New Jersey's Clean Energy Program
Clean Energy Council Meeting
Newark, NJ
March 27, 2007, 1:00pm – 3:30pm

Attendees: Jeanne Fox, Lance Miller, Mike Winka, Ronald Jackson, Scott Hunter, Anne Marie McShea, Alma Rivera, Sharon Wolfe, Brian Loos, John Zarzyki, Allison Mitchell, Paresh Trivedi (NJBPU/OCE); Linda Wetzel, Mike Ambrosio (Applied Energy Group); Steve Norman, Frank Reilly, Diane Zukas (TRC);Joe Gennello, Charlie Garrison, David Hill, Ben Adams, Maureen Quaid (Honeywell Team); Fred Lynk, Karla Telesca (PSEG); Dave Nichols, Judith Appel (Rate Counsel); Fred Hauber (Eastern Energy Services); Lyle Rawlings (ASP/MSEIA); Joe Carpenter(NJ DEP); Mary Uschak (HMFA); Deane Evans (NJIT); Nicole Wobus, Kevin Cooney (Summit Blue Consulting) Walt Davis (Atlantic City Electric), Mike Bammel; Mike Mercurio (Island Wind), Tom Kelly (Rockland Electric); Peter Robilotta, Scott Schultz (EVCO); Tom LaRocco (Cape May County MUA); Roger Dixon (Skylands Renewable Energy); Art Ondish (Borough of Mt Arlington); Paul VanGelder (Clough Harbour & Asso); Tom Ryan (Vanguard Energy Partners)

By Phone: Chris Siebens (JCP&L); Rachael Freeman (Summit Blue) Steve Gabel (Gabel Associates)

Introduction – President Jeanne Fox

- The straw proposal will be reviewed at today's meeting and President Fox is very interested in reaction and comments.

Presentation of Summit Blue Reports on Renewable Energy Market Assessment (full report posted on njcleanenergy.com)

- A summary of the market assessment findings developed over the last 18 months were presented by Nicole Wobus and Kevin Cooney of Summit Blue Consulting.
- The goal was to build upon recent market potential studies and look at barriers to development of the technologies.
- There is a strong solar market in New Jersey, and the program is strong structurally. It needs emphasis on non-solar development opportunities.
- Stability and predictability were identified as key for investors and developers.
- Key market barriers identified included: uncertainty in REC revenue; the long term development cycle and getting projects through the funding pipeline; lack of mature infrastructure for advanced technologies; project siting and permitting (NIMBY) and high up front costs.
- Recommendations included consideration of new incentive levels for each technology and market sector to make project economics more favorable.

Jeanne Fox asked for more detail on manufacturing incentive programs – can they help make the state more competitive? Developers responded by saying if the state has a stable market that was equally important. Jeanne also wanted to know what incentives would be needed to encourage them locate here – Developers are looking to go where the market is. If we leverage EDA funds for jobs creation and this will assist in bringing jobs to the state.

Dave Nichols stated that SBC dollars may be better invested in other places.

The solar industry representatives responded by saying the companies find increased production costs in New Jersey. NJ does have advantages for high tech businesses but disadvantages include confusing programs and the fact that other states move much faster.

It was noted that the total installed cost of a NJ solar system is declining at a slightly faster rate than the rest of the country. However, there is an increase in the cost of racking, public costs and often manufacturers are sending panels overseas to Germany and/or Spain. The industry is also being affected by dollar conversion rate.

Lyle Rawlings added that over the last three years the cost of modules is up by 25% - the installed cost has decreased even though the module cost has gone up-which speaks to competitiveness and the decrease in incentives. All businesses have had their profit margins squeezed.

Fred Hauber added that there were 108 installers a few years ago and now there are less than 50.

Feedback from MSEIA members say problems with the SREC market are not solved and it is broken. Projects in pilot progam are not moving forward – they cannot get the projects under construction because financing companies are not yet secure about the financing market. It was added that with only four completed projects it indicates the market is not ready for an SREC only solution.

Mike Winka stated that the FTC (Federal Tax Credit) is up in December. The industry said that the State can help to improve the timing by extending the FTC. Facing that deadline at same time, with the SREC market already at the end of March means that most projects will have a hard time getting completed by end of year. Banks won't move forward with SREC market the way it is.

Mike Winka stated we need a solution that moves us forward. Lance Miller suggested discussions be continued at the Securitization meeting April 1.

Mike Winka reviewed the input/decision-making process and timeline for CRA. Public hearings are scheduled for April 22 (Newark) and May 6 (Trenton). The straw proposal has been public since Jan 11, 2008 and there have been discussions at the EE and RE meetings. The informal comment period on the OCE straw is now closed, and the revised straw will be out before the hearing dates incorporating comments from today.

The Commissioners want to see ALL of the costs for clean energy in the CRA proposal going forward – including NJCEP, RGGI, PSEG solar, etc. There will be costs and a summary of benefits. OCE will look at the last 6 years and project that forward and apply environmental externalities to calculate avoided costs and benefits.

Fred Hauber commented that we have a State in a budget crisis and we need to help the municipalities. He suggested we find a way to reduce cost, increase the small solar budget, and stated that securitization will help reduce bills as well. General comments from others agreed that small solar funding needs to be increased in year one and kept there. It was suggested that we take a little piece of funding from each of the other budgets.

Lyle's members are concerned about the small systems budget – they agree with CORE reduction – but small systems need help to stay in the game. Harder to play in SREC market. Residential systems don't get federal incentives the commercial ones receive. Projects under 10kw were 22% of total spending. Residential customers are putting 36% into SBC but getting 22% out. New budget will drop to 7-8% and that is too low. MSEIA suggests doubling this amount. The straw proposal assumes the tax incentives will be extended and if there is a new tax structure that would benefit residential systems, and then the budget as proposed would work; but right now the structure does not give enough support. MSEIA requested $107M, which will be about 14% of the total, still below dollars being put in. This will help support all businesses in NJ and help growth to continue in modest fashion.

It was generally agreed by the vendors that the solutions is to take a little from each of the other budgets. Biomass and wind have been around for years and they have not grown – solar has grown so don't abandon them now.

Tom LaRacco is investigating wind projects similar to the ACUA project in four locations in Cape May County. He has experienced problems with land restrictions limiting them to one to two large turbines at each site. Cost per turbine is around $6 Million. Tom will speak with Scott Hunter about the REDI program where this project would fall.

Scott Schultz echoed all comments – he moved from the NY to NJ solar market – because the program was true to all market segments. However the current straw seems to take that away and what about grid congestion? This will reduce stress on grid. How do we factor this in? He thinks bottom up approach will have greatest potential to help congestion. President Fox requested that he submit his ideas.

Dave Nichols stated that the vast majority of NJ residents have not and never will install a solar system but still will be paying into the SBC.

Mike Winka stated that the process is changing on the renewable side - utilities can play on both sides of the meter or the board can direct them – the legislative authority is now in place. If there is a hole in the program OCE can direct the regulated entity to fill that need. Don't think goals have to be reached only with SBC funding; there is more on table than ever.

Deane Evans stated that the whole building approach a good one but strong emphasis on retrofit; however whole building retrofits are complicated to perform cost effectively. Low hanging fruit is cost effective, but going deeper will require more support. These programs will all lead to more jobs on the energy efficiency side.

Lance Miller explained that the BPU has engaged NEEP to help design what a whole building approach might look like – how would it be structured, who would do it, etc.

Jeanne Fox added that the draft EMP will be released next month. The final plan must be economically viable. She invites all to provide comments.

Mary Uschak HFMA would like to reintroduce the Truefit program. She believes Truefit would be great for whole building analysis where direct install or pay for performance may not fit.

Mike Winka said the key is delivering the audit program then the financing piece without bifurcating it and moving the money around.

Lance Miller added that the CRA will not define programs to be delivered, just the amount of money that will be needed.

Mary added that regarding the suggestion to require buildings go through energy efficiency improvements before they are approved for solar projects, she would hate to stall solar projects because of this requirement. Defining what an energy efficient building is will be difficult.

Roger Dixon added that wind projects provide a big bang in a single installation. However, this could chew up funding quickly. Wind has a longer learning curve than any other renewable source and faces more zoning issues. But there is great opportunity.

Dave Nichols commented on the budget split between electric and gas – is there another way to split it? This may move a few more $ into electric measures.

Lyle Rawlings added that the majority of NJ homes probably won't put solar on roofs for a long time to come. He said if the residential class is putting in 37% into the SBC they deserve at least an opportunity to participate and if the structure of the market precludes them from participating that is an inequity. There is a rate equity issue.

Judith Appel – Rate Council has participated in the clean energy programs and is always looking at the cost to the ratepayer. They are looking carefully at programs and are sensitive to costs – so much goes through SBC that was never intended to go there. A lot of people are not able to pay their bills – watching comments that "a little will go to more" have her worried - and her comments will reflect their concerns that the SBC should be kept level instead of throwing more money back into the pot.

Mike Ambrosio stated that he understands the tension on rates – but for participating customers while their rates may go up, their bills will go down. We need to make it easy for them to get into their homes to help them make their changes. 5 cfls in every home will more than offset their contributions.

Jeanne Fox is concerned for the working class person with multiple jobs; the rates are making people lose their homes. The State does a fairly good job with the low income homes. AARP and others could help get the word out.

Judith Appel stated that the SBC was never intended to do this, she believes they are taxes. There are people who can't afford it, and we have to be considerate of those who don't have the ability or knowledge

Mike Winka invited comments which will be presented to the Commissioners who will decide in June or July on appropriate funding going forward. All comments will be accepted.

The meeting adjourned at 3:30pm.