

REC Meeting Notes
2/13/2008, 1 pm EST

Introductions

Introductions of everyone in the room, and on the phone. Phone: (incomplete list) Mike Mercurio, Matt Helt, Tim Frey, Rob Jetty, Steve Rubin SunPower, Jim Meyer, Bill Hoey

Review of Input and Decision Making Process and Timeline for CRA

Winka: Copy of straw proposal on table and on screen. EDECA creates statutory responsibility every 4 years to come up with program design, etc. through CRA process. 04-08 funding levels end in 08. Need to start working on CRA for 09-12. This process is connected to the Energy Master Plan.

Lance Miller: Energy Master Plan. Working with Governor's office to get draft finalized and on the street. Expects this to be released in the not too distant future. Stakeholder process, public hearings begin 60 days after release. Supportive of plan's elements, now not working through substantive issues. CRA funding aligns with EMP strategies.

Winka: Draft straw proposal in general sets out goals from EMP on energy efficiency and renewable energy, but also demand response, clean energy generation, CHP, etc. Some of these issues are not addressed in the straw proposal.

Some open questions/disclaimers in straw proposal. Amendments to global warming response acts (RGGI). Funding source for carbon reduction, demand response, large efficiency projects. Assembly substitute 2459. Provided for utilities on either side of meter to do EE and RE which could be funded out of SBC, retail margin fund, or based in rates. Section 13 specifies 120 days to develop Order identifying procedure for cost recovery via rates. Once 120 day time frame is set, clock starts ticking for 180 days to for Board to approve, deny, or modify, or on 181st day it is considered to be approved without an Order.

Revised straw proposal will come out March 24. March 27 CEC meeting hearing confirmed. Opportunities for comments prior to and after meeting. Public notice. Consideration by June 11 Board meeting.

Mike Ambrosio: Distinction between informal and formal process. Right now, this is an informal process. Between now and March 27 date this is informal. Formal hearings start on March 27 with revised straw released on March 24.

Presentation of OCE straw proposal

Winka: Funding level is shown over last 8 years, with percentages by EE and RE. Also shows performance of measures, before getting into specifics on proposal.

5 Items: Small PV, Biomass, Offshore wind, Onshore wind, Clean energy technology fund

Straw Proposal Goals

100 MW offshore wind by 2020
200 MW onshore wind by 2020
900 MW biomass

This analysis factors in reduction in energy demand through energy efficiency (20% reduction by 2020). In sum, we're now at 80M MWh, going to 100M MWh by 2020 reduced to 80M MWh by 2020 after factoring in efficiency goals.

Relied on Navigant, Summit Blue studies, federal tax credits, PJM capacity markets and REC markets to come up with projections for what are needed for biomass, wind, small PV, etc.

Clean Energy Technology Fund will promote both RE and EE. Looked at competing with other states' programs to evaluate NJ's competitiveness in jobs markets. EDA looked at manufacturers' incentives, commercialization of technology portion of those funds.

Board Order on solar transition proposal made recommendation on \$/watt for solar. Something on the order of 7 MW each year.

CG clarifies the Order states 7, 6, 8, 9 for a total of 30 MW over 4 years.

Funding level for renewables:

\$100M for wind

\$60 M for biomass

\$30M CETF

\$53.25M for small solar

Some dollars to Edison Institute

CETF mandate is not technology specific. Focus not on R&D, but on commercialization.

Discussion of straw proposal

Lyle Rawlings, MSEIA. Small solar decision fits in context of transition. Transition as a whole has solar industry concerned. Successful program in US, important too. #1, #2, or #3 most important program in US. Program has fostered a diverse market in NJ, with several thousand jobs created, serving wide and varied set of customers. Schools, residential, small and large business, schools. Programs have created rate equity among different segments. Concerned about losing that diversity and equity. This is the number 1 issue to the solar industry. Sees this as an experiment that has not been replicated elsewhere. Don't think straw has hit the mark. Recognize importance of CETF, that in the past we've focused on solar. Believe OCE has gone too far on cutting down the small solar segment. Will release white paper soon, arguing maintenance of small project segment at about 20% of overall solar market, which would require about double the funding from what OCE has laid out. Recommend reduced rebate levels, starting around \$2.75 and declining. Believes it's significant that residential market pays in 40% of total electricity sales, deserves a reasonable shot at \$ put into these funds. Strong political support from this sector as well. Industry has suffered layoffs. Requests reshuffling of funding priorities. NJ is a success story, wants to continue that success story. Recommends average funding going from about \$13M per year to about \$26M per year. Also recommends definition of small systems go from 10-40 kW, but using a 2-tiered rebate structure, recognizing ITC that small businesses could take advantage of. MSEIA has done thorough economic analysis. Small projects cost more to install and cannot access 30% federal ITC. At recommended rebate levels, small systems are still considerably disadvantaged relative to large commercial projects with access to ITC.

Current rebate levels are at \$3.50. Recommend move to \$2.75 for 0-10, \$2.00 for 10-40 kW. Discussion of "average" rebate levels refers to move toward rebates based on estimated

performance. Some may be higher, some may be lower depending on the estimated performance.

Mike Ambrosio asks whether funding allocation to customer classes is relevant to overall plan, or separately within EE and RE funding.

Lyle Rawlings says residential sector will get out less than half of what they put into RE funding.

Scott Schultz echoes LR comment on funding levels by sector within RE budget.

David Hill asks what rebate declines to in MSEIA proposal by 2012. Scott Schultz says it ramps down so that rebate ramps down to zero after 2012. Lyle Rawlings says \$2/watt in 2012 for up to 10 kW, \$1/watt for 10-40 kW.

Question from phone on how arrived at 40 kW definition of small systems. Lyle Rawlings responds it represents consensus among industry MSEIA members. Notes that MSEIA proposal all assumes no change in federal tax incentives. OCE proposal assumes continuation of federal tax credit. Winka says he's not sure what would/can/should change if federal tax credits are reduced or eliminated, for either residential projects or commercial ones.

LR says MSEIA's numbers assume about 9 MW of <10 projects per year, about 14% of total, which is down from 25% of total.

Mike Ambrosio says we've always talked about lowering rebates with expectation that system prices will drop as well, but this hasn't borne out. What is the industry's expectation regarding price drops.

LR says industry expects price decreases. Says this year we're seeing leveling and slight decrease. Expects to see larger decreases in 2009 due to improvement in silicon feedstock supply. Module prices have gone up by 20-25% over past 3 years. Benefits of greater volume and reduced costs have already been apparent in the marketplace in NJ.

David Hill argues that even through silicon constrained period prices have declined 3-6% per year.

Ambrosio, Board Order mentions monitoring trajectory on PV prices and SREC prices. Is there a specific proposal to track these metrics? Data will need to come from industry.

Schultz says Prometheus Institute projection shows price increase in first part of 2008, with drops to follow.

Richard King, American Energy Technologies, says NJ market collapse in 2007 may have contributed to price decreases in 2007, with oversupply of modules and market players reducing inventories.

Lance Miller asks whether MSEIA proposal will impact BPU cost cap, also whether increase in electricity prices resulting from latest auction is considered. Lyle Rawlings said MSEIA proposal does not address these subjects specifically, but will consider adding this analysis.

Winka adds that there is a significant growth curve on efficiency side. On efficiency side, the allocation is over 40% to residential sector.

King: 2 areas that need to be considered. 1) NREL study on low area in NJ suitable for wind development. 2) Wind turbine in Wayne township experience demonstrates barriers to development. Recommends if there is no progress on subscribing rebate \$ for small wind, that budget be immediately reallocated to small solar.

Caller: We are making progress with cities and towns with small wind. Cites example of Brick recently made progress.

Winka notes OCE CRA straw assumes zero budget impact. Commenters may make other recommendations based on other assumptions.

Lance Miller notes that Board action concerns overall budget allocation to EE and RE. Specific allocations within RE are determined in each year's budget process.

Fred Zalcman asks how \$\$ from RGGI and/or ACP payments feed into this process.

Mike Winka responds ACP funds go back into the programs. ACP funds are used to prime pump to develop additional capacity. RGGI says Board wishes to consider all potential funding sources in a single package.

Lance Miller says RGGI authorizes DEP to conduct an auction, this gives state significant flexibility to decide where dollars go. Hopes EMP will be guiding document on how any such funds will be allocated. EMP does specify this, but specifics cannot be released at this time because EMP is still in draft stage. We have to wait to see what comes out of the EMP process.

?? what are general objections to wind plan.

Richard King says one Board member had to recuse himself. Tone of meeting indicated Planning Board would take every opportunity to create series of stumbling blocks, so that actions from State wouldn't matter.

Winka says options presented are state command/control approach, or alternative approach where state works with cities that are interested in finding a solution. BPU strategy is the latter.

Roger Dixon and Mike Mercurio disagree with notion advanced by Richard King, that NREL maps suggest conclusion that only 5% of NJ is suitable for small scale wind development. They state this NREL number refers to large wind.

Lance Miller argues that much NJ large scale wind will have to be offshore.

?? Governor's "austerity budget" involved? SBC is considered an off-budget item.

MQ notes biopower working group formed 3 subcommittees to provide input to CRA process. Solar industry has been suggested to take a similar approach. Encourages small wind industry to do the same in participating in these processes. These comments would be submitted not to market manager, but to BPU.

?? says solar has a number of benefits greater than offshore wind.

John Blair, Garden State Solar, says 98% of NJ can't be used for large wind. Pot of \$\$ for wind is not properly allocated. Proposing that wind \$\$ be reallocated to solar.

Sue Legros asks where 20 kW cutoff came from.

Winka responds it came from Summit Blue proposal between 10 and 50 kW, did not do specific modeling to arrive at this cutoff.

Lyle Rawlings: MSEIA position is pro-wind, pro-efficiency, pro-biomass. Is there a potential for development of an efficiency REC?

Mike Winka: Believes there is authority to create such instruments for efficiency. Will be looking at capital access models over the next several months. Believes we are moving in that direction.

Pat Murray asks whether reference to EE “kicker” will be put in place.

Larry Barth says Market Manager made proposal to OCE staff yesterday to implement this. Mike Winka says there is agreement that EE and RE are tied together. Timeline for implementation is “soon”. Very soon.

MQ says detailed proposal has gone to OCE staff. Issues on decision making process and where \$ will come from. But these may be minor points at this stage.

Schultz argues solar transition has been learning experience. On efficiency side, shouldn't transition process begin immediately? Lance Miller says it has been in process for over a year within the EMP.

Dolores ??: When will we see EMP?

Lance Miller: Can't provide a specific date. Hopeful announcement on timing in not-too-distant future. Originally scheduled for October 2007.

Richard King: Demand response relevant to CRA process? Suggests research support for crossover between demand response and solar peak.

Mike Winka: Demand response is not part of this process. Demand response working group is working on this.

Lance Miller: Argues solar does not match well to demand. There is some crossover in some market segments, but overall demand keeps rising after solar capacity peaks. Solar decline in late afternoon can also create steeper peak on demand curve. OCE recommendations consider research on this linkage. These topics will be covered to a small extent in the EMP.

MQ asks whether grid-connected solar would need to come through SREC Only Pilot Program?

Nobody knows. Ambrosio requests Market Manager for recommendation on this.

Schultz asks about community solar. Grid-supply solar is authorized by legislature. Community solar deals with getting benefits from net metering. Utilities are going to establish procedures for interconnection. Technical requirements to interconnect will still be in place. Mike Winka doesn't see this changing. Only will be addressing net metering provisions. Net metering on community based systems will be addressed, as will islanding provisions and provisions dealing with interconnecting to networked distribution systems.

Lance Miller says warehouse and brownfield development potential is authorized. MQ says Scott is taking the lead in reestablishing the net metering workgroup, market manager lead will be Mark Valori with support from Steve Wiese.

Securitization work group proposal has been advanced by Jim Torpe. Lyle Rawlings notes Torpe does not represent MA-SEIA.

Question about whether customers who do not pay into SBC can qualify for RECs. Mike Winka says he believes they can if municipal utility signed on to SBC. Clarifies that customer who does not pay SBC from electric side, but does on gas side, is currently eligible for rebate but not to produce SRECs. Lance Miller says new legislation allowing grid-supply solar creates legislative dilemma which must go back to legislature for resolution.

Mike Mercurio says offshore wind can provide peaking capacity.

Confirm next steps in public involvement process

Mike Winka says comments oce@bpu.state.nj.us to be officially logged in. Or mailed to Christi Izzo, attn. Straw proposal. These instructions are listed in the straw proposal itself. Subject line: Title. Comments will be posted on BPU and CEP website.

Net metering/interconnection workgroup date – Steve Wiese to work with Scott Hunter and Mark Valori to pick a date for kickoff.

Other business/next meeting

Request to send out update on community solar/solar farms. MW says updated definition will be part of interconnection/net metering work group. Question as to whether original title “community solar” will also include wind. LM says nothing prevents looking at other sources. MW says looking into defining whether or not it’s defined as a utility.

SW requests clarification on interconnection – whether utilities are bound by the same interpretation of interconnection criteria that market manager uses to determine program/rebate eligibility. LM and MW say yes, if a utility is denying a project that would qualify under CORE or Pilot, should let BPU know so it can be clarified.

Next REC meeting Tuesday, March 11, 1-3:30 pm

Adjourn

Renewable Energy Committee Meeting**Attendees**

Wednesday, February 13, 2008
 Conservation Services Group
 75 Lincoln Highway, Suite 101
 Iselin, NJ 08830

1:00PM - 3:30PM

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