



NEW JERSEY SENATE

SENATOR BOB SMITH

17TH LEGISLATIVE DISTRICT
216 STELTON ROAD, SUITE E-5
PISCATAWAY, NJ 08854
(732) 752-0770
FAX (732) 752-1590
email: senbsmith@njleg.org
Website: www.senatorbobsmith.org

CHAIRMAN
ENVIRONMENT AND ENERGY COMMITTEE

MEMBER
JUDICIARY COMMITTEE
STATE HOUSE COMMISSION

August 15, 2012

Mr. Robert M. Hanna, President
New Jersey Board of Public Utilities
44 South Clinton Avenue
9th Floor
Trenton, NJ 08625-0350

RE: A-2872 / S-2971 Chapter 219 Laws of 2011

Dear President Hanna:

As prime legislative sponsors of the above referenced legislation and new law, we wanted to offer some comments to assist your offices in appropriately focusing on the narrower issues that this law was intended.

As you know, our state's electric public utilities all offer standby tariffs that serve to allow for their fair recovery of infrastructure costs associated with supplying "standby" or "backup service" for self generation facilities whose capacity factor is sufficiently high enough that more typical demand measured charges would lack the ability to reasonably recover. These tariffs have been approved typically during utility specific base rate cases and are all based upon different rate designs.

The New Jersey State Energy Master Plan calls for the development of some 1500 MWs of combined heat and power facilities by 2020. While the state and its Economic Development Authority continue to provide financial support to spur this development, it has become apparent that the statewide development of this important energy efficiency and job retention technology required a more consistent statewide tariff design that would appropriately factor overall system costs and benefits as well as consider the operational impacts of rate design upon combined heat and power facilities. It was never our intention to seek any cost shifting or create additional incentives. Our purpose was to create a study to view the system costs and benefits in a holistic way and to then create a consistent rate design methodology that could be applied consistently and fairly across all of our state's EDC's.

We understand that the definitional language in the law has created an expectation that all energy generation resources including low capacity factor renewables be included in the study framework. Please be assured that we specifically avoided the use of the words "renewable energy resources" to exclude these technologies in as much as all of the current utility standby tariffs have set capacity factor thresholds of 50% and higher to exempt these resources as well. Clearly, system infrastructure costs are recovered by utilities for renewable resources through traditional demand charges.

The definition of "Distributed Generation" in the law:

"Distributed generation" means energy generated from a district energy system or a combined heat and power facility as that term is defined in section 3 of P.L.1999, c.23 (C.48:3-51), the simultaneous production in one facility of electric power and other forms of useful energy such as heating or process steam, **and energy generated from other forms of clean energy efficient electric generation systems.**

Clearly, in addition to combined heat and power facilities and CHP based district energy systems, the section in bold was added to include other forms of distributed generation with a high capacity factor such as biomass based self generation facilities or other clean fuels requiring a standby tariff by virtue of their high capacity factor.

Therefore, in recognition of the most significant workload that you and Board staff will need to undertake in the next 270 days to create the fabric of rules and regulations required by the newly minted solar law among other vital areas of regulatory concern, we would hope that your order could either be amended to reflect the legislative intent of Chapter 219, or that staff refocus their study efforts to exclude renewable technologies.

Sincerely,



Senator Bob Smith
Chairman, Senate Energy and Environment Committee



Assemblyman Upendra Chivukula
Chairman, Telecommunications and Utilities Committee