



Agenda Date: 8/4/10

Agenda Item: 8A

## STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

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### CLEAN ENERGY

IN THE MATTER OF COMPREHENSIVE ENERGY )  
EFFICIENCY AND RENEWABLE ENERGY RESOURCE )  
ANALYSIS FOR 2009 -2012: POLICY REGARDING REIP )  
APPLICATION SELECTION PROCESS )

ORDER

DOCKET NO. EO07030203

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities ("Board") at its August 4, 2010 public meeting, where the Board considered proposed policies related to the process for selecting applications submitted to the Renewable Energy Incentive Program ("REIP").

### Background and Procedural History

By Order dated December 17, 2009, Docket No. EO07030203 ("2010 Budget Order"), the Board approved 2010 programs and budgets for the New Jersey Clean Energy Program ("NJCEP") as well as the compliance filings of Honeywell, TRC, the Office of Clean Energy ("OCE"), and six of the State's electric and gas utilities.<sup>1</sup> The REIP was among the programs approved by the Board in the 2010 Budget Order. As stated in the compliance filing approved by the Board, the REIP utilizes funding cycles during the year.

On May 3, 2010, the Honeywell, the Renewable Energy ("RE") Market Manager began accepting applications for the second REIP funding cycle. The RE Market Manager reported that, in anticipation of the new funding cycle, several solar installers arrived at the program office in the middle of the night to ensure their place in line before the office opened the morning of May 3rd. The program received over 1,000 applications on or about May 3, 2010, which is approximately the same number of applications received between January 1 and April 16, 2010. As a result, the REIP second funding cycle budget was quickly exhausted and the RE Market Manager closed the program to new applications.

In response to these events and as directed by the OCE to develop a method to address this situation as part of the second revised NJCEP Budget proposal for the Board's consideration, the RE Market Manager proposed a number of changes to the REIP to prevent a similar occurrence when the program reopens on September 1, 2010 for funding cycle three ("FC 3"). Specifically, the RE Market Manager proposed a process to randomly select applications for consideration of rebate commitments. The random selection process, or lottery, was intended

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<sup>1</sup> The compliance filings included program descriptions and detailed budgets for each program.

to create a fair system that would eliminate the anticipated rush on applications when the REIP reopens for FC 3. The OCE held several discussions with the RE Market Manager regarding the details of the proposed process for selecting applications and presented those details, along with several proposed changes to the REIP, to public stakeholders for comment on June 10, 2010.

At the June 10, 2010 meeting, the RE Market Manager and four stakeholders presented proposals regarding the FC 3 incentive levels, the program eligibility, and the application process. Several comments regarding the proposed program changes were received and considered by the OCE. Following the meeting, additional stakeholders submitted written comments regarding the proposed application process. Some comments supported the proposed lottery system while other comments opposed the proposed lottery system as "solar for the lucky."<sup>2</sup> Other comments suggested alternative approaches that still utilized a lottery system. Upon review of the comments received and because of a number of outstanding policy issues that needed to be addressed with proposal, the OCE did not recommend approval of the proposed REIP lottery, but recognized that further review was necessary and sought additional time to finalize a recommendation for the Board's consideration at a later date.

By Order dated June 21, 2010, in this docket, the Board approved revisions to the overall NJCEP 2010 programs and budget including the REIP budget. In this Order the Board directed OCE to further consider a system for selecting applications within the REIP and present that system at a later date.

Following the June 21 Order, both the OCE and the RE Market Manager continued to support changing the approach currently utilized by the program to select applications because of the issues noted above. The OCE and the RE Market Manager shared concerns that, without some modification, the current approach would result in another rush of applications flooding the REIP and quickly exhausting the budget for FC 3. Similarly, the OCE and RE Market Manager recognized that the current approach may not evenly support the solar industry and may not be the most equitable method for allocating limited resources. For example, a small number of installers could submit such a large number of applications that those applications would consume the entire budget for FC 3 to the detriment of other installers. Therefore, the OCE and the RE Market Manager worked together to develop alternative proposals that would address these two issues.

The RE Market Manager reviewed the various proposals and comments previously submitted on the lottery system. After a thorough analysis of the advantages and disadvantages of each proposal, the RE Market Manager developed two proposed methods, a Daily Application Cap methodology and a Hybrid Cap-lottery System. A Daily Application Cap methodology would allow installers to submit a limited number of rebate applications per day. The process followed would mimic that practiced in the Home Performance with Energy Star program with all applications submitted on one day treated similarly. Applications would be accepted until the aggregated value of all rebate requests equals the available budget. Under the Hybrid Cap-Lottery system proposed, application selection would occur in two phases. To start the application selection process, a cap phase would be open where to all installers to submit three applications for which complete applications are assured selection. Remaining rebate funds available after the cap phase would be allocated during a lottery phase. After the submission of three applications, any additional applications submitted by an installer would be assigned a random sequencing number. Applications would be chosen in the order of the assigned

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<sup>2</sup>The comments received are summarized in the Board's June 21, 2010 Order in this docket.

sequencing number until all rebate funds were committed. Applications not chosen would be returned. The RE Market Manager presented these proposals to stakeholders at the July 13, 2010 RE Committee meeting. Stakeholders generally supported both proposals.

The OCE has taken stakeholders' comments into consideration and makes the following recommendations.

### **OCE Recommendations**

Based on the above the OCE is recommending a daily cap approach that incorporates the following features:

#### *Daily Application Cap*

The RE Market Manager will accept three applications per day from each solar installer for private projects.

Solar installers may submit additional applications, over and above the three applications per solar installer noted above, for public and non-profit entity projects.

For applications from public or non-profit entity entities, applications will be limited to three applications per public or non-profit entity for the duration of FC 3.

The RE Market Manager will record the date and time of receipt of all applications.

Applications will be reviewed and approved in the order received until it has been determined that the requested rebate amount reaches the approved budget.

The submittal period will be closed to new applications once it has been determined that the value of requested rebates reach the approved budget.

The RE Market Manager will issue a notice announcing the suspension of new solar applications via the renewable energy email distribution list and the NJCEP website.

When funding is fully committed all remaining applications will be returned to the applicants unless the applicant submitted the form that will authorize the RE Market Manager to automatically withdraw their REIP application and transfer that application to the SREC Registration Program.

The OCE believes that the above approach represents a fair methodology for allocating limited REIP funds during FC 3, provides all installers an opportunity to have at least three projects approved for a rebate, and does not impose an overly administratively burdensome process on the RE Market Manager. Moreover, the OCE understands that the Daily Application Cap methodology should evenly provide for a reasonable and steady flow of applications and more equitably support the solar industry in the State. The OCE believes that these objectives can be attained without the use of a lottery system that would deviate from the process used by the REIP and its predecessor program, the Customer On-Site Renewable Energy ("CORE") program. Thus, the Daily Application Cap methodology should provide the assurance of a first come, first serve system while meeting the objectives noted above.

Based on the above, the OCE recommends that the Board approve the Daily Application Cap methodology set out above and authorize the RE Market Manager to utilize the Daily Application Cap methodology for all applications received on or after September 1, 2010, the date FC 3 begins accepting applications.

**Discussion and Findings**

The Board has reviewed Staff's recommendation regarding the proposed Daily Application Cap methodology for selecting and approving REIP applications. The Board shares the OCE's desire to develop a procedure that avoids a rush on applications when the REIP reopens on September 1, 2010 and to ensure that all installers have a reasonable opportunity to have some of their applications approved. The proposed Daily Application Cap methodology set out above meets these objectives.

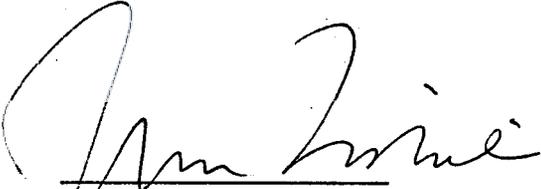
Based on the above, the Board **HEREBY APPROVES** the Daily Application Cap methodology set out above for selecting and approving REIP applications. The Board authorizes the RE Market Manager to implement the methodology commencing on September 1, 2010, the date on which the REIP reopens and begins accepting new applications.

DATED: 8/4/10

BOARD OF PUBLIC UTILITIES  
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ATTEST:  
  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

