



Agenda Date: 3/18/16
Agenda Item: 8B

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY PROGRAM)
AUTHORIZATION OF COMMERCIAL AND INDUSTRIAL) ORDER
PROGRAM ENERGY EFFICIENCY INCENTIVES)
EXCEEDING \$500,000.00 - AT&T SERVICES, INC.)
(TRENTON)) DOCKET NO. QG16020127

Parties of Record:

John Keller, Senior Energy Manager, AT&T Services, Inc.

BY THE BOARD:

The New Jersey Board of Public Utilities (Board) and its New Jersey Clean Energy Program (NJCEP) include nine individual Commercial & Industrial (C&I) Energy Efficiency (EE) Programs targeting the commercial and industrial market segments, consisting of New Construction, Retrofit, Pay for Performance – New Construction, Pay for Performance – Existing Buildings, Local Government Energy Audit, Direct Install, Combined Heat and Power and Fuel Cells, Large Energy Users Program, and the Societal Benefits Charge Credit Program. These programs collectively offer financial incentives to encourage the installation of energy efficient products and technologies. Eligible applicants may receive incentives for a portion of the cost of installing energy efficient technologies such as lighting, heating, ventilation and air conditioning, water heating, and other measures. All proposed C&I EE financial incentives and rebates exceeding \$500,000.00 require explicit Board approval. See I/M/O the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2009 through 2012 Clean Energy Program – Revised 2012-2013 Programs & Budgets – Revised Rebate Approval Process, BPU Dkt. No. EO07030203 (May 3, 2013).

The 2015 Small-Scale Combined Heat and Power & Fuel Cell (2015 CHP/FC) program is open to all C&I customers contributing to the Societal Benefits fund and installing CHP or FC systems to further energy efficiency in their buildings through on-site power generation thereby reducing existing and new demands to the electric power grid. Incentives are disbursed upon completion of three program milestones: (1) proof of purchase of equipment; (2) project installation and operation, including successful inspection; and (3) acceptance and confirmation of achievement of the required performance thresholds based upon twelve months of operating data.

By this Order, the Board considers the application of AT&T Services, Inc. (AT&T), located at 1300 White Horse Hamilton Square, Trenton, Mercer County, for an incentive submitted under the 2015 CHP/FC program pursuant to the TRC FY 2015 Program & Budget Filing (September 17, 2014). This application was accepted under the above-referenced program guidelines in effect from July 1, 2014 through June 30, 2015. This project incentive is within the entity cap, based on the application approval date.

AT&T submitted an application for a financial incentive of \$1,972,775.00 under the small scale 2015 CHP/FC Program. The project includes the installation of four fuel cells with a total system capacity of 700 kW. The system does not have any waste heat component and is intended for electric generation only. The system is estimated to have an overall annual efficiency of 56%. The estimated first incentive, for purchase of the equipment, is \$591,832.50. The estimated second incentive, for completed installation of the system, is \$1,183,665.00. The estimated third incentive, granted after acceptance and confirmation of required performance threshold data, is \$197,277.50. The project is anticipated to generate 5,825,400 kWh of electricity annually. There is no heat recovery component in this system. The project will have a cost of \$8,356,040.00 and will save on average \$557,218.66 in annual energy costs after a first year cost savings of \$487,694.63. The project has a 12.44 year payback without incentives, which is reduced to 9.5 years with incentive.

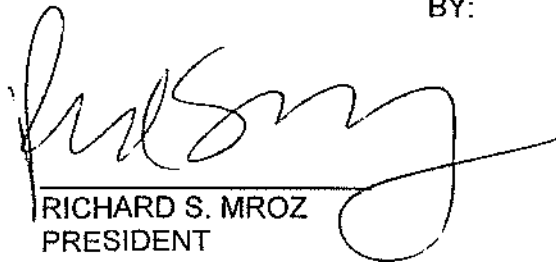
TRC, the Market Manager engaged by the Board to manage the NJCEP C&I EE programs, submitted its certification that the incentive was calculated in accordance with the program policies and procedures, and that the listed amount is the true and accurate estimated incentive for which the applicant is eligible. Further, Applied Energy Group, in its role as the NJCEP Program Coordinator, also reviewed the application and submitted its certification that the incentive was calculated in accordance with the program policies and procedures, and that the listed amount is the true and accurate estimated incentive for which the applicant is eligible. Based on these certifications and the information provided by the Market Manager and Program Coordinator, Board Staff recommends that the Board approve the above-referenced application.

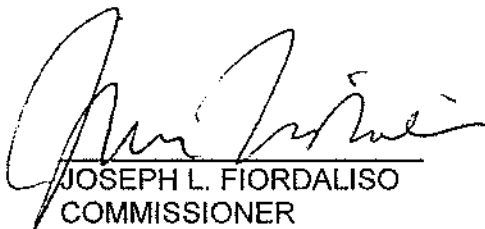
The Board **HEREBY ORDERS** the approval of the aforementioned application for the total estimated incentive amount of \$1,972,775.00 for AT&T and **HEREBY AUTHORIZES** issuance of a standard commitment letter to the applicant identified above, setting forth the terms and conditions of this commitment.

The effective date of this Order is March 28, 2016.

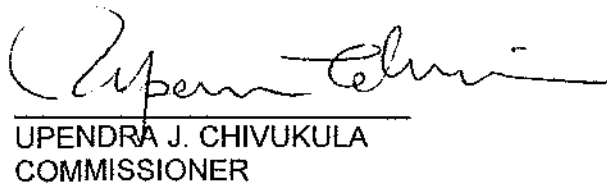
DATED: 3/22/16

BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT

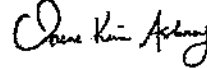

JOSEPH L. FIORDALISO
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 
IRENE KIM ASBURY
SECRETARY

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



FINAL VOTE ON AGENDA ITEM 8B, March 18, 2016

| | | |
|-------------------------|-----|----|
| Commissioner Fiordaliso | Yes | |
| Commissioner Holden | | No |
| Commissioner Solomon | Yes | |
| Commissioner Chivukula | Yes | |
| President Mroz | Yes | |

Commissioner Mary-Anna Holden dissent

In reviewing this project's parameters, I am pleased that the capacity factor for this fuel cell project has been adjusted to 95% which is more accurate than the 100% figure assumed on earlier projects. Regarding the applicant's comment that there is no "traditional" customer payback period for this project, I fully understand that this project is a Power Purchase Agreement and that as such the customer receives savings from Day 1. However, all ratepayers who fund the Societal Benefits Charge (SBC), which pays the incentive for this (and all) clean energy projects, do not enjoy that benefit as the payback period is nearly 12.5 years (9.5 years if the incentive is factored in.)

It is also noteworthy that the life-cycle savings of this project are a **negative** \$95,126. Office of Clean Energy (OCE) staff has indicated that this is not necessarily indicative of a project's economics due to Investment Tax Credit implications. However, there are many clean energy projects which have superior economics. The item we just approved for the Goldman Sachs project has a payback of 5.6 years (3.5 years with the incentive).

I realize that not all customers can avail themselves of all clean energy technologies. As I have stated previously, the Board should endeavor to get the most "bang for the buck" when awarding incentives to clean energy projects. We should look to invest SBC funds where they are most needed and across a broad population.

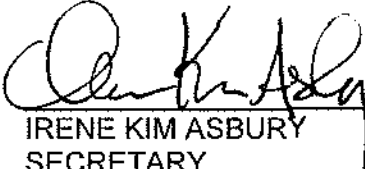
While fuel cell projects are environmentally friendly and have a system efficiency that is superior to many alternatives, they are not necessarily economically efficient as evidenced by this project's negative life-cycle savings.

To further illustrate my point, in February, an incentive was approved for a similar fuel cell project (Walmart in West Berlin, project number 34623CHP) which has life-cycle savings of **negative** \$840,744 (and an internal rate of return of negative 3%). This project did not come before the Board for approval since the incentive was less than \$500,000.

In consultation with OCE staff, I was made aware that the fuel-cell program doesn't have any financial threshold requirements. I encourage staff to develop such standards to ensure the ratepayers who fund the SBC are getting the most value for their money.


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


IRENE KIM ASBURY
SECRETARY

Date: March 27, 2016

IN THE MATTER OF THE CLEAN ENERGY PROGRAM AUTHORIZATION OF COMMERCIAL
AND INDUSTRIAL (C&I) PROGRAM ENERGY EFFICIENCY INCENTIVES EXCEEDING
\$500,000.00 – AT&T SERVICES, INC. (TRENTON)
DOCKET NO. QG16020127

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John Keller
Senior Energy Manager
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Dallas, TX 75202

Market Manager Certification
(New Incentive Commitments > \$500,000)

I Carl Teter hereby certify that application(s) on the attached list have been reviewed by TRC or its subcontractors as required by the policies and procedures applicable to each program, that the incentives for which TRC now seeks approval to commit have been calculated in accordance with those policies and procedures, and that the listed amounts are the true and accurate estimated incentives for which each applicant is eligible. This review does not include an analysis of the financial viability of the project(s) on this list. Item #10 on following page is provided for informational purposes only based on data submitted by applicant.



By: _____ Date: 02-03-16
Carl P. Teter, P.E., LEED AP, Associate Vice President
App# 34838CHP

1. Application Number: **34838CHP**
2. Program Name: **NJ Clean Energy Program Combined Heat and Power/Fuel Cells**
3. Customer Contact (name, company, address, phone #):
John Keller
AT&T
208 S. Akard Street, Dallas, TX 75202
214-464-3840
4. Project Name and Address:
AT&T-Trenton
1300 White Horse Hamilton Square, Trenton NJ 08690
5. Rebate amount:
Incentive #1: \$591,832.50
Incentive #2: \$1,183,665.00
Incentive #3: \$197,277.50
Total: \$1,972,775.00
6. Brief description of Fuel Cell to be installed:
Project site is a 160,186 square foot commercial building used as a telephone equipment central office and was built in 1972. Project consists of (3) 200kW Bloom ES5700 fuel cells and (1) 100kW Bloom ES5400 fuel cell for a total of 700 kW installed capacity. System efficiency is 56% and generates electricity only. The fuel cells do not have blackstart capability.
7. Annual Estimated Energy Savings:
Expected Annual Electricity Production: 5,825,400 kWh
8. Project Cost: **\$8,356,040.00**
9. Project Funding Type (capital purchase, lease, finance, PPA, other/describe):
Power Purchase Agreement

10. Financials:

| | |
|---|---------------|
| Simple Payback Period (years) w/o incentive | 12.44 |
| Simple Payback Period (years) w/ incentive | 9.50 |
| IRR w/o incentive | 3% |
| First Year (Annual) Cost Savings | \$487,694.63 |
| Average Annual Cost Savings | \$557,218.66 |
| Lifecycle Savings | (\$95,126.24) |

***Note:** the above financial metrics are based on the total project cost (as listed in #8) and the expected energy cost savings. The Contractor (Bloom Energy), would like to clarify that "the subject project is being financed via a Power Purchase Agreement (PPA) structure and as such there is no traditional 'customer payback period' for this project site. Rather the customer savings begin on the first day. Further, the payback

periods presented are based upon standard program project economic models which do not incorporate the Federal Business Investment Tax Credit (ITC), which varies between fuel cell and CHP project types (30% for fuel cells, 10% for CHP as of 2016). The payback to the project company, which is the owner of the Bloom Energy Servers and provides electricity to the customer through a PPA, is less than five years, when including the Federal Investment Tax Credit.”

**Program Coordinator Certification
(New Incentive Commitments > \$500,000)**

I, **Maura Watkins**, hereby certify that in its role as Program Coordinator, Applied Energy Group, Inc. has reviewed the referenced below, as required by the policies and procedures applicable to each program, that the standardized equipment incentives for which TRC now seeks approval to commit have been calculated in accordance with those policies and procedures, and that the amount shown below is the true and accurate estimated incentive for which the applicant(s) is(are) eligible.

For incentives based on uniquely calculated estimated energy savings, including the Custom Program, Pay for Performance, Combined Heat & Power and Large Energy Users Program, Applied Energy Group certifies locating documentation supporting the inputs used to calculate the rebate amount and evidencing TRC's evaluation of those inputs as required by the program's policies and procedures.

Maura H Watkins

By: _____

Date: 02-03-2016

Maura Watkins

Quality Assurance Manager - Applied Energy Group, Inc.

Ref: _____
App # 34838CHP

Applicant AT&T Inc.

Payee 2015 ESA Project Company, LLC

Committed Amount: \$1,972,775.00