Renewable Energy Committee Meeting Notes
August 26, 2008

Conference Call: Call in number 1-866-740-1260; Access Code 2183408#.

Maureen Quaid brought the meeting to order at 1 pm.

1. Introductions
About 30 attendees were in the room. Another unknown number attended by teleconference.

2. Update on Net Metering/Interconnection/Community Solar
Scott Hunter said a net metering stakeholder meeting has been scheduled for September 11. A two-phased approach is being pursued for the rulemaking, bifurcating relatively simple from relatively complex items. It includes a proposal to allow renewable customer generators to switch anniversary dates and select an annual true-up period. Proposal attempts to balance flexibility against administrative costs.

3. Update on Board Order and CPM Contract Waiver (Extension)
Hunter noted that the BPU's existing contract with Clean Power Markets to run the SREC trading system expires September 30. On the contract waiver, agreement has been reached among all parties and final paperwork has been submitted. He expects final word by the end of the current contract term. Contract extension will last 9 months, has a scope of work for facilitating the transition to enable CPM to work with GATS and the Market Manager to transition existing accounts. New accounts will be established directly with GATS.

Mike Winka said a stakeholder meeting on this issue was held a couple months ago, and offered to hold another one after contract waiver is completed if industry desires.

Carla w/ PSEG asked to confirm that CPM contract will be extended 1 year? Hunter clarified extension is for 9 months, and new projects as of October 1 will establish accounts directly with GATS.

4. Activity Reports
Quaid asked if anyone has questions about CORE/SREC etc., program operations reports, which are posted on the web and delivered elsewhere. There were none.

Mike Ambrosio suggested providing update on ongoing processes.

5. Ongoing Process Updates

A. CRA Process
Winka said the Board approved funding for 2009-2012, including the funding split between RE and EE. Order itself is in final approval and sign off stage now. $25M additional for CORE budget was not approved – instead, the Board approved directing $28M in expected SACPs for solar rebates. In September, $28M (or the final SACP amount) will be allocated. RE budget also includes $19M for offshore wind projects, 10% upfront and remaining paid out as

production credit after facility is constructed. Total of $51M available for CORE budget. $5.6M for CHP projects.

Ambrosio clarified that $51M for CORE was allocated based on what was in the queue in each budget category. The intent was to provide an approval letter for every project in the queue.

Charlie Garrison said the funding will cover all projects on July 31 queues.

A question was asked regarding how long it would take to get approvals out, once the Board Order is issued. Larry Barth said that once the Board Order is released, it will take about 2 months to get approvals out at pace of 60-75/week.

Quaid asked what happens if projected SACP payments are lower than forecasted? Winka said the Board is asking for better information on where projects stand in construction cycle. Hunter said there is also uncertainty in retail sales projections. Barth noted there is about $3M in uncommitted funds in wind and biopower, but $4M or so in the development pipeline for these projects. David Hill said the answer will affect ability to afford the concept of a first refusal block, so a decision on this issue needs to be made soon, or the first refusal block needs to be made contingent upon availability of funding.

B. Securitization/Solar Financing Update
Hunter said the Board approved and issued an Order from their July 30 meeting. The timeline is for JCPL and ACE to submit RGGI filings by Sept. 30, with RECO to follow. Based on a meeting this morning JCPL and ACE on schedule to meet 9/30 filing deadline.

Ambrosio said the Order adopted the revised staff straw proposal released in June, with 10-15 year contracts securing stable SREC prices. As JCPL and ACE complete their filings, there are two additional issues: 1) estimates on what shortage will be in terms of setting up the size of the MW blocks for the auction, and 2) development of standard contract with standard terms and conditions. There may be an opportunity for industry input on these issues.

6. 2009 RE Program Planning
Quaid said today's proposal reflects as much stakeholder comments as team could incorporate. New program consolidates CORE, SREC-Only Pilot, and RECs Facilitation into a single consolidated structure. It provides quality control but moving to quality assurance structure in 2010, enabling only a portion of projects to be inspected reducing costs.

Bill Condit argues that no commercial project eligible for federal ITC has a need for rebates. Ambrosio says rebate eligibility for rebates was increased to 50 kW in response to comments from industry, but he thinks lower rebate amounts for larger projects are appropriate. Quaid says proposal has rate for larger projects @ $1/watt. Scott Schultz said MA-SEIA comments have supported not giving rebates to tax advantaged organizations. Adam Stern notes that structure in other states is combine benefits from rebate and tax credits to make solar more affordable. Rawlings says disparity in tax treatment is important to consider, especially insofar as it enables rebate funding to be stretched further.

Is it possible to differentiate rebate eligibility based on tax credit eligibility? Wiese notes that in Pilot program registrant is defined as system owner, not necessarily site host location as it is in CORE. Mary Uschak said there may be an impact on affordable housing, because affordable housing units are typically owned by an investor.

Winka notes that there is a balancing issue between administrative complexity and administrative cost. Ambrosio notes that with the late batch of approvals from 2008, many CORE projects will need to be completed in 2009, and asks whether the 2009 program plans reflect this. Hill said they do. Also, we are expecting a large volume of completed projects prior to December 31, 2008, and Market Manager team is gearing up to handle large volume of processing at that time.

Hill said that standard incentive levels for solar go from about $2.40 declining to about $1.20 over four year term, incentive levels drop as capacity blocks are reserved. Also includes some integration with efficiency. Winka said this proposal is a first step at coupling RE with EE, and he is generally supportive of making solar rebates contingent upon completion of Home Performance with Energy Star audit. Uschack interested in how this would impact affordable housing. Ambrosio says only requirement is to conduct an audit, but not requiring homeowner to elect all cost-effective upgrades at this point. No one objects to making an EE audit a requirement instead of a tier.

Rawlings said MA-SEIA's position was that time-based decline would be best. Quaid said time-based structure in the past created massive runs prior to deadline in NJ. Hill said we may lose the ability to have a first refusal block based on new budget figures.

Dennis Wilson argued against keeping 80% performance threshold for non-rebated systems when most program benefit is based on performance. A similar issue exists for entity caps.

Entity caps/developer caps are intended to create fairness among installer community, prevent against one or a small group of installers from locking up all available funding. These are proposed only after experience in the funding cycle.

Is there a need for a first refusal block? Hauber suggests it's not necessary. Condit favors keeping a first refusal block, even at lower incentive level. Ambrosio suggests trying to find additional funding, perhaps moving some from biomass. Winka suggests $2.40 initial funding level might be a little high given the budget we have.

On proposed wind incentive design, Quaid said the wind program moved to an EPBB structure in 2008. This is to be maintained next year, and Hill said there are no proposed changes in the incentive design for 2009. One question asked whether anything prevents vertical axis turbine use. Hunter and Barth replied that what is needed is third party performance testing data.

On sustainable biomass and fuel cells, Hill said proposed incentive levels are reduced, partially based on Summit Blue report. Incentives are still at levels to spur market development. Maximum incentive comes to lesser than about $885K or 30% of installed cost. Also we have removed the 2 MW cap as long as the system is serving customer load. A question from the phone (James Fifer?) was whether waste to energy facilities would be eligible for rebates. Hill said they were not Class 1 resources and are not included in the rebate programs.

On other program services, Quaid says the proposed plan continues providing services that are currently being provided. A separate plan for marketing proposes expansion of upstream market development activities. The Clean Power Choice program also has its own plan.

Alma Rivera asked whether training for wind installers was encompassed in the proposed plan. Valori said a 4-day wind installer training is planned for this fall, and another wind training is planned for 2009.

Valori discussed a transition from quality control to quality assurance model. This enables migration from current 100% inspection rate to 15% inspection rate by 2010. This means installers will need to be certified and undergo training to maintain eligibility to participate in the program.

On the proposed budget, Hill said tables need to be adjusted to reflect latest budget figures. Expect to see reduced incentive levels and greater MW and MWh.

Schedule for program planning will result in program plans to Board by end of September, but program plans may be filed as early as mid-September. Market Manager may be able to get one more draft circulated with a week for comments prior to mid-September.

7. Clean Power Choice Program

Anne Marie McShea discussed the program plan for 2009, which includes leveraging customer account lookup and encourages marketers to invest in marketing efforts. Program has been growing organically at a reasonable rate, but it needs to double the rate of enrollments in order to justify itself. Also looking to redesign product standard to encourage more investment in new and local projects.

Schultz asked whether CPC experiencing slower enrollment due to higher energy costs. McShea said signups have been slow, but market nationally seems somewhat resistant to fluctuation, and enrollments are still growing. Opportunity is to use buying power to support new projects coming online in New Jersey. McShea cited Jersey-Atlantic Wind project as exemplary of the kind of projects the program should support.

8. Next Meeting

Next meeting is set for September 16, 2008 1-4 pm. Quaid adjourned the meeting at 4:00 pm.

Renewable Energy Committee Meeting - Attendees Tuesday, August 26, 2008

1:00PM - 4:00PM

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