

Linda Wetzel

From: Mike Ambrosio <mambrosio@appliedenergygroup.com>
Sent: Monday, October 03, 2011 8:21 AM
To: Pfeifferjr@aol.com; publiccomments@njcleanenergy.com
Subject: RE: Proposed Solicitation for Large Scale CHP Projects

All:

As a point of clarification, the proposal is to add a new program/solicitation for CHP and fuel-cell projects greater than 1 MW. The existing program for small CHP and fuel cell projects, which provides incentives for the 1st MW of capacity, remains unchanged.

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From: Pfeifferjr@aol.com [<mailto:Pfeifferjr@aol.com>]
Sent: Friday, September 30, 2011 6:10 PM
To: publiccomments@njcleanenergy.com
Subject: Proposed Solicitation for Large Scale CHP Projects

Sirs:

The more often you change programs, the harder it is for firms to plan, analyze and make well thought out submittals. It seems to me, as this is written, that there would be no more funding for sub mega-watt CHP systems; that the systems now must be greater than 1 MW.

My suggestion would be to simply open the solicitation up to all sizes of CHP systems so that firms looking at smaller units already aren't frustrated by having their work undone by a change in grant rules and at the same time opening the door to large systems.

Also, I hope that an entity that puts in several smaller systems that total over 1 MW would be considered.

Regards,
James Pfeiffer, CEM
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South Jersey Gas

Where we put all of our energy®

John F. Stanzola

Director, Regulatory Affairs

October 14, 2011

Office of Clean Energy

publiccomments@njcleanenergy.com

To Whom It May Concern:

Thank you for allowing us the opportunity to comment on the proposed reallocation of \$20 million to a CHP and fuel cell solicitation. South Jersey Gas supports the proposal to reallocate \$20 million in support of CHP and fuel cell solicitation project, including those in excess of 1mW.

As you know, CHP provides greater efficiency as an alternative to the separate generation of electricity and thermal energy. Its use translates to lower operating costs, reduced emissions of all pollutants, and an increase in power reliability and enhanced power quality. Additionally, on-site generation helps greatly reduce grid congestion and mitigate distribution costs.

The proposed changes go a long way toward the advancement of the State's overall energy goals. Additionally, some of the existing obstacles contributing to slowed development of CHP projects, in particular, can be overcome if recommendations by the OCE to reallocate funding and expand incentives to larger projects are enacted. By extending incentives to projects of 1MW or greater within the existing program, efficiencies are increased as larger projects are constructed and come on-line.

South Jersey Gas has long been a supporter of CHP development in the state. Our discussions over the years with potential CHP developers have indicated that certain requirements under the Pay for Performance program act as impediments to project construction. We therefore suggest that the BPU consider the implementation of a stand-alone CHP incentive program outside the scope of the Pay for Performance program. We believe that such a program to incentivize CHP development for projects greater than 1 MW would provide much needed support to the state's energy efficiency goals.

Thank you again for this opportunity to comment.

Sincerely,

John F. Stanzola



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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

**In the Matter of Comprehensive Energy Efficiency
and Renewable Energy Resource Analysis
for 2009-2012 Clean Energy Programs:
2011 Programs and Budgets: Compliance Filings
Proposal for Budget Reallocations
BPU Docket Nos. EO07030203 and EO10110865**

Proposal for 2011 Budget Reallocations (CHP, Program Evaluation)

**Comments of the New Jersey
Division of Rate Counsel**

October 14, 2011

The Division of Rate Counsel ("Rate Counsel") would like to thank the Board of Public Utilities ("BPU" or "Board") for the opportunity to present our comments on the proposal submitted to stakeholders for comment by the Office of Clean Energy ("OCE") in a notice issued September 29, 2011 (the "September 29 Notice").

Summary of the Proposed Budget Transfers

The proposal has two components. First, OCE proposes to use \$20 million of Clean Energy Program ("CEP") Competitive Grant-Loan Solicitation funds to solicit large scale, greater than 1 MW, Combined Heat and Power ("CHP") and fuel cell projects. The proposal states that the proposed new structure will be based partly on estimated production, and that awards will be based partly on the level of incentive needed to construct a project.

Second, the proposal requests: (1.) a transfer of \$400,000 from the Program Evaluation budget to the Rutgers Center for Energy Economic and Environmental Policy ("CEEEP") budget

for costs of CEEEP services related to issuing a request for proposals (“RFP”) for a market potential study and engaging a contractor to assist with the development of Offshore Wind (“OSW”) regulations; and (2.) a transfer of \$200,000 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.

Large CHP and Fuel Cell Program Budget Proposal

Regarding the large CHP program proposal, Rate Counsel is concerned about the lack of detail in the proposal. From the limited information found in the OCE’s September 29 Notice, it is not clear whether CHP or fuel cell projects that receive funding from the proposed solicitation could also receive funding from Pay for Performance (“P4P”) program incentives for the first 1 MW of eligible capacity. According to C&I Market Manager TRC’s October 25 2010 compliance filing, P4P provides incentives for the first megawatt (MW) of CHP capacity, but there is no indication that systems larger than 1 MW are ineligible to receive incentives up to the incentive caps. (TRC 2010 Compliance Filing, p.35.) Thus, the current proposal for large scale CHP should make it clear that no CHP projects can receive incentive from both programs. In addition, the OCE should provide a description of the solicitation process and design, including when the solicitation document would be developed, whether the public would have the opportunity to comment on the solicitation document, and how the proposals will be assessed. The proposal does note that awards will be based partly on the level of incentive needed to construct a project but does not specify the other selection criteria.

Although details are lacking, Rate Counsel supports two concepts noted in the proposal, i.e., setting incentive levels partly based on production and using a competitive bidding approach. In addition to these program design elements, Rate Counsel proposes that the program

adopt a maximum incentive level per kW, which should be set at a lower level than currently set for CHP units less than 1 MW funded under the current P4P program because larger systems often cost less per kWh due to economies of scale.

Program Evaluation Budget Transfers

The OCE's proposal to transfer \$400,000 from the Program Evaluation budget to the CEEEP budget describes two reasons why funds are needed: (1) the development of an RFP for a market potential study and (2) assistance with engaging a contractor to assist with the development of OSW regulations. The OCE should describe how much of these costs are associated with the market potential study RFP versus the services related to the development of Offshore Wind regulations. OCE should also describe what resources will be analyzed in the market potential study.

Conclusion and Recommendations

Rate Counsel does not object to the proposed solicitation for large CHP and fuel cells, or to the requested transfers from the Program Evaluation budget to the CEEEP. However, Rate Counsel's support is conditioned upon the following:

1. The OCE should present more details on the process and design of the proposed CHP/Fuel Cell solicitation;
2. The OCE should adopt a maximum incentive level per kW for the CHP/Fuel Cell solicitation; and
3. The OCE should describe in greater detail the components of the requested transfer to the CEEEP budget.