

Request for Comments Regarding Proposed Solicitation for Large Scale CHP and Fuel Cell Projects and Changes to the NJCEP Budget

CHP-Fuel Cells

The Board approved 2011 budget for New Jersey's Clean Energy Program included a budget of \$30 million for a Competitive Grant-Loan Solicitation. The purpose of this budget line was to develop alternative mechanisms for providing NJCEP incentives such as revolving loans through a third party program manager. Staff has previously proposed that \$10 million of this budget be allocated to a proposed Multi-Family Loan Program pilot. Staff is now proposing that the remaining \$20 million be allocated to a proposed solicitation for large scale, greater than 1 MW, CHP and fuel cell projects.

The Draft EMP analysis reaffirmed the goal of developing 1,300 MW of CHP projects in the next 10 years. Prior solicitations issued by EDA and the Board demonstrated a significant demand for incentives for medium and large scale CHP projects. Specifically, 31 applications representing over 200 MW of CHP capacity were submitted in response to the prior solicitations. However, the prior solicitations were funded with Retail Margin funds (RMF) and RGGI carbon allowance funds (Clean Energy Solution Carbon Initiative (CESCI)) and due to budget issues, no incentives were awarded to the project proposals submitted in response to those solicitations.

The current Pay-for-Performance program includes incentives for CHP and fuel cell projects and limits incentives to the first 1 MW of capacity. Staff is proposing to develop a solicitation to award incentives to CHP and fuel cell projects greater than 1 MW.

Past solicitations issued by EDA included a fixed, dollar per megawatt of capacity incentive. The proposed new structure will be based in part on estimated production. In addition, awards will be based, in part, on the level of incentive needed to construct a project. That is, projects with lower proposed incentive levels will be given a higher priority in the bid evaluation.

Proposed Budget Modifications

The Board approved 2011 budget included \$908,415.71 for Rutgers Center for Energy Economic and Environmental Policy (CEEEM) to support program evaluation activities and perform cost benefit analyses. The budget also included \$1,951,779.65 for Program Evaluation activities. The Program Evaluation budget included funds for a proposed market potential study. Staff is currently coordinating with CEEEM to have CEEEM issue the RFP to engage a contractor to perform the market potential study. CEEEM also engaged a contractor to assist the Board in the development of its Offshore Wind (OSW) regulations and other related matters. Staff recommends that \$400,000 be transferred from the Program Evaluation budget to the Rutgers CEEEM budget to cover the anticipated costs for these services.

The Board recently issued an RFP to engage a contractor to support the review of OSW applications submitted pursuant to the Board's OSW regulations. The regulations provide that the applicants will fund the cost of the contractor engaged by the Board. However, Staff anticipates that the Board may incur certain costs prior to receipt of the funds from the OSW

applicants. Therefore, Staff recommends that \$200,000 be transferred from the Program Evaluation budget to the OSW budget to cover the costs associated with the contractor engaged by the Board to support the review of OSW applications noting that the NJCEP will be reimbursed for any such costs upon receipt of the funds from the OSW applicants.

Staff is requesting comments on the proposed reallocation of \$20 million to a CHP and fuel cell solicitation, the proposed transfer of \$400,000 to the CEEEP budget and the proposed transfer of \$200,000 to the OSW budget as discussed above. Comments are due by October 14, 2011 and should be submitted to:

publiccomments@njcleanenergy.com