



September 12, 2012

Kristi Izzo
Secretary of the Board
New Jersey Board of Public Utilities
44 S. Clinton Avenue
Trenton, NJ 08625

RE: New Jersey Clean Energy Program Budget Reduction Proposal

Dear Ms. Izzo:

The U.S. Clean Heat & Power Association (USCHPA) appreciates the opportunity to provide comments on the Office of Clean Energy's straw proposal for proposed budget revisions in 2012.

USCHPA is the voice of combined heat and power in the USA. The organization is a 501(c)(6) trade association with members that include manufacturers, suppliers, and developers of combined heat and power (CHP) systems, many of whom have existing facilities and/or projects in development in the State of New Jersey. Currently supplying twelve percent (12%) of U.S. energy capacity, CHP systems can reach efficiencies above eighty percent (80%). There is approximately 82 GW of CHP installed in the U.S. and industry estimates indicate the technical potential for additional CHP at existing sites in the U.S. is approximately 130 GW (plus an additional 10 GW of waste heat recovery CHP). USCHPA and its members have a vested interest in ensuring the incentives available for CHP investment in the State of New Jersey are preserved.¹

We support continuance of the small and large CHP/Fuel Cell programs at the levels proposed in the straw budget.² CHP brings benefits to all ratepayers and citizens of New Jersey by:

- Reducing demand at the load node which will result in lower capacity payments;
- Lowering the cost of energy for the CHP owner resulting in increased competitiveness and job retention;
- Reducing emissions for reduced healthcare costs for all citizens;
- Increasing reliability to benefit all ratepayers; and
- Directly providing construction, engineering and operations jobs.

These benefits are recognized in the NJ Energy Master Plan (EMP)³, by the U.S. Department of Energy, the U.S. Environmental Protection Agency and most recently by the White House,

¹ U.S Clean Heat & Power Association, www.uschpa.org.

² Public Notice, August 17, 2012,

http://www.njcleanenergy.com/files/file/program_updates/Public%20notice%20budget%20reduction%20-%20Clean%20Energy%209-7-12-a.pdf.

whose recently released Executive Order calls for an additional 40 GW of CHP by 2020 to support industrial competitiveness⁴.

We must recognize that the CHP industry benefits markedly from stimulus as has been recognized by many states including NY, CT, MA, MD, CA and TX among others.⁵ The Economic Development Authority's (EDA) Retail Margin Fund program which was ultimately cancelled saw approx. 136 MW of CHP applications and the recent "American Recovery and Reinvestment Act" funded CHP program run by EDA resulted in 38 MW of new CHP capacity.⁶ Projects are 15 to 20 year investments and can take 2 to 3 years to develop so that initial uptake of new programs can be slow and 1-year programs will not spur the level of development necessary to build the industry. The industry needs a consistent multi-year grant based program in order to spur the type of growth that is necessary for New Jersey to capture the advantages outlined above. Loan programs on their own have not and will not work to stimulate CHP development.

We do appreciate the BPU's continuing open dialogue on program development and implementation and encourage continuation of this work. We recognize the necessity to reduce program budgets but support continuance of the small and large CHP programs at levels no less than is suggested in the straw budget. These reduced budgets are sufficient to maintain industry momentum but it is vital that we *do* maintain momentum. Further cuts or interruptions to CHP programs could result in dissolution of the industry, an inability to meet EMP goals, higher energy costs and higher emissions.

Respectfully submitted,



Jessica H. Bridges CAE IOM
Executive Director

³ "The Christie Administration is committed to developing 1,500 MW of new DG and CHP resources where net economic and environmental benefits can be demonstrated," New Jersey Energy Master Plan, page 5, http://nj.gov/emp/docs/pdf/2011_Final_Energy_Master_Plan.pdf.

⁴ "Executive Order - Accelerating Investment in Industrial Energy Efficiency", the White House, August 30, 2012, <http://www.whitehouse.gov/the-press-office/2012/08/30/executive-order-accelerating-investment-industrial-energy-efficiency>.

⁵ See www.epa.gov/chp and "Renewable Portfolio Standards Fact Sheet", EPA CHP Partnership, http://www.epa.gov/chp/state-policy/renewable_fs.html.

⁶ See "SIX COMBINED HEAT AND POWER PROJECTS APPROVED BY EDA" for details of some funded projects, December 3, 2010, http://www.njeda.com/web/asp_x_pg/Templates/Press_Rls.aspx?topid=721&Doc_Id=1371&ParentDocID=164.