a set aside for CPC purchases under the New Jersey Clean Energy Options. AMM confirmed that there will be and believed the set aside of 2% of MWh referred to by JH was accurate, emphasizing that more details would be forthcoming.

  - JH feels having this set aside will add more credibility to the program as people will be buying “real” carbon offsets because the RGGI set aside will be linked to their purchase. This would be a particular benefit for businesses wanting to participate in CPC.

2. 2009 Program Planning

AMM suggested the group start this section of the agenda with the suggestions JH had provided the group on how we might redesign the CPC Program. See PowerPoint slide set titled “Restructuring the CleanPower Choice Program” distributed to the group.

JH reviewed the proposals in his slides and made the following comments:

- JH mentioned that his approach is coincidently broadly aligned with AMM presentation parameters (even though they had not communicated about the proposal before the meeting) and his suggestion represents a bold change. It would take a lot of effort from everyone to achieve the changes proposed and have them ready for the spring of 2009.

- JH suggested we “start over” with one CPM, not three for NJ, and that the selection of one be determined through a competitive process.

- Going forward the program should be branded as a utility program with the CPM acting behind the scene for the EDCs providing marketing, customer retention activity, purchasing RECs to the program, etc. The idea would be to provide a turn key operation for the utilities in the clean power area.

- A 5 year term would be needed for a new CPM to take on the Program as it takes time to get a voluntary program going and to the scale needed for profitable operation for the CPM, and to provide a return on the investment.

- Costs would be borne exclusively by the CPMs and participants. No NJ state money would be required. BM asked if under this program the CPMs would pay for the utility bills stuffers. JH answered yes.

- JH suggests a block product, with a flat monthly rate, be use to keep the Program simple. Not having a monthly variable cost is seen as a way of increasing participation.

- A portion of the revenue generated would go to the utility for their support costs and the balance to the CPM for their REC purchases, marketing, and admin. costs, and investment in NJ renewables.

- A milestone based performance requirement would be established, for example to build NJ based resource based upon thresholds of participants. This threshold model is much like the Green Mountain/Florida Power and Light program which now has 38,000 customers.

- A relaxation of resourcing requirements is a key element of the proposal

- The biggest task would be for around the selection CPM promptly.

- The closest model we have to this proposal is the Connecticut model.

Comments on the JH proposal and other thoughts related to 2009 planning:

AMM added that consideration of a single CPM for all utilities is worthwhile, but the BPU initially wanted a more open and competitive environment. There was knowledge at the initiation of CPC that organizing it as was done might not be the optimum situation, but it is what the BPU wanted. Now the Board is likely to rethink the design to reduce the complexity of program and foster more cooperation/collaboration between CPMs and EDCs.

BM added that the biggest issue is price, not the number of suppliers or organizations involved. If the price to public is too high no amount of spending will get significant participation. This means that the requirement for 50% NJ Class 1 RECs and overall market supply issues need to be addressed. .075¢ prices in the Northwest, no administration problems, etc can take advantage of the excellent demographics there to create leading voluntary programs, but this is not the situation in NJ.

BM added that NJ is a difficult media market with strong influences from Philadelphia and New York. NJ a bifurcated media market in which it is difficult to get influence in at a reasonable media cost.

BM contends though that price is main issue…being under 1.5¢ kWh is critical. Breaking 2¢ really causes a serious decline in participation, and in between the two price points is a bit grey. Meg Denney (MD) added that this is true on a percentage of use products, but may not be a correct assumption on block products which have a fixed cost.

AMM absolutely agrees that pricing is key and driven in large part by supply of RECs and costs of the same, but that as currently structured the program is allowing 50% of hydro (to help hold down prices) which is not consistent with brining on new resources and NJ based resources—goals that both the EMP/CPC seek.

But there are strategies to cover the higher prices, e.g. Jersey Atlantic wind. Yes it is more costly, but we have not had major attrition with the product in place, and it is a perfect type of block product for the program, rather than a % of use product.

MD confirms that the average JAW customer is buying 1-200 kWh of electricity. The $5-6 price range is a good one, be it on a percentage of use, or block product.

BM mentions that in PECO wind program the utilities sent out four times the number of inserts that the NJ utilities have sent out and they were paid for by utilities.

AMM agrees that multiple factors impact participation including product resources and product price. She added that currently the program is set up to conform to RPS standards and hydro was added originally to give the ability of the CPMs to keep price low enough to attract participants. Despite sourcing problems and its challenges, expanding sourcing boundaries away from NJ and PJM is going to be a very difficult one. She said that we look at other strategies like block products which support NJ goals.

BM feels that many, maybe most of the 15,000 customers want a product that supports 100% usage and this is supported by Sterling Planet's research. He feels that customers are confused by block products. MD does not feel that it is a problem as people due understand a fixed cost per month that goes with block products.

Dave Nichols(DN) asked BM if he wants 100% of usage or block products. DN suggests there should be a block product for people who want a block. MD says that their experience is people can be educated about the differences between block and 100% usage products. Customers with information then act as they feel is best for them. Education/clarity of presentation is the key.

JH also agreed with BM that without a change of sourcing on the RECs, if the CPMS are going to picking up marketing costs and other costs that the charge to CPC participants will easily be in the range of 3-4¢ kWh. This is going to be too high—to BM's comments that cost per month could be as high as $35/m. And added that he feels that RECS could come from anywhere in the USA with some kind of a prioritization of the source in a new program, NJ, PJM, other.

AMM again emphasized to the group that reducing the requirement on Class 1 New Jersey RECS to be very difficult because it does not meet the goals of the EMP. JH agreed, but he pointed out that under his plan milestones related to customer base increase, would trigger the construction of resources in NJ. This might be an incentive for New Jersey to consider the relaxation of sourcing requirements.

BM suggests that instead of moving down the bold path JH has suggested that we rework the existing program to make it more effective. Like JH he feels something has to be done: participant price points are slowly becoming wrong, supply contracts are coming up for renegotiation and the prices will go up. BM would like to know where the BPU wants to go.

AMM responded that from the beginning the OCE/BPU support of the voluntary market was to be a catalyst to the marketplace, not the marketplace. The BPU supported the initial start to the program, paying for billing, branding, etc. but now the CPMs need to move the market forward.

BM noted that the need for clear direction quickly is important as the potential uncertainty about how the program will proceed may inhibit the development of more marketing support until those plans are clear. JH added he has the same concern. If we are going to do a major overall, the next six months are going to be a transition.

AMM stated that one of the objectives of this meeting is to start to develop a set of recommendation for program changes. Those would not be in effect before April 2009. It would not be earlier than that date as rules have to be drafted changes approved, etc. The intention will be to develop a set of draft rules in short order which would go out for consideration.

DN suggested having a profile developed which describes some of the existing successful programs as regards number of CPMs engaged , products, etc. DN suggests that the threshold question is whether or not we should consider switching from multiple marketers to one (two) marketers or not.

He sees a couple of different values/and their trade offs which need to be considered by the group/NJ before making changes:

- Maximizing participation
- Open framework/open competitive market

DN's basic question is what is the maximum participation rate achieved in a market with an open framework like New Jersey has? National Grid is perceived as the most similar environment to New Jersey.

BM agued that many factors lead to success, or impede a program's success, and that one measure is not necessarily indicative. Our interest is NJ and in NJ the factors that are impacting its success in his view are:

- Cost of supply
- Market awareness—potential participants don't know how to sign up. This is a challenge of being between the NYC or Philadelphia media markets.

BM emphasizes again that if we change the rules on sourcing, which allow us to lower the price we may find that participation goes up significantly.

JH pointed out that in his view:
- The nearness of NYC and Philadelphia are not problems.
- Price needs to be addressed to provide stability and affordability.
- The Program needs to be linked to local utility, not CPMs.
- Growth needs to be attached to the requirement of building resource in NJ to call attention to the program and NJ residents' participation in it.

MD suggests that instead of trying to achieve dramatic changes that perhaps we should look for a way in the middle.

AMM also does not believe it is necessary to throw everything out but that we can improve on CPC by building upon the base that has been created and finding solutions consistent with:
- A unified brand
- Goals and provisions of EMP, RGGI
- The participation of four different utilities.

AMM pointed out that today we have the potential of different funding options: CPM, SBC, or RGGI. We did not have all these options when Program was started, but there are larger issues to be addressed. One of them is the question of …is it better to have one or maximum two suppliers to program to improve performance of the program?

BM points out that demand for RECs is rising and projects are being built, maybe not in NJ, but they are being built. MD confirms that projects come on line in groups as demand rises and prices go up, exactly the effect we would expect from rising demand. But not all RECS are going to voluntary market. Many go to PPA uses, RPS market, etc and that voluntary programs are always competing to get part of the output form new resources.

AMM comments that there is no question of value of voluntary programs for USA/Region, but that we have to refocus on NJ objectives, namely in state resources and new resources.

BM stated there are several purposes for why someone signs up for clean energy:
- To Fight climate change
- To secure energy independence
- For Economic development, green jobs, etc
- In support of particular resources wind, solar, etc.

People want to support renewable energy, but we may not be able to do everything in NJ and keep the price low.

AMM, we realize this, but the Program has to align with the funding process and EMP goals. It also has to focus on reaching the 2% participation target.

AMM, we have been talking about this for a while, let's go around the table and hear two suggestions to help realign/revamp the program to achieve NJ's goals form each of you:

BM:
1. Lower the NJ resource requirement to 30% or less.
2. Implement as quickly as possible account number look up.

JCPL: No recommendation from Chris Siebens or Tom Donadio

JV (John Veprek) needs extremely targeted marketing. The current economic environment is much more difficult than a few years ago and this demands targeted marketing. The market is in much more stress than a couple of years ago.

JH: Already stated in his presentation

MD:
1. Drive a much stronger relationship with the EDCs, using account number lookup and others.
2. Need to find a way to manage prices making it possible for people to be able to participate at a reasonable cost. Demands are exceeding the supply of RECs. Iberdroala for example is bringing supply on line but the demand is also rising due to RPS standards and other demands. We have just restructured in Connecticut to allow people to get a regional/ national/ and PJM mix. This issue gets back to the point of… Do you want higher participation by using a broader mix of resources or do you want to restrict the location of resources/location and have a higher price? This is a fundamental trade off we have to face in the current environment.

BM points to MD's comments and explains this is why he is suggesting using only 30% NJ/PJM resource. He adds that the restructured CT program uses PJM resources which are going to drive up the price for NJ programs too. BM and MD confirmed that 30% or less of product mix in CT is coming from local or PJM resource.

BM reminds the group that the RECs tend to be purchased by the utilities first because they buy a lot of watts and pay their bills promptly. In other words the compliance market gets served first and then the voluntary markets like CPC, but other individual voluntary participants like Princeton University, J&J, etc. investing in clean power for their own uses/image.

AMM, it is obvious that there is gong to be continued demand for Class 1 RECs from RPS requirements and others, but let's go back to the then and consider if we should encourage 100% of use or block product products, and in our case blocks with NJ resources.

BM with an exclusive NJ product you will sell many less kWh, many less.

MD a 100% product would have to be a block product just because of the resource scarcity. With a 100% you will sell a lot more MWh but it will not be NJ based.

AMM says that it would be better to have a smaller product with a more consistent pricing. MD feels JAW is a good example of what could be accomplished with blocks or small % like current product.

MD feels both block products and % of use products can work, but what is really needed is serious cooperation of EDCs to make program work better.

BM suggested we try to decide about the amount of Class 1 RECs which might be acceptable. He suggested 30%. He pointed out following up a point made by MD that given the level of uncertainty about the program he may not be able get SPI's supply people to commit to a certain amount of RECs, say for 3 years, because of their concern about what might happen to SPI on those contracts if SPI were no longer able to participate in the NJ revamped NJ program beginning in 2009. He is concerned about what he would do with the supply RECs. Price stability is very important. But in the short term we need to back away from the 50% requirement.

AMM noted that that standards were set earlier. Variations to this are going to involve the CPC Program in rule making changes. Changing rules is at least a 6-9 month period. However if there was a major supply problem we could probably get some earlier action from the BPU.

3. **Customer Account Look Up (CAL) / Slamming Rule**

AMM repeated what she had informed the group at the May 21st meeting, namely, customer account look up as has been approved and includes a standardized form which will require two signatures. She said she had been following up every week for the written authorization, but it has not been released from legal yet.

Discussion followed about what the form and content would look like. AMM said that the form was established (based upon the Connecticut model) and that CAL had to be used in the authorized format. Two signatures are required: one for product and one for authorization to look up the account number on the potential participant's behalf. MD and BM asked it the approved form could be integrated into direct mail pieces. The conclusion was, "yes". One of the provisions established by the Board in approving CAL is the requirement to revisit the slamming guidelines. AMM passed out the guidelines and asked that the CPMs provide feedback on them to her.

BM said in the Connecticut program that they have a spreadsheet that they send to an EDC contact that fills out the details on the spreadsheet. [This is an example of the type of cooperation CPMs need from the EDCs to make NJs' program grow.] BM suggested that EDCs appoint a specific person to work with the CPMs on this issue and others

The CPMs noted that this would help with the bill inserts. About 7% come in without an account number, an invalid number (for example inverted numbers), etc. So account # look up will help to increase enrollment from bill inserts as well as help with additional marketing the CPMs will undertake.

AMM commented that the agreement to give CAL to CPMs is a vote of confidence in the CPC program by the BPU.

MD expressed hope to have CAL in place by the fall enrollment drive.

AMM asked everyone to look over the account slamming rules in the next week or so to provide feedback to her. AMM does no know the timing of the slamming rules update. But eventually they need to be updated for CAL to proceed.

4. **CPM Marketing plans for the remainder of 2008**

AMM stated that one of the previsions of the original order establishing CPC was that CPMs needed to invest in the Program and provide marketing plans. AMM made it clear that under the revised rules the requirement for marketing plans will be stronger.

BM said he would be glad to provide a confidential marketing plan, but is concerned about the certainty of the program design and willingness to invest given the potential changes in the number of CPMs in the Program. He added that the rest of 2008 there are no changes which can really be accomplished…given the remaining short timeline.

BM also stated that forming a tighter partnership with the EDCs is essential is successful marketing strategies.

MD also expressed concern about committing to a lot of marketing activity (and expense) given the uncertainty around participating CPMs. She said she would need to consult with fellow team members at CEI to prepare a proposal.

BM and MD asked if the existing CPMs be allowed to keep the customers they previously develop if a single CPM is decided under a potential competitive RPF seeking one CPM for the NJ market?

Kim Hoff said that there will be mailings to people who have expressed interest in the Home Performance and that CPC will be promoted along side this mailing.

BM added that we should also contact people who have installed solar through CORE, or shown other interest about renewables through the Clean Energy Program. AMM asked that Kim bring a brief plan to the group at the next meeting indicating actions that the CPMs might tie into in their marketing efforts.

AMM asked Kim to send the updated community partners list to the CPMs, and encouraged the CPMs to reach out to the Community Partners in their marketing plans, noting that the Community Partners are an enthusiastic group.

AMM stated she is looking for CPMs to step up to the plate with marketing spend, plans, and effort. AMM has delivered a strong brand building campaign, community partner program, and account look up. Now it is time for CPMs to invest in the program and not rely on organic growth primarily from utility bill inserts.

5. Wrap Up & Follow up Items:

- AMM asked CPMs develop marketing plans which focus on the 2008 period in particular and noted that this was requested at the May 21st meeting as well. They will be treated confidentially. AMM added that there would be not additional resources from the state to support the marketing of CPC.
- AMM will send a request to the CPCWG asking for comments on how to restructure the CPC Program. She asked that they consult with their internal teams about possible changes to enhance the Program and include that in their feedback.
- AMM requested comments on slamming rules she distributed from the CPMs by early July.

- Kim Hoff will send out the Community Partner contact list to the CPMs

- Next meeting is scheduled for July 22, 10:00 AM to 1:00 PM. The attendance of CPMs and EDCs in person is requested. CSG offices in Iselin will be used for the meeting.