Renewable Energy Committee Meeting
Tuesday, July 21, 2009, 1:00 p.m. – 4:00 p.m.

Location:
Board of Public Utilities Office
44 S Clinton Ave., Trenton
1st floor Multi Purpose Room

Call-in Number: (877) 891 - 3816
Conference ID: 21007962
Webinar: No webinar this month

Larry Barth brought the meeting to order at 1:05 p.m.

1. INTRODUCTIONS

About 38 people were in attendance in the meeting room in Trenton. Approximately 20-30 others introduced themselves as joining by conference call.

Mike Winka recommending adding an item to the agenda to cover the new prevailing wage rules. He said the Governor had signed into law the prevailing wage act. The act requires all participants of incentive programs to pay prevailing wages. He said BPU is getting further definition on what needs to be done immediately, and what can take place over time. Anne Marie McShea will be handling discussions on necessary rulemakings. Questions should be directed to Anne Marie McShea at oce@bpu.state.nj.us with "prevailing wage act" in subject line. There are some exemptions for incentives aimed at residential and some other recipients. OCE is developing an FAQ with the Department of Labor. A question asked whether SRECs would be included as an incentive; Winka said it is likely that SRECs are not exempt from the act. Another question had to do with assignment of the incentive by a homeowner to a contractor. Winka said this would also be addressed in the FAQ.

Michael Ambrosio said KEMA impact evaluation drafts covering CORE program are complete and posted to website. Comments are requested by August 15. He said there are other evaluation reports on the energy efficiency programs as well.

2. POLICY DISCUSSION (HUNTER):
A. 2010 RE Program Budgets & Allocations

Michael Ambrosio said there are 2 major pieces to the budget: new funding for 2010, and carry over of unspent funding from 2009. Carryover funding is determined around the end of September and feeds into 2010 planning process. He said state two budget issues could impact RE 2010 programs: a state line item appropriation for $10M; and an FY 2009 appropriation for $30M from fund. These will impact the 2009 budgets this fall.

David Hill presented the Market Manager's budget recommendations for 2010. These recommendations only reflect new spending for 2010. Focus will be on REIP and CleanPower Choice budgets. He presented a timeline which ended with filing a final plan with the BPU in mid-September.

Hill noted that market activity remains strong despite a slow economy; there is a high level of new contractor participation.

Lance Miller provided a brief update of the utility securitization programs as additional context.

Hill reviewed changes proposed for 2010:

- Maintain residential incentive capacity block step-down; but consider step down for non-residential incentives

- Increase wind system size up to 1 million kWh per year
- Extend completion deadline for wind and public projects
- Implement new requirement for metering of all projects (pending Board Order or rulemaking)
- Modify entity caps

Hill summarized the proposed 2010 budget, noting that the solar component is on track to fully expend 2009 funding, but non-solar new market activity continues to lag behind schedule: 2010 recommendations:

- Standard residential decline from $1.75 to $1.55/watt; this would bring the average rebate from about $13K to about $11.5K
- Standard non-residential rebate decline from $1 to $0.90/watt; average rebate from $25K to about $22.5K
- Anticipated volumes: about 1700 residential andn 500 non-residential solar projects
- Budget: REIP total would be $46 million ($41 million from new 2010 funds): $20 million residential plus $11 million non-residential; $5 million each for wind and biopower

Next steps

- Develop CleanPower Choice program budget
- Possibly integrate support for community solar/community net metering market activities
- Edison Innovation Clean Energy Fund budgeted at $3 million
- Total residential is about $53 million

Winka said grid supply is currently proposed at about $6 million which should be added to the budget. There is also a line item for offshore wind which needs to be integrated into the budget. $12 million for manufacturing which comes out of a different budget. These figures will be added to the working budget document over the next couple of months as they are further defined. SREC Registration program budgeting is embedded in the REIP administrative budgeting.

There was a question and discussion by Winka and Miller regarding the RPS and the status of the market progress toward meeting RPS goals. Miller said planning goal is to get solar RPS on track by the end of RY 2011. Miller also said an update/extension of the 8 year rolling SACP figure would be coming up soon, with consideration of extending that schedule to longer than 8 years. Pam Frank supported the idea of reaffirming and extending the 8 year SACP schedule as a positive sign to capital markets.

A comment was made recommending higher rebate levels for non-profits. Winka said there was a strong incentive to use federal tax credits as long as they are available.

Mary Uschak said $7 million in 0% loans are available for HMFA-financed projects; there are requirements that projects must have a 10 year old or younger roof; and must meet energy efficiency standards.

B. SREC Registration Program – Market Transparency

Steve Wiese said there has been increased interest by market participants in understanding the project development pipeline, especially now that directly grid-tied solar projects are eligible for SRECs. He noted that SREC Registration Process reports have now been integrated into the same system which provides reports for the rebated market, and the market manager team has been working to make the reports consistent and deliver them on a consistent schedule. Charlie Garrison described the current status of reporting.

Wiese said he had been asked to clarify what was responsible for a perceived high rate of expirations among SREC registration projects. These expirations have made forecasting difficult and have made pipeline statistics difficult to interpret. He said the expiration rate was high due to several planned closures of the SREC Only Pilot Program in 2007, and showed there were large increases in speculative projects entering the program on or after those planned closures. He also demonstrated that those speculative projects have largely worked their way through the process after 1.5 years, and that the current rate of expirations among SREC registration projects is actually quite small. He asked market participants to review current reports and recommend any changes or updates to himself or Garrison.

New reporting process has been established
- Integrated SREC-only Pilot Program and SREC Registration Program reports on 7/10
- Now consistent with REIP reporting
- Will be supplied twice monthly

What caused the historical high rate of SREC project expiration?
- Recently questioned if program encouraged highly speculative projects and how that effects forecasting - some suggest the application process should be more rigorous
- Statistics show that the high rate of expirations correspond to the SPP expiration dates (i.e. application deadline shows a spike in applications and 12 months later shows a spike in expirations)
- At this time this program was the only vehicle for large project development, approaching deadlines caused speculative projects to apply
- Now that the deadlines have been removed, projects owners are not pressure to apply until they are confident
- Rate of expirations has decreased significantly, problem has resolved itself, no changes need to be made

Aren't large projects more affected by financing and doesn't this make them more speculative?
- No, then we would see a slower rate of applications and we're not.
- SREC Registration Projects are asked not to apply until they have a signed contract.
- There will always be some projects that don't get completed, but the number has significantly decreased

Forecasting
- Forecasting includes projects that are registered but not completed, forecast both high and low numbers
- There is currently 16.5 MW of approved projects being developed, and 19 MW of projects applications are being processed
- At the July 9th stakeholder meeting we agreed to include the "estimated project completion date" in the application form
- Analysis shows that current forecasting data is meaningful
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SREC Registration Program Guidebook
- Is under development and will be moved up the list of priorities
- Will include a request for estimated completion date and updates from applicant at various stages of installation
- Reminder that approval of SRECs lasts for 12 months

C. 2009 REIP Policy Issues:

1. **Rebate caps – CORE history included for REIP project:** The recommendation was to view the 10kW residential cap as a lifetime cap including CORE history and the 50kW non-residential cap as starting with the REIP program, not including CORE.
2. **Rebate caps – non-residential non-solar:** The recommendation was to exempt these from overall entity caps. The Willingboro MUA was cited as an example. Loeser reinforced that these would be for non-residential projects only.
3. **Rebate caps – residential new construction.** The recommendation was to treat a developer sponsored spec development as a non-residential project eligible for $1.00 per watt and no 50kW site cap.
4. **SREC eligibility for pre-EDECA systems:** The recommendation was to make these projects eligible for SREC's, with the 15 year life beginning at interconnection. Hunter mentioned that he did not think this required Board approval.

D. 2010 REIP Policy Issues:

1. **Rebate caps – non-residential solar:** The recommendation was to lower the 1 year entity cap to $2 million (from $5 million), to remove the 2 year cap and lifetime cap and the reduce the 4 year cap to $5 million. The 1 year entity cap would be reset at Jan 1 of the beginning of each year.
2. **System size caps – residential solar:** The recommendation was to permit larger than 10KW residential installations paying rebates only on the first 10kW. Receiving the higher rebate was contingent on adopting Tier 3 energy improvement recommendations. Fred Hauber asked about equity issues between residential and commercial systems regarding the entity cap proposals. Frank asked about limits on residential projects – Barth clarified they could build as large as they wanted, subject to 10 kW incentive and other net metering eligibility rules. Miller provided more context on the utility securitization programs.
3. **Rebate levels – self-installed systems:** The recommendation was to remove the self-install rebate. It was mentioned that there was no authority for the market managers to make this change in 2009 even though this rebate is removed from the form.
4. **REC registration for grid supply non-solar projects:** The recommendation was to have projects continue to register for SREC's as they do with behind the meter projects; for non-solar projects the need for an inspection will be determined by Ron Jackson. Quaid said that the market managers are on track to implement NJ manufacturers incentive.

3. UPDATES (MCSHEA):

1. **OSW OREC carve-out in the RPS:** McShea said a draft rule was circulated for comment on July 1. Rate counsel has provided a counterproposal.
2. **RPS Solar conversion:** Meeting was held July 9. Draft rule proposal was circulated, changes from % to MWh requirement. Some comments were made as to how this rule change would interact with the BGS auction. Also comments on solar registration process. Staff will circulate revision of draft rule with goal of bringing rule to Board in mid-September.
3. **RPS EMP:** RPS increase to 30% by 2020 and extension after 2025. Looking at end of August and early September to take up these rule changes.
4. **Net Metering and INX Phase 2:** Have had preliminary discussions regarding metering requirements, cost recovery by utilities, and real-time net metering. This would proceed in parallel with the RPS rule.
5. **Community Renewables:** A proposed pilot program went out for comment a week or two ago. Comments were received on 7/14. Staff plans to bring a proposal to the Board for the September 16 agenda. Comments have been strongly in favor of moving forward with multiple approaches and to take action this year. Miller noted that US DOE has announced $22 million in support of community renewables. Proposals are due September 3; DOE anticipates making about 4 awards. More information is available on the DOE website.

Ruben Brown asked about community net metering. McShea said community net metering would be taken up under the community renewable rule. Brown said Maine and Massachusetts have taken leadership roles in community net metering and could be used as models.

4. COMMUNITY CLEAN ENERGY AGGREGATION (S.CREMA)

Stephano Crema discussed community clean energy aggregation. This was one of the choices included under the community renewable energy. He described government energy aggregation, which allows cities and counties to aggregate the buying power of their constituents to procure alternative energy. NJ legislation was approved in 2003; authorizes cities and counties to form government energy aggregation program. IOU continues to provide billing and distribution services.

5. NEXT MEETING

August 18, 2009, 1-4 pm, location to be determined.

6. ADJOURN

The meeting was adjourned at 3:46 pm.

Renewable Energy Committee Mtg. - Attendees

Tuesday, July 21, 2009 1:00 - 4:00 pm

Board of Public Utility Office
44 S. Clinton Street (1st Floor, Multi-purpose Room)
Trenton, NJ

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