

## **Small CHP/Fuel Cell Program Proposed Program Modification**

The current small CHP and Fuel Cell program pays incentives for eligible technologies at a fixed dollar per watt of installed capacity, up to a maximum of 30-60% of total project cost (depending on technology type) or \$2 million per project, whichever is less. The total incentive represents a combination of NJCEP incentive and utility match. NJCEP incentives subsidize utility matches to ensure a consistent incentive is paid throughout New Jersey. In the event that utility matches are not available, NJCEP provides all incentives up to the cap.

EDA recently issued a solicitation for large (> 1 MW) CHP and Fuel Cell projects. Due to an overlap in incentive levels between the large and small CHP/Fuel Cell programs, and in order to steer projects greater than 1 MW into the large CHP/Fuel Cell program, TRC proposes to reduce the \$2 million incentive cap to \$ 1 million. All other incentive levels will remain as is, including the \$0.25/watt Pay for Performance bonus incentive, which will not be limited by the reduced cap. In other words a project receiving a P4P bonus incentive will now be eligible for a maximum of \$1,250,000.

In May of 2012 the OCE circulated for comment a proposal from UTC Power to allow fuel cells with a lease term of less than 15 years to be eligible for program incentives. Comments on this proposal were received from the Division of Rate Counsel which recommended that lease terms of less than 15 years be allowed, but that the incentive should be reduced for lease terms of less than 15 years. Staff concurs with Rate Counsel's comments and is recommending that the incentive be reduced proportionally, that is, a lease term of 10 years would receive 2/3 (10/15) of the incentive a 15 year lease would receive and a lease term of 5 years would receive 1/3 (5/15) of the incentive. The lower incentive would reflect that a shorter lease could result in benefits over a shorter period of time if the equipment is removed at the end of the lease.