Agenda Date: 12/6/10
Agenda Item: 8C

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu

<u>CLEAN ENERGY</u>

IN THE MATTER OF COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR THE 2009 - 2012 CLEAN ENERGY PROGRAM: 2011 PROGRAMS AND BUDGETS: COMPLIANCE FILINGS	)))))	ORDER DOCKET NOS. EO07030203 & EO10110865

(SERVICE LIST ATTACHED)

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities ("Board") at its December 6, 2010 public meeting, where the Board considered the proposed 2011 programs and budgets for New Jersey's Clean Energy Program.[1]

BACKGROUND AND PROCEDURAL HISTORY

On February 9, 1999, the Electric Discount and Energy Competition Act, <u>N.J.S.A.</u> 48:3-49 <u>et seq.</u> ("EDECA") was signed into law. EDECA established requirements to advance energy efficiency and renewable energy in New Jersey through the societal benefits charge ("SBC"). <u>N.J.S.A.</u> 48:3-60a (3). EDECA further empowered the Board to initiate a proceeding and cause to be undertaken a comprehensive resource analysis ("CRA") of energy programs, which is currently referred to as the comprehensive energy efficiency ("EE") and renewable energy ("RE") resource analysis. <u>Ibid.</u> After notice, opportunity for public comment, public hearing, and consultation with the New Jersey Department of Environmental Protection ("DEP"), within eight months of initiating the proceeding and every four years thereafter, the Board determines the appropriate level of funding for EE and Class I RE programs that provide environmental benefits above and beyond those provided by standard offer or similar programs in effect as of February 9, 1999. These programs are now called New Jersey's Clean Energy Program (the "NJCEP").

As required by EDECA, in 1999, the Board initiated its first comprehensive EE and RE resource analysis proceeding. At the conclusion of this proceeding, the Board issued its initial order,

[1] The budgets approved in this Order are subject to State appropriations law.

dated March 9, 2001, Docket Nos. EX99050347 et seq. ("CRA I Order"). The CRA I Order set funding levels for the years 2001 through 2003, established the programs to be funded, and approved budgets for those programs. By Order dated July 27, 2004, Docket No. EX03110945 et seq., the Board set the funding level for 2004, established the programs to be funded, and approved budgets for those programs.

By Order dated May 7, 2004, Docket Nos. EX03110946 and EX04040276, the Board initiated its second comprehensive EE and RE resource analysis proceeding and established a procedural schedule for the determination of the funding levels, allocations and programs for the years 2005 through 2008. By Order dated December 23, 2004 (the "CRA II Order"), Docket No. EX04040276, the Board concluded its proceeding, set funding levels for the years 2005 through 2008, and approved 2005 programs and budgets. The Board approved funding levels of $140 million for 2005, $165 million for 2006, $205 million for 2007, and $235 million for 2008.

By Order dated April 27, 2007, Docket No. EO07030203, the Board directed the Office of Clean Energy ("OCE" or "Staff") to initiate a third comprehensive EE and RE resource analysis proceeding and to schedule public hearings on program funding and funding allocations for the years 2009 through 2012. By Order dated September 30, 2008 (the "CRA III Order"), Docket No. EO07030203, the Board concluded this proceeding and set funding levels of $245 million for 2009, $269 million for 2010, $319.5 million for 2011, and $379 million for 2012.

The Board approved programs and budgets for the 2009 NJCEP at its December 16, 2008 public meeting and memorialized that approval in an Order dated January 8, 2009, Docket No. EO07030203 ("2009 Budget Order"). Throughout the year, the Board took action to update and otherwise modify the programs and budgets described in the 2009 Budget Order. These revisions to the 2009 Budget Order were not challenged.

The Board followed the same process in 2010. By Order dated December 17, 2009, Docket No. EO07030203 ("2010 Budget Order"), the Board approved the NJCEP 2010 programs and budgets. The 2010 Budget Order approved the compliance filings that included program descriptions and detailed budgets, which break down the larger budgets of the EE and RE programs. As it had done in prior years, the Board took action throughout the year to update and otherwise modify the programs and budgets described in the 2010 Budget Order. These revisions to the 2010 Budget Order were memorialized in Orders dated April 21, June 21, August 24, October 5, and December 6, 2010, in the above-captioned docket.

DEVELOPMENT OF THE 2011 PROGRAMS AND BUDGET FILINGS

In conjunction with the Department of Treasury, Division of Purchase and Property ("Treasury"), Staff prepared requests for proposals for Market Manager and Program Coordinator services. On August 19, 2005, Treasury issued, on behalf of the Board, Request for Proposal 06-X-38052 for NJCEP Management Services. Section 3.0.4 of the Market Manager RFP describes the Market Manager function as follows:

> The Market Manager(s), in conjunction with the Program Coordinator, shall lead and facilitate the development and revision of programs and program budgets in a coordinated process with the OCE, CEEEP[2] and CEC[3]. These changes may

[2] CEEEP refers to the Center for Energy, Economic and Environmental Policy at Rutgers University.

be in reaction to program adjustments proposed by CEEEP. The Market Manager(s) shall review the programs and their effectiveness for the purpose of improving and modifying program designs on a periodic basis . . . .

In addition, Treasury issued, on behalf of the Board, Request for Proposal 07-X-38468 for NJCEP Program Coordinator Services on March 20, 2007. Section 3.0 of the RFP for Program Coordinator services states: "[t]he Program Coordinator shall manage, monitor and ensure the performance of the Market Managers and other entities that receive funds through the New Jersey Clean Energy Programs[.]"

On October 19, 2006, Honeywell International, Inc. ("Honeywell") was awarded Contract No. 67052 to manage the residential energy efficiency programs and renewable energy programs and TRC Energy Services ("TRC") was awarded Contract No. 67053 to manage the commercial and industrial ("C&I") energy efficiency programs.[4] On July 11, 2007, Applied Energy Group ("AEG") was awarded Contract No. 68922 to provide Program Coordinator services.[5] Over the course of 2007, the Board completed the transition of the management of many of the EE and RE programs from the seven investor-owned electric and gas utilities regulated by the Board (collectively the "Utilities") and Staff to Honeywell and TRC. On October 15, 2007, AEG, the Program Coordinator, completed its transition and commenced operation.

In 2007, the process for developing proposed programs and budgets was revised to take into account the fact that the majority of the programs are now managed by the Market Managers. Specifically, the Market Managers and the Program Coordinator, consistent with their contracts, were tasked with the role of presenting proposed changes to the programs and budgets to the EE and RE committees of the CEC and for incorporating the changes recommended by public stakeholders into the programs presented to the Board.

CEEEP was engaged by the Board to manage the evaluation of the NJCEP. CEEEP evaluation activities included preparation of a program cost benefit analysis, preparation of a multi-year evaluation plan, and management of other evaluation activities performed by third party contractors including: an EE Market Assessment performed by Summit Blue Consulting ("Summit Blue"), an RE Market Assessment performed by Summit Blue, and an Impact Evaluation performed by KEMA, Inc. ("KEMA"). All of the evaluation reports are posted on the NJCEP web site and are available to public stakeholders.

Like in prior years, the 2011 budget process commenced with the preparation of a 7&5 Report (7 months of actual expenses and 5 months of estimated expenses) by AEG, the Program Coordinator. AEG requested that all program managers provide actual expenses through July 2010, estimated expenses for the remainder of the year, and estimated commitments that would exist as of December 31, 2010. This 7&5 Report informed the OCE's proposed budgets discussed below.

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[3] CEC refers to the Clean Energy Council. The Clean Energy Council and its committees are open to any member of the public and function as public stakeholder groups.

[4] Treasury has issued revised contracts dated December 12, 2008 and December 11, 2009 that extended the Honeywell and TRC contracts to January 19, 2010 and January 19, 2011 respectively. The OCE has submitted proposed contract extensions to Treasury, which were under consideration and subject to Treasury approval as of the date of Board action on the 2011 programs and budgets.

[5] Treasury issued a revised contract dated June 26, 2009 that extended the AEG contract to July 10, 2011.

The OCE used the following process in developing the 2011 NJCEP programs and budgets. Monthly public stakeholder meetings of the EE and RE committees, chaired by the OCE, began to include discussion of the 2011 program plans and budgets starting in June 2010. Discussions ensued at the meetings held on June 10, July 13, August 17, September 21, and October 26, 2010. Meeting notices, including dates, times, and locations, were posted on the NJCEP website and sent to the committee listservs. All agenda and discussion materials were distributed to the committee listservs and meeting notes were posted on the website at:

http://njcleanenergy.com/main/event-listings/clean-energy-council-committees/clean-energy-council-committee-meetings-notes

At these meetings representatives of the OCE, Honeywell, TRC, the Utilities, Rate Counsel, the Economic Development Authority ("EDA"), the New Jersey Department of Community Affairs ("DCA"), the Housing and Mortgage Finance Agency ("HMFA"), DEP,[6] EE/RE installers, EE/RE technology companies, and other interested parties discussed proposed changes to the programs and budgets. The OCE also solicited comments from meeting participants regarding other suggested changes to the programs.

Subsequent to the September meetings of the EE and RE committees, each program manager was directed by the OCE to submit proposed 2011 programs and budgets for consideration by the Board. Pursuant to the Board's CRA III Order at 58, each program filing was required to include at a minimum:

1. A description of the program
2. Identification of the target market and of customer eligibility
3. A description of the program offerings and customer incentives
4. A description of program delivery methods
5. A description of quality control provisions
6. Program goals including specific energy savings or renewable generation targets
7. Minimum requirements for program administration
8. Marketing plans
9. Detailed budgets that include, at a minimum, a breakdown of costs by the following budget categories:

    a. Administration and program development
    b. Sales, marketing, call centers and website support
    c. Training
    d. Rebates and other direct incentives
    e. Rebate processing, inspections and other quality control
    f. Performance incentives, and
    g. Evaluation and Related Research

Proposed 2011 programs and budgets were submitted by:

1. Honeywell
2. TRC
3. The Utilities, and
4. The OCE including programs jointly managed with the EDA and Sustainable Jersey

[6] On December 3, 2010, the OCE sent written confirmation of the DEP's participation in these meetings.

In the CRA III Order, the Board directed that stakeholders and interested members of the public shall have an opportunity to comment on the detailed program plans and budgets prior to the Board's review. Id. at 59. The proposed programs and budgets were posted on the NJCEP web site and circulated to the EE and RE Committee listservs in late October 2010. Pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-6 et seq., the Board gave notice that a public hearing was scheduled for November 10, 2010. All five commissioners of the Board attended this public hearing, over which Board President Solomon presided. During the hearing, members of the public discussed the proposed programs and budgets. The hearing notice, which was circulated on October 29, 2010, also requested written comments on the proposed programs and budgets by November 17, 2010. The numerous written comments received as well as the testimony taken at the public hearing are considered below.

This Order will discuss the OCE's recommendations and issues related to the Board's review of each of the filings that were submitted.

THE 2011 PROGRAM AND BUDGET FILINGS

The following section discusses each of the 2011 Program and Budget filings submitted to the Board for consideration and approval.

The Utilities' Filing

By email to the OCE dated October 22, 2010, South Jersey Gas Company, on behalf of the Utilities, submitted a compliance filing for the Residential Low-income Program ("Comfort Partners") and utility support for the CleanPower Choice Program. Rockland Electric Company ("RECO") has not joined the other electric and gas utilities in delivering the Comfort Partners program, but is proposing to continue support for the CleanPower Choice program. The Utilities' compliance filing includes the provisions required by the CRA III Order.

The Comfort Partners Program did not transition to the Market Managers and will continue to be managed by the six Utilities (Atlantic City Electric Company, Jersey Central Power and Light, Public Service Electric and Gas, Elizabethtown Gas, New Jersey Natural Gas Company, South Jersey Gas Company). This program is implemented through third party contracts and overseen collectively by the six Utilities. In 2010, the six Utilities made significant and substantial revisions to this program to increase the number of participants and the level of energy and cost savings. The Utilities have not proposed any significant new changes to the program in 2011. The program is designed to improve energy affordability for low-income households through energy conservation. A more detailed description of the program is included in the compliance filing.

The four investor owned electric utilities also proposed to continue to support the CleanPower Choice Program, which will offer retail electric customers the option of selecting an energy product with higher levels of RE than is required by the Renewable Portfolio Standard. This program will be delivered through a collaborative utility and clean power marketer program hosted by the four investor owned electric utilities, with oversight by the OCE. The Utilities will support the CleanPower Choice program by maintaining the IT changes needed to support a line item on customer's bills and systems to support EDI transactions with Clean Power Marketers. The Utilities' compliance filing budget includes funding for these CleanPower Choice support services. In addition, the Utilities represent that, in 2011, they will implement the Customer Account Look-up pilot program, track the program cost, and file program information with the Board pursuant to a Board Order dated August 19, 2008, in Docket No. EA07110885. A more detailed description of the program is included in the compliance filing.

The Market Managers' Filings

The non-rebate/incentive component of the Market Managers budget includes fees for program administration, sales and marketing, training, rebate processing and quality assurance including inspections, evaluation and performance incentives. In 2010, the Market Managers budgets for these items exceeded $40 million. Prior to commencing discussions of 2011 programs and budgets, the OCE notified the Market Managers of its desire to significantly reduce the costs associated with these non-rebate budget items and directed the Market Managers to identify opportunities for reducing these costs. The Market Managers complied with this request and proposed significant changes to the programs that are estimated to reduce the non-rebate component of the budget in 2011 by over $14 million as compared to the 2010 budget.

The budget reductions were achieved by eliminating certain program elements or support services that do not result in direct incentives to customers and redesigning programs to eliminate certain administrative tasks. For example, in 2011, for the Residential New Construction program, the transition to an open rater system will be completed such that the program will no longer provide design, training, or certification services except for Climate Choice homes. Alternatively, these services will be provided by independent rater companies. For the Renewable Energy Incentive Program the process for submitting and reviewing applications will be streamlined and automated resulting in a significant reduction in the cost per application processed. Additional details regarding the proposed changes submitted by the Market Managers are summarized below.

❖ The Honeywell Filing

After public input on draft programs initiated in June, Honeywell submitted proposed 2011 programs and budgets dated October 20, 2010 for the programs it manages. Honeywell proposes to continue delivering the following existing programs:

- Residential New Construction
- Residential HVAC
- Energy Efficient Products
- Home Performance with ENERGY STAR
- Renewable Energy Incentive Program ("REIP")
- SREC Registration Program ("SRP")

Honeywell proposes to discontinue the Community Partners Initiative in 2011.

Honeywell's 2011 compliance filing provides the required details regarding the programs. The filing also includes a marketing plan and budget. The following is a summary of the program changes proposed by Honeywell.

Residential New Construction Program

1. Incentives for the tiers 1 & 2 from 2010 are replaced by a new 1st tier tied to the new Energy Star Version 3 standard.

2. The 2011 plan will not include training on residential energy code updates or implementation.
3. The Open Rater administration fee will be eliminated and Open Rater services will be included in ongoing program administration.
4. Removed references to the 2009/2010 HVAC QIV pilot.
5. The description of 2010 Microload homes is replaced by a description of a 2011 limited (50 new units) continuation of Climate Choice Homes.
6. Builder progress payments and building incentives are unified into a single final certification payment to the builder.
7. Final certification incentives to builders for new 2011 Tier 1 (ESH version 3.0) will average $2,600 across the distribution of building types (single-family, multiple single-family, multiple-family).
8. Multi-family high rise units will be served by the open-rater marketplace in 2011.
9. Average incentive for Climate Choice Homes reduced to $15,000.
10. Incentives for lighting units eliminated.
11. Eliminate bonus incentive of $5,000 for units completed and Tier 3-certified by the end of year.
12. The transition to the open rating market is completed and all new home enrollments (except climate choice homes) will be rated and certified by the open rater marketplace.

Residential Gas & Electric HVAC Program

1. Eliminate the HVAC contractor outreach and support function.
2. Reduce the number of trainings for HVAC contractors on the proper sizing, selection and installation of HVAC.
3. Reduce HVAC inspection to less than 1,000 units.
4. Discontinue QIV and duct sealing.
5. Eliminate performance incentives.
6. Continuation of ARRA SEEARP contingent upon availability of SEEARP funds.
7. Direct to customer incentives for the top tier *COOL*Advantage CAC/ASHP Tier (SEER 16/EER 13) reduced to $500 from $600.
8. Direct to customer incentives for lower tier *COOL*Advantage equipment will be eliminated and upstream incentives will be piloted.
9. Direct to customer incentives for tier 1 *WARM*Advantage gas storage DHW equipment with EF < 0.82 are discontinued and an upstream incentive opportunity for gas storage DHW EF ≥ 0.67 (Energy Star) reviewed for pilot potential.
10. COOL and WARM Advantage goals have been revised downwards. However, the move towards upstream opportunities is expected to offset some of the decreases while lowering administrative costs.

Home Performance with ENERGY STAR® Program

1. Redesign IT systems to automate application and approval process to reduce costs.
2. The program will increase the base level of total energy savings (TES) required to achieve an incentive from 5% to 10% TES, and will require shell work (insulation and air sealing) to be performed to achieve the 10% TES.
3. Tier 2 must achieve at least 10% TES and is only applicable to building shell work, such as air sealing, duct work and insulation. Customers who receive an incentive at this Tier can also receive incentives through the *WARM* and *COOL*Advantage programs for any HVAC upgrades and conversions. The cash incentive for achieving at least 10% TES

will be 50% of the cost of the project up to $1,000. No loan option will be offered by the program at this Tier.

4. Tier 3 level 1 must achieve at least 20% TES calculated on all energy savings measures installed, except for lighting, CFLs, appliances, windows and doors (measures are aligned with the most recent Senate version of Home Star). The cash incentive for achieving at least 20% TES will be 50% of the cost of the project up to $3,000. It is expected that certain NJ natural gas utility companies will also continue to offer a loan buy-down to 0% for loans up to $10,000 in addition to the cash incentive. Loan buy downs for customers whose utility company does not offer a loan will be paid by the Program.
5. Tier 3 level 2 must achieve at least 25% TES calculated on all energy savings measures installed, except for lighting, CFLs, appliances, windows and doors (measures are aligned with the most recent Senate version of Home Star). The cash incentive for achieving at least 25% TES will be 50% of the cost of the project up to $4,000. It is expected that NJ natural gas utility companies will also continue to offer a loan buy-down to 0% for loans up to $10,000 in addition to the cash incentive. Interest rate buy downs for customers whose utility company does not offer a loan will be paid by the Program.
6. The contractor incentive will be reduced to $500 for satisfactory completion of a job at any of the new tiers outlined above.
7. Co-op marketing support will be available.
8. A contractor incentive reduction will be introduced for failed Quality Control inspections. On an individual job, $250 will be deducted from the $500 contractor incentive for the first failed inspection. If the same site fails a second inspection, the contractor will receive no incentive. The purpose of implementing a contractor incentive reduction for failed inspections is to achieve an overall reduction in the total number of inspections, thus reducing program administrative costs. Additionally, the contractor incentive reduction should serve to identify and discourage contractors from not performing to HPwES standards.
9. Multi-family buildings of three stories or less will be eligible to participate in the program provided that all units within a building shell are treated.

Energy Efficient Products Program

1. Updated to reflect an overall Program shift away from direct customer rebates in most instances to upstream agreements with retailers and manufacturers, in order to reduce program administrative costs.
2. Update to lighting markdown program to allow for piloting a market lift approach with retail lighting partners in addition to the traditional markdown initiatives.
3. Customer's rebates for clothes washers and room air conditioners will be evaluated for possible upstream opportunities.
4. In 2011, the Program will no longer offer rebates for dehumidifiers and room air conditioners.
5. In 2011, the Program will cut back the Creative Initiatives and focus on community outreach and event support.
6. Reduces goal for Appliance Early Retirement Program to 15,000.
7. Continuation of ARRA SEEARP contingent upon availability of SEEARP funds.

Renewable Energy Programs: REIP and SRP

1. Application, approval, and project completion processes will be streamlined, re-engineered and automated where possible to reduce administrative costs. Efforts will be made to coordinate changes closely with the utilities.
2. There will be no upfront rebates for solar projects. These will be replaced with an EDC Solar Financing Incentive for those projects which participate in the EDC Financing Program in which JCP&L, ACE, and RECO establish long term SREC contract prices via quarterly auctions.
3. To be eligible for an EDC Solar Financing Incentive ("ESFI"), residential projects less than or equal to 10.0 kW and public and non-profit projects less than or equal to 50.0 kW must document acceptance in the EDC SREC-Based Financing Program. Those projects will be eligible to receive an incentive payment of $.50 per watt. The residential project incentive will be capped at 7.5 kW and the public and non-profit project incentive will be capped at 30.0 kW.
4. Behind the meter wind or biopower projects will remain eligible for an REIP rebate using the guidelines in effect in 2010. Rebates will also be provided to support project feasibility studies for wind and bio-power projects larger than 100 kW.
5. The New Jersey Renewable Energy Manufacturing Incentive ("NJREMI") will remain intact for solar panels, inverters and racking systems, with a budget of $1.0 million.
6. The program will continue to process the growing volume of SREC Registration applications, using automation to reduce administrative fees associated with project applications and increasing reliance on revenue grade output meters to reduce the need and cost associated with project inspections. New registrations in the SREC only program will be required to be submitted via the online application procedure which will be developed by the Market Manager.
7. In person trainings will be focused exclusively on market development in the financial services industry, and for wind and biopower projects. These trainings will be covered under the fixed administration fee. In-person new installer trainings will be replaced with webinar trainings.
8. The SRP will no longer require projects to achieve a minimum system output to be eligible to generate SREC's. Details regarding each project installation will be provided to PJM GATS to ensure the proper treatment of SREC generation.
9. For each renewable energy project participating in the New Jersey Clean Energy Program, the EDC will provide documentation to the Market Manager to establish the date that the final interconnection has been approved and the system owner has permission to operate the system.

❖ **The TRC Filing**

After public input on draft programs initiated in June, TRC submitted proposed 2011 programs and budgets dated October 25, 2010 for the programs it manages. TRC proposes to continue delivering the following existing programs.

- C&I New Construction
- C&I Retrofit
- Pay-for-Performance New Construction
- Pay-for-Performance
- Local Government Energy Audit ("LGEA")

- Direct Install
- Sector Specific Program Enhancement Initiative
- Energy Efficiency Conservation Block Grants

TRC proposes discontinuation of the Teaching Energy Awareness with Children's Help ("TEACH") program in 2011.

TRC's filing provides all of the required details regarding the above programs. The filing also includes a marketing plan and budget. The following provides a summary of the program changes proposed by TRC.

TEACH and Sector Specific Program Enhancement Initiative

- Discontinue TEACH, but existing commitments will be satisfied in 2011.
- TEACH benchmarking services will be available to K-12 schools under the Sector Specific initiative.
- Reduce scope of services provided under Sector Specific Program Enhancement Initiative
    - Eliminate training and technical assistance services

Local Government Energy Audit Program

- Entities with facility sizes ≤ 100 kW will not be audited but will be moved to the Direct Install program.
    - The Market Manager will have the ability to grant exceptions so that buildings needing shell improvements, which are not available under the Direct Install Program, may be eligible for the LGEA program.

Direct Install

- Maximum peak monthly demand to be eligible for the program will be reduced from < 200 kW to ≤ 100 kW.

The following are subject to further approval from the OCE once issues related to NJCEP program transition become clearer:

- TRC will have the ability to rebid Participating Contractor services.
- TRC will conduct the energy assessments rather than this service being provided by the Contractors.

Pay for Performance

- Lower monthly peak demand threshold from in excess of 200 kW to > 100 kW
- Adjust payout of incentives 2 and 3 from 60/40% of the total performance-based incentive to 50/50%. That is 50% of the total performance-based incentive will be paid upon the installation of recommended measures. The remaining 50% will be paid upon submittal of a post construction benchmarking report that verifies that the level of savings actually achieved by the installed measures meets or exceeds the minimum performance threshold.

- For projects in which modeling is not appropriate (wastewater treatment plants, industrial process, for example), allow a minimum Btu savings in order for the project to qualify for incentives.
- Additional guidelines will be established to maintain Partner eligibility, based on level of program involvement:
    - At least one application or ERP submitted in past twelve months
    - Proof of modeling experience required
- Set up process to allow entities with in-house professional engineering services to become a program Partner on behalf of their facility/project only. This process will be available to large entities with demand ≥ 750 kW or entities with multiple sites.
    - In house Professional Engineers trained through a fast-tracked process
    - All other Pay for Performance program rules apply

Smart Start Equipment Incentives

- Eliminate incentives for Technical Assistance – Specialized Technical Study Incentives for industrial process improvements, chiller plant optimization and compressed air projects will be eliminated.
- Eliminate incentives for Comprehensive Design Support – Pre-design planning sessions, design simulation and screening and the incorporation of energy efficiency measures into the final design services will be eliminated.
- For prescriptive lighting rebates fixture or lamp must be listed by UL or other OSHA approved Nationally Recognized Testing Laboratories (NRTL's) in accordance with applicable US standards
- T-12 to T-8 replacement/retrofit or T-8 to T-8 retrofit for existing fixtures <250W will require an HPT8 (high performance T8) or RWT8 (reduced wattage T8) system to be eligible for an incentive
    - Eligible HPT8 or RWT8s must be on CEE qualified products list
        - De-lamp with reflector (T8 toT8), incentive reduced from $20 to $15 per fixture
        - De-lamp with reflector (T12 to T8), incentive reduced from $30 to $20 per fixture
        - T12 to T8/T5 fixture replacement (<250W), incentive reduced from $30 to $25 per fixture
        - HID incandescent/T12 to T8/T5 fixture replacement (> 1000W), incentive reduced from $284 to $200 per fixture
- LED Lighting: the following are proposed new incentives for 2011:
    - LED fixtures must be listed on Energy Star or Design Lights Consortium's Qualified (DLC) Products List
    - For replacement of incandescent, fluorescent and HID fixtures only
    - Fixture and/or lamp must be listed by UL or other OSHA approved Nationally Recognized Testing Laboratories (NRTL's) US standards
    - LED categories not listed by Energy Star or DLC's qualified products will not be evaluated under the custom path for incentive eligibility
    - LED Lighting Incentives:
        - LED display case lighting: $30 per case
        - LED shelf-mounted display and task lights: $15 per foot
        - LED Portable desk lamps: $20 per fixture
        - LED wall-wash lights: $30 per fixture
        - LED recessed down lights: $35 per fixture

    - LED Linear Panels (2X2 Troffers only): $50 per fixture
    - LED Fuel Pump Canopy: $100 per fixture
    - LED outdoor pole/arm-mounted area and roadway luminaires: $175 per fixture
    - LED outdoor pole/arm-mounted decorative luminaires: $175 per fixture
    - LED outdoor wall-mounted area luminaires: $100 per fixture
    - LED parking garage luminaires: $100 per fixture
    - LED track or mono-point directional lighting fixtures: $50 per fixture
    - LED high-bay and low-bay fixtures: $150 per fixture
    - LED high-bay aisle lighting: $150 per fixture
    - LED bollard fixtures: $50 per fixture
- Performance Lighting – New construction projects are eligible for performance lighting incentives. Major renovation projects are eligible under prescriptive lighting incentives only.
- Premium Motors and Variable Frequency Drives
  - Revise minimum efficiency standards per Federal requirements – Energy Independence and Security Act of 2007 (EISA), <u>P.L. 110-140, H.R. 6</u>.
  - Custom to prescriptive incentive – VFD's for existing cooling tower fans > 10 HP, will be eligible for a prescriptive rebate of $60/HP
  - Increase gas water heating (< 50 gal) minimum efficiency from 0.62 to 0.67
- Refrigeration Incentives. The following new incentives for refrigeration measures are proposed for 2011:
  - Refrigeration Doors/Covers
    - Energy efficient doors for open refrigerated cases: $100 per door
    - Aluminum night curtains for open refrigerated cases: $3.50/linear foot
  - Refrigeration Controls
    - Door heater controls: $50/control
    - Electric defrost control: $50/control
    - Evaporator fan control: $75/control
    - Novelty cooler shutoff: $50/control
- Unitary HVAC Incentives - Incentive for qualifying Central DX AC Systems >63 tons for existing buildings only. New construction ineligible.
- Custom process – revise minimum savings requirement language to allow for the Market Manager to have flexibility to waive first-year energy savings requirements. To be eligible, a proposed custom project must offer a minimum first-year energy savings of 75,000 kWh for electric projects or 1,500 therms for gas projects. This requirement may be waived by the Market Manager on a case-by-case basis if project savings are within 10% of these minimum requirements. Projects with both electric and gas savings may be considered for incentives if either of the minimum savings requirements are met. Multiple smaller applications may <u>not</u> be grouped to meet minimum savings requirements.
- The new ASHRAE baseline for 2011 will be ASHRAE 90.1-2007 (from 90.1-2004).
  - Changes to be effective January 1, 2011 for 2011 NJCEP C&I Programs
  - Completed applications must be received by close of business on 12/31/10 for existing ASHRAE guidelines to be used.

Energy Efficiency and Conservation Block Grants

- Funding will no longer be reserved for all eligible entities.
- Funding will be available on a first come, first served basis.
- Funding level will be $50,000 per entity.

- Entities that participated in round one of this program are eligible for round two.

THE OFFICE OF CLEAN ENERGY ("OCE") FILING

The OCE's proposed 2011 program and budget filing, dated October 25, 2010, includes program descriptions and budgets for the OCE Oversight budget as well as details for the EE and RE programs managed or co-managed by the OCE, EDA, and Sustainable Jersey. The major initiatives included in the OCE's 2011 compliance filing are summarized below.

- **The OCE EE Programs**

The OCE's 2011 Energy Efficiency Programs include Special Studies and a new Grant/Loan program that is under development. In 2009, the Board issued a solicitation and awarded grants to three entities that will provide green jobs training. The 2011 Special Studies budget includes $477,801 for the remaining costs related to the grants to these three entities. The OCE also proposed a budget of $30 million for a new grant/loan program for which the OCE is developing a competitive solicitation. The new program would provide incentives to trade groups or other entities that deliver energy savings or renewable energy. In accord with the CRA III Order, the OCE will seek public input as it develops the proposed program, which will then be brought to the Board for approval at a later date. Any grant solicitation issued under this developing program will conform to the requirements of N.J.S.A. 52:14-34.4 and will be submitted to the Board for review and approval prior to release.

- **The OCE RE Programs**

The OCE's 2011 Renewable Energy Programs include the Offshore Wind Program and the Edison Innovation Clean Energy Fund as well as the Clean Power Choice program.

Clean Power Choice

The OCE will continue to manage this program, but proposes to reduce the level of support provided and, instead, rely on the efforts of Clean Power Marketers to market and verify the delivery of renewable energy. The Utilities' support for this program is discussed above.

Offshore Wind

The Offshore Wind Program will provide rebates to entities that install offshore meteorological wind towers. The purpose of this rebate program is to support the development of the offshore wind facilities that are needed to assist in achieving the goals set forth in the Offshore Wind Economic Development Act, P.L. 2010, c. 57. The 2011 budget includes $9 million for rebate commitments made in 2009, as modified by the Board in October 2010, which will be paid based upon approved milestones toward the installation of the meteorological wind stations.

In addition, the 2011 Offshore Wind program budget includes funding to pay the remaining costs related to an offshore wind study to be performed by the Rutgers Institute of Marine and Coastal Sciences. This study was previously approved by the Board.

The Edison Innovation Clean Energy Fund

The Board entered into a Memorandum of Understanding ("MOU") with the Commission on Science and Technology ("CST") dated September 17, 2008 to manage the Edison Innovation

Clean Energy Fund. The fund was developed to provide research and development grants to support renewable energy and energy efficiency companies entering or expanding clean energy technology products in New Jersey. The Board has awarded a number of grants under this program. The proposed 2011 budget includes sufficient funds to pay all outstanding grants previously awarded by the Board. The Board has now terminated the MOU with CST, because CST did not receive funding for its administrative staff in the Appropriations Act for Fiscal Year 2011. The OCE thus proposes discontinuation of this program in 2011. All outstanding grants previously approved by the Board will be managed by the OCE going forward.

- **Programs Administered by the EDA**

The EDA proposes to administer three programs in 2011. The EDA also proposes to make payments to projects awarded incentives under the OCE's Grid Connected program.[7] The compliance filing does not propose funding for two prior programs discontinued by the Board.

The Renewable Energy Business Venture Financing Program and the Renewable Energy Grants and Financing Program

In 2007, the Board discontinued the Renewable Energy Business Venture Financing Program and the Renewable Energy Grants and Financing Program. All outstanding grants were paid or terminated in 2010. Thus, these programs are not included in the proposed 2011 budgets.

The Edison Innovation Clean Energy Manufacturing Fund

The Board has entered into an MOU with EDA to implement the Clean Energy Manufacturing Fund ("CEMF"). The CEMF will provide low-interest loans and non-recoverable grants for innovative clean energy technologies, including both energy efficiency and renewable energy manufacturing businesses intended to stimulate the clean energy industry in New Jersey. The EDA has submitted a compliance filing explaining the CEMF program details, which is included in the OCE's compliance filing. EDA proposed to continue this program in 2011 and to allocate $11 million in new funds for new awards.

Edison Innovation Green Growth Fund

The Edison Innovation Green Growth Fund program will offer assistance in the form of loans to clean technology companies that have achieved 'proof of concept' and have achieved successful, independent beta results and are seeking funding to grow and support their technology business. The program will be administered by the EDA pursuant to an MOU between the EDA and the Board that is currently under development and will require Board approval prior to execution. The EDA submitted a compliance filing explaining the Green Growth Fund program details, which is included in the OCE's compliance filing. The EDA requested $4 million for this new initiative.

Clean Energy Solutions EE Revolving Loan Fund

The EDA proposes a new energy efficiency loan fund. The program will be administered by the EDA pursuant to an MOU between the EDA and the Board that is currently under development and will require Board approval prior to execution. The program will offer financial support in the

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[7] As discussed further below, in the revised filing responsibility for payments to projects awarded incentives under the OCE's Grid Connected program is transferred from the EDA to the OCE.

form of low-interest loans for commercial, institutional and industrial entity end-use energy efficiency building projects in New Jersey that have the potential to reduce source energy use by at least 15%. This low interest loan program is structured as a companion to the NJCEP Pay for Performance ("PFP") incentive program, which is designed to provide grant incentives to large commercial and industrial customers who comprehensively upgrade their facilities through investments in energy efficiency. The EDA submitted a compliance filing explaining the EE Revolving Loan Fund program details, which is included in the OCE's compliance filing. The EDA requested $18 million for this new initiative.

RE Program: Grid Connected

In 2009, the Board released a solicitation to provide incentives to large grid connected renewable energy systems. In 2010 the Board awarded a number of grants to projects that responded to the solicitation. The proposed 2011 budget includes sufficient funds to pay all outstanding commitments related to the grants previously approved by the Board as well as approximately $7.4 million for a new solicitation. The OCE will submit a proposed solicitation for additional grants to the Board for review and approval prior to release. Any grant solicitation issued under this program will conform to the requirements of N.J.S.A. 52:14-34.4.

- **OCE Oversight**

The OCE will manage all of the items included in the OCE Oversight budget including:

1. Administration and Overhead;
2. Evaluation and Related Research; and,
3. Marketing and Communications.

The OCE's filing includes details regarding each of these efforts.

The Administration and Overhead component of the OCE Oversight budget includes two sub-components:

1. OCE Staff and Overhead
2. Program Coordinator Services

The OCE is proposing to eliminate all sponsorships/memberships in 2011.

The Evaluation and Related Research component of the OCE budget includes funding for a number of evaluation related activities planned for 2011. These activities include the following:

- Rutgers CEEEP: evaluation support. This is a continuation of an existing contract to provide overall program evaluation management services and cost benefit analyses.
- Other Studies: This budget includes funding for continuation of the Regional Anemometer Program previously approved by the Board.
- Program Evaluation: The budget includes funding for 2011 evaluation activities included in the 2010 evaluation plan. Staff will develop proposals for the specific uses of these funds subject to Board approval.
- Financial Audits: The budget includes funding for a proposed audit of the utilities that manage or managed NJCEPs. Staff will develop proposals for the specific uses of these funds subject to Board approval.
- Green Jobs and Residential/Commercial Energy Building Code: The budget includes funds to support training related to new building energy codes. The OCE will develop detailed proposals for the specific uses of these funds subject to Board approval.

The Marketing and Communications component of the OCE Oversight budget includes funding to pay all outstanding commitments related to Outreach and Education grants previously approved by the Board. No new Outreach and Education activities are planned for 2011.

Sustainable Jersey Program

The OCE budget for 2011 also includes funding for Sustainable Jersey, which was funded in 2010 as part of the Community Partners Initiative. As noted above, Honeywell proposes to discontinue the Community Partners Initiative, but the OCE intends to continue the services provided by Sustainable Jersey. Specifically, the Sustainable Jersey Statewide Municipal Government Sustainability Certification Program is an initiative of municipal governments and leading organizations across New Jersey working to assist communities in attaining a sustainable future. Sustainable Jersey is a comprehensive suite of policies, resources, support, and incentives available to help New Jersey municipalities make progress on a suite of sustainability issues. Since it was launched in February 2009, over half the 566 municipalities in New Jersey have joined the Sustainable Jersey program and passed resolutions stating their intent to become certified. In 2011, among other things, Sustainable Jersey will continue working with the OCE to drive local government participation in NJCEP programs and removing barriers to local government participation in those programs. Additional details regarding this program are included in the compliance filing.

SUMMARY OF COMMENTS FROM PUBLIC STAKEHOLDERS

The compliance filings summarized above were posted on the NJCEP web site and circulated to the EE and RE committees in late October. The Board held a public hearing on November 10, 2010, in Trenton, New Jersey to solicit comments from interested stakeholders and members of the public regarding the proposed NJCEP 2011 programs and budgets as well as on issues related to transitioning the programs to a new administrative structure. The Board also accepted written comments on the 2011 filings through November 17, 2010.

The following persons testified at the November 10, 2010 public hearing: Roger Marran, Energy Kinetics; Jim Kapsis and Steve Hambric, OPOWER; Brian Bovio, Bovio Advanced Comfort and Energy Solutions, and, Energy First State Home Performance Contractors Association; Gearoid Foley, U.S. Department of Energy Mid-Atlantic Application Center; Danielle Heise, TechniArt, Inc.; David Specca, Rutgers Eco Complex; Karen Alexander, New Jersey Utilities Association (NJUA) along with Anne Marie Perrachio, New Jersey Natural Gas, Bruce Grossman, South Jersey Gas, Fred Lynk, Public Service Electric and Gas, and Chris Siebens, Jersey Central Power and Light Company; Stefanie Brand, Rate Counsel; Fred Zalcman, Suzanne Patnaude and Terry Sobolewski, the Solar Alliance; Lyle Rawlings, Mid-Atlantic Solar Energy Industry Association (MSEIA) ; John Puma, Kamson Corp,; Val McHale, Multi-Phase Electrical Services; Scott Sillars, Isles E4 Inc.; Conor Fennessy, New Jersey Apartment Association; Roni Olizi, New Jersey Tree Foundation; Sara Bluhm, New Jersey Business and Industry Association (NJBIA); Steven Goldenberg, New Jersey Large Energy Users Coalition (NJLEUC); Greg Fontaine, A&E Construction; Tess Barton, Community Energy; and, Eric DeGesero and Jeff Jenkins, New Jersey Fuel Merchants Association (FMA).

In addition, written comments were received from Jim Freihaut, Mid-Atlantic Clean Energy Application Center, University of Pennsylvania; the New Jersey Apartment Association; B Sachau; Craig Lynch, Complete Home Inspections; John G. Puma, Kamson Corporation; the Center for Resource Solutions; Greg Fontaine, A&E Construction; MSEIA; Cadmus Solar; Rick

Brooke, Jersey Solar; Sara Bluhm, NJBIA; Steven Goldenberg on behalf of Comverge; the NJUA; Efficiency First; Energy Kinetics; Community Energy; Isles E4, Inc.; the FMA; TechniArt; Rate Counsel; Jim Price; Adam Capage, 3Degrees; John J. Connors, South Jersey Mechanical Contractors Association; and OPOWER.

The following paragraphs summarize the written comments received and as well as the oral comments presented at the public hearing related to the NJCEP 2011 programs and budgets. Comments related to the transition to a new administrative structure will be addressed in a separate Order when the Board considers transition related issues. This summary of comments is organized by topic and includes Staff's response.

Budgeting

Rate Counsel states that the key to effective budgeting is hitting the target and avoiding either chronic deficits or surpluses. Rate Counsel states that NJCEP has had persistent carryover from year to year which means it is not spending what is collected from ratepayers. Rate Counsel advocates the need to right size the budget so that what is collected gets spent and what is not needed for a particular year is returned to ratepayers.

In its written comments Rate Counsel stated that the amounts collected through the SBC should be based upon realistic projections of actual program expenditures. Rate Counsel asserts that historically, EE budgets have had unrealistic projections, resulting in budget surpluses year after year. As a result the SBC paid by ratepayers was higher than necessary to fund EE programs. Rate Counsel stated that the first step is the development of realistic projections of program activities and funding needs and the second step is to return over collections to ratepayers in the form of reduced SBC rates in the next funding cycle.

Response: The OCE concurs with Rate Counsel that the amounts collected through the SBC should be based upon realistic projections of actual program expenditures. However, the OCE disagrees with Rate Counsel that the programs have been historically overfunded and that over collections should be returned to ratepayers.

Budgeting for EE and RE programs are not an exact science. The programs offer incentives to customers and the number of customers that respond to the incentives and participate in the programs is a function of many factors beyond the control of the program managers such as the timing of project completion by customers and contractors, general economy, cost of energy and weather. The OCE strives to match budgets to anticipated participation levels but cannot precisely predict how many customers will request rebates. Furthermore, as new programs are initiated, it takes time for these new programs to ramp up to expected participation levels.

Finally, State budgeting policies and procedures as set forth in the Treasury Circulars require that the current year budget include funds related to any commitment, and that those funds be reserved so that they are available when payment of the rebate comes due. Therefore, the NJCEP budget is considered fully committed when expenses plus outstanding commitments are equal to the budget. Funds associated with any commitment are carried forward into the next year so that they are available to pay a rebate when a committed project is completed.

For example, in 2009 it was apparent that the program participation levels were not sufficient to fully expend the budget. The OCE, therefore, solicited input from stakeholders and proposed a number of changes to the programs intended to stimulate additional participation. Staff's recommendations were approved by the Board in the summer of 2009 and the program changes were successful in stimulating additional program participation. In 2010, the opposite occurred. Specifically, in February 2010 $158 million was reserved from the NJCEP requiring the Board to reduce the budget and to approve other changes to the programs to slow down participation rates to ensure the programs remained within budget. As a result, lower incentive levels were offered in the marketplace during the summer of 2010 and the OCE is carefully monitoring how the market responds to these program offerings.

In 2010, several programs (HPwES, HVAC, C&I Retrofit, REIP) fully expended or committed their initial program budgets and required additional funding to continue operation while some programs are under budget. The September NJCEP report which is available on the Board's website shows that through September 30, 2010 YTD expenditures plus commitments total 67% of the budget with three months of activity remaining in the year. 2010 expenses plus commitments appear to be on track to spend over 91% of the 2010 budget. This number could be higher or lower depending upon how actual expenses and commitments through the remainder of the year compare to estimates prepared earlier this year and incorporated into the 7&5 Report referenced above.

Consistency in the availability of programs and how they are delivered are also important factors in meeting the projected budget expenditures and energy savings. Starting and stopping programs over the course of the year due to budget constraints sends the wrong signal to customers and contractors and makes program participation highly uncertain and reliant on submitting your application before the program runs out of money and generally dampens contractors' interest in "selling" a program. Therefore, Staff's position is that ending the year with a small budget surplus which carries over into the next year is a better alternative than shutting programs down as budgets are depleted.

Responding to the comment about returning unspent money to ratepayers, the OCE notes that Rate Counsel made a similar request in 2010. Again, the OCE believes the issue raised by Rate Counsel merits further exploration, but not in this proceeding. The Legislature requires that the CRA process include notice, public comment, and public hearing before the Board determines the appropriate level of funding for EE and RE programs. N.J.S.A. 48:3-60a(3). In accord with EDECA, the funding levels approved in the CRA III Order for the years 2009-2012, the amounts which have been and will be collected from ratepayers through the SBC, represent the culmination of this extensive public process. Therefore, the OCE does not believe it is appropriate to recommend modification of the Board's determinations in this Order, which addresses the annual NJCEP budget based on the findings and conclusions of the CRA III Order, without notice, opportunity to comment, and public hearing. Rather, the OCE recommends that Rate Counsel raise its concerns in the context of the transition of the NJCEP administrative structure. Staff is currently seeking input from Rate Counsel and members of the public regarding the transition of the NJCEP administrative structure, which may be the more appropriate context to discuss revision of the funding levels.

Rate Counsel states that the proposed EE funding allocations are neither consistent with the realized performance and expenditures for the 2010 programs, nor have these allocations been clearly tied to demonstrated cost effectiveness. Rate Counsel comments that the Pay-for-Performance New Construction program has seen no approved energy reduction plans as of the end of September 2010, yet TRC has recommended a 51% budget increase for this program. Rate Counsel also comments that the Direct Install program performance has fallen far short of its goal while TRC has recommended a 20% increase in the program budget.

Response: Past performance is not always a good indicator of future program performance, particularly for relatively new programs such as the Pay-for-Performance New Construction and Direct Install programs. TRC regularly monitors program activity levels and reports such activities at the monthly EE Committee meetings. While Rate Counsel is correct that as of September 2010 no energy reductions plans had been approved for the Pay-for-Performance New Construction program, TRC reported that applications have been submitted and it anticipates that based on pipeline activity that it will have over $4 million in commitments by the end of the year which is reflected in the proposed 2011 budget.

The proposed 2011 budget of $9.2 million for the Pay-for-Performance New Construction program, less estimated commitments, would leave about $5 million for new program activity in 2011. Likewise, the Direct Install program activity has been ramping up rapidly in recent months and TRC has also taken steps to increase activity levels. As of September 2010, TRC reports that 72 projects were completed and that over 200 applications have recently been approved. Further, the ARRA EECBG offerings, designed to supplement these programs, are expected to stimulate significant participation in the program by local government entities. In short, past activity is not a good indicator of expected future activity, especially for relatively new program such as the Direct Install and Pay-for-Performance programs.

Rate Counsel provides an analysis of the budget components, including sales and marketing, training and evaluation and compares proposed 2011 budgets for these activities to budgets for these activities in other states. Rate Counsel stated its belief that more aggressive and innovative marketing of the energy efficiency programs and products and more extensive training of contractors and building owners would be needed to support the greater energy savings goals in the EMP and CRA Order.

Response: The NJCEP has expended significant funds over the past ten years actively promoting the programs, training contractors and evaluating the programs. Given the current level of available funds and anticipated program activity levels, Staff recommends that for 2011 expenses for non-incentive activities should be reduced thereby allowing a larger percentage of the budget to be returned directly to ratepayers as incentives. If program activity levels are less than anticipated the Board can always reallocate funds to allow for additional marketing to stimulate additional participation levels.

Budgets for training and technical support activities were relatively high in 2010 to support several new programs including Direct Install, Pay-for-Performance and HPwES. However, for example, the Pay-for-Performance went from zero partners in 2009 to over 100 in 2010 and the HPwES program went from a handful of eligible contractors in 2009 to over 200 in 2010. Staff's position is that the funds previously dedicated to training and technical support are better spent on customer rebates in 2011 given the large increase in qualified contractors over the past year.

General Comments

Rate Counsel supported a move towards grants and loans and the development of revolving funds and questions whether the solicitation documents would be subject to public comment.

Mr. Wade Smith comments that the adjustments proposed seem appropriate and well reasoned and urges the Board to express its commitment to future funding over at least 12 months into the future otherwise projects will not be planned for 2011.

The NJUA believes that the core of the budget reflects a balancing of competing priorities and limited funding. The reduction in administrative costs as a result of streamlining processes is clear evidence that there are opportunities to make the programs more cost effective.

Response: The OCE concurs with these comments and Staff's position is that the filings are consistent with these comments. The OCE appreciates Rate Counsel's support for its proposed revolving fund approach and notes that grant and loan solicitations will be developed by the OCE, publicly advertised as required by law, and issued consistent with Department of Treasury requirements.

Rate Counsel states that successful budgeting requires forthright and timely energy savings data, cost effectiveness data and feedback about program performance. Some demonstration of cost effectiveness of the proposed programs should be provided up front in the program proposals. Rate Counsel comments that CEP filings should include an overall Executive Summary that tabulates, by program and by sector, the projected program costs/budget, net monetary benefits, benefit cost ratios, participation rates by program and by sector, and overall qualitative energy and peak demand savings.

Response: Staff concurs that successful budgeting requires forthright and timely energy savings data, cost effectiveness data and feedback about program performance. However, Staff notes that in the NJCEP planning process, the Board reviewed numerous evaluation studies including market assessments and market potential studies as part of the CRA Proceeding that established funding levels and the initial set of programs. CEEEP performs cost benefit analyses on a regular basis that are posted on the NJCEP web site and the CEEEP website. This analysis includes prior year cost benefit analysis ("CBA") of the NJCEP programs and will include an estimate of the CBA looking forward. The prior year CBA document showed an overall positive cost benefit for all established NJCEP programs. Given that overall administrative costs will be lower in 2011 for the same programs managed in 2010 and energy savings of the 2011 programs are projected to increase, the overall CBA would continue to document cost effective programs. In addition, the Market Managers also run programs in other states and bring information regarding best practices to the table to assist in program planning. Staff fully supports disseminating any information related to the programs that helps others assess the programs and will coordinate with Rate Counsel to identify what additional information can be presented in an Executive Summary of the filings. Further, given the timing for the transition of the NJCEP and the pressures on the NJCEP 2010 budget to meet all commitments/obligations, the OCE Director deferred the decision on procuring the detailed evaluations until it was clear the NJCEP could meet all 2010 commitments and the transition direction is firmer.

NJBIA comments that it has been working to promote the Business Action Center ("BAC") which is to become a one stop center for business. NJBIA recommends that the NJCEP report regularly to the BAC the incentives that are available to businesses and that the BPU build upon the collaboration needed between the BPU, DEP, EDA and BAC. NJBIA also comments that ratepayer funded revolving loan programs should not be held to the same strict standards of regular EDA loans and that there should not be a loan application fee.

Response: The NJCEP concurs with its comments and will work with the BAC and others towards a one stop center for businesses. The NJCEP continues to work in partnership with the EDA to keep administration costs at a minimum.

The NJBIA stated that there has not been a concerted effort to promote the C&I programs as there continually is available money left over in many of these programs. Understanding that there is a lag time for larger projects such as Direct Install or Pay for Performance, compared to other programs such as Clean Power Choice there doesn't seem to be the same previous commitment to the marketing efforts. Within the trade association community, the market managers are missing out on the opportunity for dissemination of specific materials to the members. It is another avenue to help promote the programs especially if there is a program that is being underutilized.

Response: NJBIA's claim that there has not been a concerted effort to promote NJCEP programs to the C&I community through NJBIA and other C&I trade groups is not consistent with the facts given the extensive outreach efforts by the NJCEP through NJBIA and other groups. The NJCEP has been delivering the energy efficiency message on a consistent basis. During 2010 the NJCEP has delivered information promoting CEP programs through a number of NJBIA selected channels including:

- Two NJBIA events in 2010: Meet the Decision Makers: Energy Policy on June 15 and Managing Your Energy Costs in a Challenging Market on November 12. The NJCEP provided an exhibit table and distributed literature to members in attendance.

- NJCEP placed five print advertisements in NJBIA's New Jersey Business Magazine in 2010, and

- NJCEP worked jointly with the NJBIA to develop a 12 page special supplement focused on Clean Energy Program programs for the October 2010 issue of New Jersey Business Magazine. This supplement was a dedicated effort to put together a synopsis of clean energy offerings for NJBIA's members. NJBIA used the supplement to solicit ad space from advertisers such as PSE&G and solar vendors.

- Beyond the activities specifically directed at NJBIA's members, the NJCEP's C&I outreach team participated in over 100 events statewide where they staffed exhibit spaces and made presentations. As a result, a significant number of C&I customers, including NJBIA members, had additional opportunities to learn about available NJCEP programs at those events.

Additional comments submitted by the NJBIA include:

- *The offshore wind (OSW) money has been budgeted and carried forward for a number of years, while the state has been searching for money to assist the development of CHP. That $12 million could have been deployed for generation today that would help lower capacity costs for all ratepayers as well lower energy costs for commercial and industrial ratepayers*

- *$123,000 was expended on a business conference in 2010 but NJBIA is unaware of a conference occurring*
- *Over $100,000 was allocated to green jobs and building code training which was unspent in 2010*
- *A new line item of $500,000 is being allocated to Sustainable Jersey even though there is already $12 million allocated to a local government program with only $2 million in commitments*

- *The Clean Energy Program has not had an annual report issued since 2008 so even the basic information is lacking in terms of overall spending and basic results such as energy savings, avoided emissions, etc.*

Response:

- The OSW budget relates to commitments made to three developers to install meteorological towers and to Rutgers to perform additional OSW studies. The funds are committed and therefore not available for CHP as proposed by NJBIA.
- No business conference was held in 2010. The 2010 budget for the business conference was to pay outstanding expenses related to the 2009 business conference.
- Staff is coordinating with the Department of Community Affairs to develop a building code training program related to the recently enacted energy codes. While no funds were expended in 2010 State budgeting requires that the funds be set aside prior to entering into any agreement to expend the funds.
- The Sustainable Jersey budget is for services related to assisting municipalities in implementing the measures recommended in the energy audits and other services to assist municipalities in implementing EE and RE measures. The 2010 budget for the Local Government Energy Audit program is $13.2 million. The proposed 2011 budget for this program assumes 2010 expenditures of $8.1 million and $2.3 million in year-end commitments.
- The NJCEP prepares monthly and quarterly reports showing program activity which are posted on the NJCEP web site. All 2009 and 2010 YTD reports can be found at: http://www.njcleanenergy.com/main/public-reports-and-library/financial-reports/clean-energy-program-financial-reports

The NJUA stated that new program approaches should also contain some basic, critical administrative elements, including measurement and verification ("M and V"). With respect to the desire to test a new competitive solicitation process, it is critical to recognize that the process of measuring and verifying energy savings achieved is labor intensive for customized solutions and programs. The goal should be to optimize resources but with recognition that, by its very nature, the delivery of energy-efficiency initiatives with any form of societal subsidy requires significant resources to maximize the benefits for which customers will be asked to pay. Absent clear definition of alternative goals, metrics and reporting requirements for new programs, all new programs should comply with the same reporting requirements and undergo the same evaluation as existing programs to determine actual program impacts and identify lessons learned to ensure critical feedback to ongoing program design and delivery.

Response: The OCE concurs with the NJUA's comments and will utilize the same level of M and V as set forth in the NJCEP and the Utilities E3 and solar programs. Through this already established M and V process including the review and development of appropriate protocols for calculating savings the OCE will continue to strive to ensure that any new program approach includes adequate M and V, consistent reporting requirements and are subject to appropriate evaluation.

Reporting

Rate Counsel states that the Market Managers or the OCE should provide monthly or quarterly electronic reports on the performance and cost of NJCEP and utility programs, with widespread dissemination.

Response: The OCE has, since mid-2009, posted and circulated monthly NJCEP reports that show program activity levels and expenses verse budgets. The OCE also posts and circulates quarterly reports that show this information plus energy savings data. The OCE also recently expanded these reports to include data regarding utility and ARRA programs. In addition, the Market Managers review in detail the monthly performance for the past month and year to date for each program as part of the monthly EE and RE Committee meetings. They distribute these presentations on the monthly performance review to all EE and RE Committee members on a monthly basis.

Utility Programs

Rate Counsel states that a number of utilities have implemented EE programs and that the NJCEP budget needs to be examined in the context of these programs, which might duplicate or supplant programs offered by the CEP. Rate Counsel comments that the OCE should provide an analysis of the impact of utility programs on the need for additional SBC funds for NJCEP programs.

Response: The OCE coordinates closely with the utilities to ensure that their programs do not duplicate or supplant NJCEP programs but instead complement or supplement the programs. For example, for the HPwES program the utility programs compliment the NJCEP HPwES program in a manner that allows addition customers to participate. The utility programs do not supplant NJCEP programs but rather supplement those programs. This results from an open dialogue between the NJCEP and the utilities including regular monthly meetings to work out any implementation details.

Program Evaluation

Rate Counsel comments that to budget properly, OCE needs a comprehensive and detailed analysis of the programs and an evaluation of the programs. Rate Counsel states that OCE needs to see what is working and what is cost effective. Rate Counsel strongly advocates spending the evaluation budget to obtain information on energy savings and cost benefit and to make sure the programs that are working get sufficient funding and that the programs that are not working get phased out.

The NJBIA states it believes that there is still a lack of evaluation which makes it difficult to plan for transition or continuation of the current program. Some of the fundamental questions that NJBIA believe need to be answered are: What money is being collected from all sources for energy efficiency/conservation and renewables? What is being measured? What programs are effective and what may be a good intent but not a wise use of ratepayer money? What is being duplicated outside of the Clean Energy Program? What could be eliminated? NJBIA agrees with the Ratepayer Advocate that there are problems within the OCE oversight budget when staff fails to evaluate programs and $1.5 million is left unused.

NJUA comments that new programs should include administrative elements such as measurement and verification which can be labor intensive. Absent clear definition of alternative goals, metrics and reporting requirements for new programs, all new programs should comply with the same reporting requirements and undergo the same evaluation as existing programs to determine actual program impacts.

Response: The OCE concurs that program evaluation including measurement and verification is an important component of program planning. Staff worked with CEEEP, Rate Counsel, the utilities, the Market Managers and the Program Coordinator to develop a comprehensive plan that set out specific evaluation activities. A draft of the plan was posted on the NJCEP web site and circulated to the EE and RE committees for comment. The evaluation plan can be found at:

http://www.njcleanenergy.com/main/public-reports-and-library/market-analysis-protocols/market-analysis-baseline-studies/market-an

Subsequent to the development of the evaluation plan Staff drafted RFPs to solicit proposals from firms that would perform the evaluation activities set out in the plan. The Staff solicited input on the draft RFPs from the entities listed above. However, prior to issuing the RFPs, it became apparent that several programs would reach or exceed their 2010 program budgets. Staff disagrees that there are problems with the oversight budget because it did not evaluate programs. Staff felt it was appropriate to defer issuing evaluation RFPs so that evaluation funds would be available, if needed, to keep existing programs operating in light of reductions in the 2010 Clean Energy Budget. Staff has a better understanding of the overall 2011 budgeting needs. However, when Staff has a firmer understanding of the NJCEP transition, including which of the current programs will continue as part of the transition, Staff will commence the process of obtaining the approvals necessary to issue the evaluation RFPs previously circulated for comment.

AFUE

Mr. Marran testified and provided written comments on behalf of Energy Kinetics, that the USDOE and other national labs have indicated that AFUE (Annual Fuel Utilization Efficiency) is not an accurate efficiency measure for integrated heat and hot water systems, although AFUE is typically used for all boiler applications. Using AFUE standards incorrectly predicts the savings for certain measures. Mr. Marran recommended that for hydronic boiler heating systems; the program should adopt an energy standard qualified boiler with a temperature reset or thermal purge qualification; adopt a fuel safe analysis program that use the algorithm developed by the Brookhaven National Lab study to estimate savings potential for integrated heat and hot water systems in all protocols; and make information regarding the savings potential of upgrading heat and hot water systems broadly available to the public and published in any notices related to heating system programs.

Response: Boiler and furnace system performance and the incentives in the New Jersey SmartStart Program are based on Annual Fuel Utilization Efficiency (AFUE). The standards for this determination are maintained by the American Society of Heating Refrigeration and Air Conditioning Engineers (ASHRAE). AFUE considers heat load only. AFUE is the appropriate performance metric for heat load applications.

The Brookhaven National Laboratory identifies the problem associated with using AFUE as the performance metric for integrated systems, and proposes a test method to create correlations that will better predict integrated systems efficiency. This report is focused on the heating and hot water needs of single family homes and not inclusive of commercial market. At this time, this work is developmental.

The Consortium for Energy Efficiency (“CEE”) is currently undertaking a market characterization study to assess the size of this commercial market. Preliminary results are expected in January, 2011. Based upon the outcome of this characterization, the CEE may begin development of a standard to accurately reflect the efficiency of these integrated systems. This work would be similar, if not identical to the algorithm mentioned by Mr. Marran.

CEE is investigating this issue for the residential sector and a similar effort for the commercial sector may take place based on the market characterization study. The OCE recommends that the program await CEE's market characterization report to determine the breath, scope, and impact of using AFUE as a performance metric for integrated heat and hot water systems. This report is expected to be complete in January 2011. At that time, the Market Managers can review the CEE report and determine if a change to the current protocols are warranted for the systems defined in the public comment.

Large Energy Users Pilot Program

Mr. Goldenberg testified on behalf of the New Jersey Large Energy Users Coalition (NJLEUC). NJLEUC presented a proposal for a new pilot program aimed at the State's largest energy users. NJLEUC indicated that it has spoken over the past several months about some of the problems inherent in some of the existing programs. NJLEUC met with the OCE and the Market Managers to discuss some of the issues its members have experienced regarding existing programs and the discussions led to the development of a proposed pilot program.

The proposed pilot program would foster self-investment by large customers to invest in energy efficiency, conservation, renewable projects, CHP and other measures currently funded through the NJCEP and there would be some fairly stringent eligibility requirements to get into the program. The pilot would be funded from the NJCEP budget with a funding level of around $20 million. The size of the grant would be based upon the eligible customers contribution to funding the NJCEP so there would be a correlation between what an entity is eligible to receive and the amount it pays into the fund.

Customers would be required to submit a comprehensive plan that assesses the costs and benefits of the measures, payback periods and estimated level of energy savings. Grants would be based upon a percentage of the cost of the eligible projects and the entity would be require to measure and report after the fact actual savings.

The NJUA stated that new programs should be established on a pilot basis. The Board has traditionally recognized the need to proceed cautiously with new approaches and frequently approves new programs or mechanisms as pilot programs in order to evaluate the results prior to expanding for a longer term. The NJUA stated that the Board may wish to consider utilizing a portion of the $30 million allocated to the proposed Grant-Loan program for the proposed Large Energy Users pilot program.

Response: Staff supports the proposed Large Energy Users Pilot program and Staff's position is that the outline of the proposed pilot submitted by NJLEUC creates a workable framework for developing a new pilot program. Staff will recommend working to develop a detailed proposal for a new pilot program for consideration by the Board.

Combined Heat and Power (CHP)

Mr. Foley is President of Integrated CHP Systems Corp and author of Mid-Atlantic Clean Energy Application Center's (MACEAC) report titled "New Jersey Combined Heat and Power market Assessment" which was submitted with the testimony Mr. Foley and Mr. Freihaut (see below). He advocated for higher use of CHP, district energy systems and waste heat recovery. He stated that CHP is vital to meeting the essential goal of providing clean, reliable and cost effective power to the citizens of New Jersey. This was clearly identified in the State's 2008

Energy Master Plan and has become more of an issue as additional coal fired generation is retired.

Mr. Foley stated that to date there have been efforts to stimulate the CHP industry but that the efforts have been unsuccessful. He noted that no CHP projects have come through either the Pay-for-Performance program or the utility programs to date. He also noted that the one hope for a CHP program was the program proposed program funded through the retail margin fund, but that the funds for this program were rescinded. The goal of the EMP was 150 MW per year but that over the past 10 years we have averaged only 5 to 10 MW per year.

Mr. Foley advocated for the development of a separate program for CHP. Mr. Foley stated he would submit written comments that advocate for a portfolio standard for CHP with compliance payments. Mr. Foley also noted that loan guarantees could be an extremely valuable tool that supports the development of CHP projects.

Mr. Freihaut, Director of the MACEAC at Pennsylvania State University, submitted comments concerning CHP and also provided a report entitled "New Jersey Combined Heat and Power Market Assessment." The Report, which was prepared by Mr. Foley, identifies that implementation of state level programs and policies to incentivize CHP and remove existing barriers to implementation of CHP, which the Report states will result in significant increase in the development of CHP plants within the state. The report suggests specific policies and demonstrates the result of these policies in terms of MW's installed .Mr. Freihaut stated that approximately 65% of our marginal power supply is generated by coal plants and that the vast majority of our power is dispatched based on supply cost without regard to emissions. He also noted that PJM has indicated that a large number of coal plants are at risk of retirement and that this capacity will need to be replaced.

Mr. Freihaut states that while the 2008 EMP called for over 1,500 MW of CHP over a 10 year period the efforts to date to achieve this goal have not been successful. To stimulate the implementation of CHP a new approach is required that will both jump start the industry in the short term and provide signals to sustain the industry in the long-term. In the short term continuation of the existing capital grant approach with a transition to a CHP Portfolio Standard in the long-term would revive CHP in the State.

Response: Staff recognizes the benefits of CHP and supports funding for CHP projects. The OCE supported CHP in prior NJCEP budgets as a standalone program and supported the use of the RGGI allowance auction funds and Retail Margin Funds for CHP. With the development of these funding sources, the OCE with stakeholder input transitioned the stand alone CHP program within the Pay for Performance program as a more efficient and effective way to manage this sub-program. The CHP component of the Pay-for-Performance program is intended to provide incentives for smaller, less than 1 MW, CHP projects. Staff notes that the Pay-for-Performance program is relatively new and that projects that include CHP take time to develop. Staff with TRC will work with MACEAC to improve the delivery of this work and will bring any changes back to the Board for their consideration within the budget. Staff also notes a program utilizing ARRA funds for a CHP program. A solicitation was issued by the EDA and staff anticipates the submittal of award recommendations for incentives for several large CHP projects to the Board in the near future. Staff will work with MACEAC and the EDA to further discuss and the potential development of a loan guarantee program for CHP projects for future consideration by the Board. While the concept of developing a portfolio standard for CHP is outside of the scope of this proceeding, Staff will consider these comments in the context of the development of the final EMP and appropriate incentives for CHP. Staff will continue to explore additional sources of funding for future solicitations for additional CHP projects.

Pay-for Performance Program

Mr. Puma from the Kamson Corporate provided comments on the Pay-for-Performance program specific to the programs application to large apartment complexes. Kamson supported the proposed changes to the Pay-for-Performance program that will make the program more equitable and accessible to all SBC ratepayers. It is a well thought out and well managed program that achieves excellent results. The program currently excludes market rate garden style apartments. Representatives of Kamson recently met with both the C&I and residential energy efficiency program Market Managers to discuss the exclusion of garden apartments. Kamson's proposals were well received and the Market Managers have proposed changes to both the Pay-for-Performance and HPwES programs that will allow garden apartments to participate in the programs. Kamson urged the Board to support the program changes proposed by the Market Managers related to garden apartments and comments that the simple solution is to create an all inclusive multi-family program.

Mr. Fennessy testified on behalf of the New Jersey Apartment Association. He stated that multi-family is viewed through the lens of the meter. That is, if units are individually metered they are considered residential and if they are master metered they are considered commercial. Mr. Fennessy appreciated the opportunity to sit with the Market Managers to move forward and try to "crack the nut" regarding the ability of apartments to participate in programs.

Response: The OCE concurs with the proposed changes to the programs related to garden apartments and appreciates Kamson's and the New Jersey Apartment Association's input in developing these proposals and their support for the proposals.

Demand Response Programs

Mr. Goldenberg submitted comments indicating that Comverge representatives chaired the Demand Response Working Group that was the source of the highly successful C&I Demand Response Pilot Program in which 300 MW of demand response was procured at a very modest cost to ratepayers. Comverge would like the opportunity to work with the OCE to develop other programs to further the State's energy conservation goals, reduce ratepayer costs and environmental impacts, and increase system reliability. Comverge asked the OCE to take the potential development of demand response programs into account as it finalizes the Clean Energy budget.

Response: Demand response is an important component of the State's energy portfolio and the OCE supports the continued expansion of demand response efforts. However, given the demand for limited NJCEP funds, combined with the fact that the Board has indicated its desire to transition to a new administrative structure in the near future; the OCE does not support the use of NJCEP funds for demand response activities as part of the 2011 program budget.

Behavioral Response Program

Mr. Kapsis and Mr. Hambric, on behalf of OPOWER, testified in support of behavior response programs and also submitted written comments. Specifically, OPOWER has developed a product that works with utilities to reduce energy usage by communicating with residential households, providing them with customized home energy reports through the mail, the internet *and email. The reports use behavior based messaging and customized insights to motivate customers to use less power. OPOWER stated that across the country it is helping households reduce energy usage by one and one-half to three percent. OPOWER asked that New Jersey utilities have the opportunity to join 43 utilities in 20 states in taking advantage of behavior based efficiency programs.*

In its written comments OPOWER requested that language be included in the 2011 budget that would permit funds, including the proposed $30 million competitive grant program, to be spent on behavior based energy efficiency programs and that utilities and their agent be explicitly permitted to apply for such funds jointly. OPOWER recommended that the Board develop a technical resource manual that sets out comprehensive guidelines for measuring the impact of energy efficiency programs. OPOWER reiterated its testimony that behavior based energy efficiency programs would deliver significant, immediate and cost-effective savings to ratepayers across New Jersey and provided information from activities in other states that support its claim.

Response: Staff recognizes the potential benefits of behavior based energy efficiency programs. Staff notes that New Jersey Natural Gas is currently implementing the OPOWER program and Staff's position is that this program will provide valuable insights regarding whether the program should be expanded to other utility service territories. Further, the other utilities are free to propose inclusion of behavior based efficiency programs to the Board to the extent they believe such programs will benefits their customers. However, given the level of funds available for 2011 and the fact that the Board is considering transitioning to a new administrative structure in the near term, Staff does not support the development of a new program within the NJCEP at this time.

The Board has adopted Protocols for Measuring Energy Savings which set out the guidelines for measuring energy savings. If the Board were to adopt such a program, these Protocols would need to be expanded and approved by the Board to include guidelines for measuring savings from behavior based energy efficiency programs.

Staff is currently not prepared to render an opinion regarding whether or not a behavior based efficiency program should or should not be included in the proposed competitive grant solicitation. Staff will request additional input and information as it develops the proposed competitive grant solicitation.

Home Performance with Energy Star (HPwES)

Mr. Bovio thanked the people at CSG, Honeywell, AEG and the OCE for involving the contractor community and engaging it to help develop the recommendations for the 2011 HPwES program. Mr. Bovio stated it was refreshing that the contractors were asked for their thoughts and were able to offer a workable plan for all parties. Mr. Bovio endorsed Staff's proposed 2011 HPwES program as well as the Warm and Cool Advantage program proposals. While the proposed programs did not incorporate all of the changes recommended by the contractors, the contractors were given explanations as to why some of the recommendations were not adopted and Oce's position is that the proposed program gives the contractors the best chance at success in 2011.

The New Jersey Chapter of Efficiency First (Efficiency First) submitted written comments. Efficiency First is a non-profit organization which represents over 1,100 businesses nationwide and 41 New Jersey based businesses with a total of nearly 600 employees in the State.

Efficiency First endorsed Staff's proposal for the 2011 HPwES and HVAC programs. Efficiency First had previously submitted comments recommending changes to the programs which were re-attached to its comments. Efficiency First noted that while everything it recommended was not included in the final proposal, it was offered reasonable explanations as to why the recommendations were not included. Efficiency First thanked the Market Managers and OCE for involving them in the process, and being engaged in the process of developing a workable, sustainable program for all parties involved. Efficiency First also commented that some of its membership that does business in other states pointed out that the NJCEP stakeholder process should be a model of transparency to other state programs around the country. Efficiency First asked that every possible effort be made to alleviate the current payment timeline stress by providing prefunding to the Market Managers/EFS to help cash flow more quickly to the contractor community.

Mr. Fontaine testified on behalf of A&E construction regarding its participation in the HPwES program. Mr. Fontaine expressed his frustration with his participation in the program and stated that the HPwES program as currently designed does not work. He recommended that the program be streamlined and become more paperless and automated. He also indicated his displeasure with the Home Analyzer software which is used by the program to assess eligible projects and estimate energy savings and recommended that the program use new software. Mr. Fontaine stated that he hopes the program is mindful of a potential similar federal program so we do not wind up with a duplicate program. He noted difficulty in getting responses to questions from program staff and reiterated difficulty completing the required paperwork. He requested that the proposed program changes be implemented quickly. Mr. Fontaine recommended that the incentives for a tier 3 project with 20% savings should be increased to $4,000 and a project with 25% savings should be increased to $5,000. He recommended that only the first three jobs be inspected instead of the current practice of the first 10 jobs being inspected and stated that removing lighting, appliance, windows and doors from the program does not serve the programs real purpose.

Mr. Connors submitted comments supporting the comments made by Mr. Fontaine. Mr. Connors stated that six contractors from the South Jersey Mechanical Contractors Association were initially interested in and participated in the training to become certified contractors but that their initial enthusiasm was dampened by some of the issues raised by Mr. Fontaine. Mr. Connors suggested that a small group of like-minded contractors discuss these issues and offer solutions to improve the program. He noted that he has witnessed a very responsive and well intentioned group from the OCE and Market Managers that care about what they set out to accomplish.

Mr. DeGesero representing the Fuel Merchants Association (FMA) and Mr. Jenkins of Jenkin's Fuel Oil and Plumbing and the President of the FMA testified regarding the HPwES program and submitted written comments. The FMA is a statewide trade association representing approximately 140 oil heat dealers. Mr. Jenkin's stated that the HPwES program is a great concept that has moved contractors from simply replacing a box, i.e. a boiler, furnace or air conditioner, to looking at the box as it functions as an integral part of the residential building as a total system in a manner that maximizes interior comfort while minimizing energy utilization and cost. The FMA comments that the program needs to be transitioned from one that overly relies on rebates to one that can become self-sustained, the State simply does not have enough money to provide the services to all residences and that over its long term the program needs to transition to a revolving loan fund.

Mr. Jenkin's stated that while the proposed incentives for 2011 are still generous enough to achieve energy efficiency measures, the program should continue to subsidize the cost of a home energy audit which is necessary to get your foot in the door to sell a customer an energy efficiency project. FMA urged the Board to consider subsidizing the whole house audit as it was previously with $125 paid by the homeowner and $175 paid to the contractor from the program.

Mr. Jenkin's stated that the program participation levels since the program reopened in July has been slow. He attributes the reduced number of applications to the uncertainty of the program from the contractor's perspective. He noted long-lead times related to getting reimbursed incentives for completed projects, and stated that FMA members are still owed tens of thousands of dollars for jobs completed over six months ago. Furthermore, Honeywell's proposal for 2011 reduces the contractor incentive from $1,000 to $500 and the incentive will be further reduced to $250 if a project fails its initial inspection. Mr. Jenkin's gave an example of a project that failed an inspection based on what he claims was a lack of knowledge on the part of the inspector. He recommended that contractors be afforded a means to have deficiencies identified in an inspection review prior to imposition of penalties.

Mr. DeGesero stated that the combination of the time it takes to complete program paperwork, the carrying costs associated with waiting to receive incentive payments, and the inspection issues previously noted, makes it a challenge for contractors to participate in the HPwES program for only a $500 contractor incentive.

Mr. Price stated that his firm, Freedom Solar Energy, LLC has been an active participant in the HPwES program since its inception and embraces the comprehensive approach of adhering to BPI (Building Performance Institute) standards. Mr. Price stated that the managers of the HPwES program cannot micro-manage his company with program rules, administrative checks and oversight. His position is that with the proper organization and structure, the overhead can be reduced and the quality of the program can be increased.

Mr. Price stated that his firm has been on the verge of bankruptcy since the loan money stopped flowing and the program stopped approving jobs even though he had over $525,000 of signed contracts. There are too many OCE administrative road blocks and redundancy amounts to wasted spending. He estimated that each job requires no less than 96 administrative man hours. Mr. Price proposed a number of changes to the program as follows:

- *Eliminate program inspections and instead rely on BPI inspections*
- *Allow contractors to take deposits on all jobs, not just those in excess of the minimum loan amount*
- *Allow loan money to be released following a phone confirmation from the customer verifying that the work has been substantially completed*
- *Monies need to be released to the contractor within 48 hours of submitting completed paperwork*
- *0% financing should only be offered for comprehensive home improvements*
- *All installers should be BPI certified and an energy audit be completed prior to any installation of heating equipment*
- *Implement a web based pipeline verification report system similar to the one EFS is using*
- *The work completion should be verified via phone and in writing with completion paperwork then handed over to a rebate processing center the same way corporate rebates are processed and rebates should be paid within 30 days.*

Response: The OCE worked closely with HPwES contractors and the Market Managers to develop changes to the program that address many of the issues set out above. For example, the Market Managers are implementing IT changes that will automate the upfront application process and have reduced the savings threshold for qualifying for a loan from 25 to 20%.

As can be seen from the comments above, not all HPwES contractors are in agreement with the program incentives and specifically believe many of the program guidelines are burdensome. Staff and the Market Managers hold regular meetings with the contractors and have made many operational changes to address the contractors' needs. The OCE's position is that these efforts have been successful as demonstrated by Efficiency First's endorsement of the proposed program changes.

Staff recognizes that it still takes too long for contractor's to receive incentive payments. Staff will continue working with the Market Manager, the Program Coordinator, Treasury and the OCE to streamline the payment process so that payments are received faster and to explore other options for expediting payment.

Staff does not support the recommendations to reestablish an incentive for the energy audit. Energy audits do not result in the installation of any measures. Incentives were used in the past to help jump start the program but given that over 200 contractors now participate in the program, and given that the program continues to receive rebate applications even though we no longer subsidize the audit, Staff does not support reestablishing an incentive for the audit.

Given the extensive efforts that were made to developing the proposed 2011 HPwES program changes, and the support from a large number of contractors for the proposed changes, Staff recommends approval of the HPwES program as proposed by Honeywell. Staff will continue working with contractors and others to improve program delivery.

Currently Treasury policies and procedures as set forth in Treasury Circulars require payment only after the certification by the contract manager that the goods or services were delivered per the contract conditions. Some of the comments noted above would not be consistent with Treasury payment procedures. Staff will endeavor to work with Treasury, the market managers and the program coordinator to further streamline the invoice approval processing within the Treasury payment procedures.

Mr. Lynch, from Complete Home Inspections, Inc., stated that the HPwES program has been a disaster for everyone involved from the beginning. Mr. Lynch further comments that so much of the money that could go to the actual energy reductions (insulation, etc.) is wasted on paper pushing jobs that it is a joke and that for every job that was created to push paper, I bet a job like my own who was doing energy audits was lost. Mr. Lynch states the solution is simple: Make all contractors be licensed just like home inspectors are. Once they are licensed, the work they do on homes is eligible for a tax break. Mr. Lynch further comments that every job that is done by a licensed contractor is checked by a state inspector just like people when they take out permits to add a deck on their home. Mr. Lynch also states that all the paper pushers should be fired so that there would be money left over for the actual work that all of the over taxed NJ home owners would feel like they are finally getting something for their money due to the large tax breaks they would get since the money will no longer be wasted and the work would get done right since it is checked by state inspectors.

Response: The Board does not have the authority to license contractors and notes that any contractors that perform work in customers' homes are required to be licensed by the State. The programs require a certain level of oversight to ensure program requirements are met and customers are provided the services they expect from the program. The OCE and the Board strive to keep administrative costs as low a possible in order to maximize the level of funding paid to customers as incentives and the proposed 2011 budgets for non-incentive functions are substantially lower as compared to 2010.

Mr. Fontaine asked a number of questions regarding the implementation and document tracking of HPwES. Staff has responded to the commenter individually. Mr. Fontaine also asked several questions specific to the proposed 2011 budget. These comments and responses are stated below.

1. *Why, in the commenter's view, the HPwES budget was cut more severely than many other programs.*

Response: The Market Manager is proposing that a comparable number of homes will be completed in 2011 as in 2010 and the OCE believes that the proposed budget is sufficient to meet anticipated program activity levels. Staff notes that in 2010 the HPwES budget was increased from its initial level of $42 million to $62 million and was also subsidized with payments from New Jersey Natural Gas and with ARRA funds. This occurred during a period where the budgets for many other programs were reduced.

2. *Why weren't Administrative and "Rebate Processing, Inspections and other Quality" budgets reduced by the same percentages/margins as HPwES?*

Response: The Market Manager has proposed a 36% reduction in non-incentive costs across all programs from 2010 to 2011 including certain reductions to the fees associated with the HPwES program. Increases to the non-rebate component of the HPwES program result from increases in the number of applications anticipated to be processed including applications carried forward from 2010.

3. *Why has the BPU decided to downsize HPwES, which the commenter regards as highly beneficial?*

Response: The allocation of Clean Energy funds to the Residential Energy Efficiency budget have been reduced from 2010 to 2011. The Home Performance with Energy Star Program will receive the greatest portion of incentive dollars in 2011 and as noted above, the OCE believes the proposed budget is sufficient to meet anticipated program activity levels.

Warm Advantage Program

Mr. Jenkin's supported continuation of the Warm Advantage heating system rebates and recommended that the program be expanded to include rebates for the installation of integrated control systems on hydronic equipment.

Response: The OCE is concerned that savings are not clearly defined for integrated control systems on units that adjust boiler temperature based on outdoor temperature, particularly for retrofit projects. The OCE has directed the Residential EE Market Manager to further explore the potential for inclusion of this technology in the future.

CFL Program

Ms. Heise stated that TechniArt has been conducting lighting fairs since 2008 and that these events have been hosted by some NJ's largest employers. TechniArt promotes educates and sells CFL fixtures to the employees of these firms for use in their homes. In addition, TechniArt promotes other NJCEP programs at these events. Ms. Heise voiced support for the New Jersey Green Resource Team and specifically to urge the Board to continue support for such programs. TechniArt also submitted written comments that indicated that since 2008 it has sold over 250,000 CFLs and 60,000 fixtures at 275 events to 52,000 New Jersey residents. For every dollar invested in incentives the program saves over $11 in reduced electric costs. TechniArt also included numerous letters of support from companies that hosted Energy Saving Lighting Fairs and requested continued funding for the program.

Response: The proposed 2011 Energy Efficient Products program includes funding for a solicitation for upstream funding for CFL distribution as was utilized in past years.

EE Products Program

Rate Counsel does not support the proposed reduction in the budget for the refrigerator recycling program, recommends elimination of rebates for room air conditioners and dehumidifiers.

Response: Honeywell's compliance filing proposes to eliminate rebates for room air conditioners and dehumidifiers which is consistent with Rate Counsel's recommendations. Staff concurs with Rate Counsel that the refrigerator recycling program is a beneficial program but supports the budget level proposed by Honeywell which will allow for an increase in participation levels as compared to anticipated 2010 participation levels.

TEACH Program

Rate Counsel opposes the proposed discontinuation of the TEACH program and stated that discontinuing the program may be short sighted given the state's EMP goals. Rate Counsel comments that TEACH costs little relative to other programs and provides an existing, familiar channel for dissemination of EE educational materials to schools. Several school board members from several towns also submitted comments recommending continued funding for this program. Rate Counsel recommends that in the event TEACH is discontinued that the Market Manager should ensure that schools are aware of energy efficiency materials to schools.

Response: Staff concurs that a TEACH type program is a beneficial program that helps educate students and teachers regarding the benefits of energy conservation and assists schools in benchmarking and lowering their energy costs. However, this specific TEACH program had high administrative costs and limited reach. Staff will work with Sustainable Jersey, as directed by the Board, to review and improve the cost effectiveness of a Clean Energy educational program. The 2011 funding levels are not sufficient to fully fund all beneficial programs. For 2011 the OCE is recommending reductions in programs and program components that do not directly lead to the installation of energy efficiency measures by customers, thereby increasing the overall rebate component of the budget while significantly reducing the non-rebate component of the budget. The OCE will work with Sustainable Jersey and the Market Manager to identify energy efficiency materials for schools and to provide information about such materials on its website.

EDA Programs

Mr. Specca of the Rutgers Eco Complex commended the NJCEP on the success of the programs to date. Mr. Specca noted that he attends many national conferences and that the NJCEP is often held up as a model program. Mr. Specca advocated for continued support for the key EDA programs including the Edison Innovation Green Growth Fund, the Clean Energy Manufacturing Fund and other programs that are being explored that focus on assisting companies in the business development process.

Mr. Specca stated that there are key incentives for promoting growth in the renewable energy sector and that the SBC is a primary source of State funding for many of the programs. Incentives must address the needs of emerging businesses and that it is important that we identify ways to help emerging businesses to get them through the technology pipeline to a point where they can be qualified to participate in the EDA programs. Early stage businesses develop or create almost two thirds of the jobs that are being created these days and many of these firms are less than five years old. Mr. Specca stated that continuing investment in these programs should be viewed as an investment and one that will help energy efficiency and renewable energy companies develop new technologies, create jobs, reduce our dependence on foreign oil, and lower greenhouse gas emissions.

Response: Staff concurs with Mr. Specca's comments that supporting the Green Growth Fund will support innovative clean energy technology and that manufacturing is an important economic growth measure for the State. The OCE will continue to work with the EDA to further develop and deliver this program and will bring any changes to the Board for its consideration.

Comfort Partners

Mr. Sillars on behalf of Isles E4c, Inc. testified that its weatherization contractors are disadvantaged citizens from low income communities. His firm hires and trains them and provides good paying stable jobs in their communities. Program services are provided at no cost to qualified low-income customers who reduce energy consumption in homes where customers cannot afford their energy bills. The program has been highly successful over the years. Mr. Sillars requested that the Board restore the programs funding level from $24 million, which was proposed for 2011, to $32 million, which is the 2010 budget for the program.

Mr. Sillars also submitted written comments that included a response to a question Commissioner Fox asked at the public hearing. Specifically, Mr. Sillars indicated that if the 2011 budget was reduced by $8 million compared to the 2010 budget as proposed, approximately 1,700 fewer households would be served by the Comfort Partners program.

The NJUA stated that to the extent there is any additional funding available or the opportunity to shift funding, the Comfort Partners program budget should be increased. The program has served over 55,000 low-income households helping them to make their energy bills more affordable and reducing the burden on the Universal Service Fund (USF). New Jersey's program has been recognized nationally for its success in delivering savings.

Rate Counsel does not agree with the proposed budget cut to the Comfort Partners program. Rate Counsel states that the energy burden of low-income customers is greater than that of other customers, that lowering the energy usage for low-income customers can reduce USF costs and that in 2010 the program was fully subscribed. Rate Counsel also comments that *consistent with the Board's CRA III Order that the Comfort Partners should remain at or near its 2010 funding level of $30 million for the 2011 Clean Energy program budget.*

Rate Counsel does not believe that the DCA Weatherization Assistance Program should be seen as a substitute for the Comfort Partners program since the program administrator has not spent its funds and that ramping up the Weatherization Assistance Program will take time.

Response: Staff concurs that the Comfort Partners program is a beneficial program that helps the State's low-income customers reduce their energy usage and bills and which results in a reduced burden on the USF. The OCE notes that the funding allocations in the CRA III Order were intended as guidance in developing the detailed program descriptions and budgets for years 2010-2012 and was expressly subject to State appropriations law. Moreover, the low income component of the budget for comport partners was approved for its 2009 Program year with the referenced Order and not for all four years as suggested by Rate Counsel. However, given the level of funds available for 2011, Staff was required to make some difficult choices regarding the proposed levels of funding for the programs. Funding for renewable energy programs, residential program and C&I programs were all cut compared to anticipated funding levels and several programs were eliminated. Non-rebate components of the Market Managers budgets were reduced by over $14 million. Staff's position is that the proposed budgets represent a fair balance of competing interests. Staff will continue to explore alternative sources of funding for this program with the goal of increasing the 2011 budget back to the $32 million level approved for 2010.

Renewable Energy Programs

Rate Counsel applauded the transition to a market based system from a rebate based system and their position is that the market based approach is working. Rate Counsel comments that SREC prices are still higher than it would like to see but the market is developing and Rate Counsel's position is that SREC prices will come down over time. Rate Counsel believes it is necessary to continue to wean the solar industry from government supports other than the market based support mechanisms and to look at other renewables such as biomass and geothermal. Rate Counsel supports the development of wind projects.

Response: Staff concurs with these comments.

CORE Program

Rate Counsel recommends that the Board discontinue funding for the CORE program in 2011 and return these funds to ratepayers. Rate Counsel argues that the CORE program transition process has been ongoing for over two years, that canceling the funding will have no impact on future solar development, that the OCE noted that rebates are no longer required to promote solar, and that there are other funding mechanisms available.

Response: Staff strongly disagrees with Rate Counsel's recommendation. The proposed 2011 budget for the CORE program is the amount needed to meet previous commitments made prior to the CORE program being closed. Projects must either meet program requirements by the rebate commitment deadline or obtain an extension by meeting existing program guidelines related to extensions. An important cornerstone of the NJCEP that has allowed projects to develop and be financed is that the Board has historically honored all rebate commitments. In this case, the remaining CORE budget is solely to pay existing commitments and not honoring such commitments would have a chilling effect on future project development.

REIP

Mr. Zalcman, Ms. Patnaude and Mr. Zobolewski testified on behalf of the Solar Alliance which is a member based coalition representing 30 or so of the world's largest solar PV developers, manufacturers and financiers. With regard to the 2011 programs and budgets, the Solar Alliance position is that it is important to streamline the paperwork associated with applying for the SREC program. Review of a project's technical merits may have been appropriate for a rebate program but as we move to an SREC type program, if the projects do not perform they do not receive SRECs so the paperwork requirements can be significantly reduced.

Response: Staff concurs with this recommendation. The proposed 2011 programs would significantly reduce the paperwork requirements for SREC only projects as recommended by the Solar Alliance.

Mr. Rawlings testified on behalf of the Mid-Atlantic Solar Energy Industry Association (MSEIA), which represents solar energy companies in New Jersey, Delaware and Pennsylvania. With regard to the 2011 programs and budgets, MSEIA stated it has understood for some time now that there was going to be a transition away from rebates to a performance based incentive paid over time. The problem is that the SREC market as it exists now is not ready to deliver on these goals, especially the goals of benefiting all rate classes and creating jobs and economic growth. The SREC program is not ready to deliver and MSEIA does not think we can get rid of rebates as quickly as is being done now.

MSEIA submitted a second set of written comments that stated its belief that the proposed 2011 budget effectively ends the long-standing support for the small business sector of the PV industry and for participation of the residential and small commercial/non-profit ratepayers. MSEIA recognizes the desire to transition away from rebate based programs and their position is that it is possible without destroying the small business ecosystem that has grown. However, MSEIA does not believe the SREC program is ready to fulfill this function. MSEAI states that attempts to make it ready have been slow to materialize and have run into opposition from Rate Counsel. MSEIA recommends that the budget for rebates for small solar be at least tripled, that the incentive should be increased to $0.75 per watt and that the incentives should cover programs other than utility long-term contract programs.

Rate Counsel opposes any incentives for either solar, wind or biomass projects. Regarding wind and biomass, both are relatively competitive resources, have been around for decades, and are more cost effective than solar. Rate Counsel's position is that enhancing the contracting and market opportunities for onshore wind and biomass would be more productive than continued rebate support.

Rate Counsel strongly opposes the proposed incentive for participating in an EDC SREC auction program. Rate Counsel states that the proposal is not based on any evidence showing the benefits are likely to exceed costs, that it raises a number of equity issues since PSE&G customers would not be eligible, that the OCE has provided no evidence that the rebates would result in lower SREC costs, that the proposal is inconsistent with OCE's conclusion that the solar energy market can function without rebates, and that the proposed program would provide a windfall for small solar installations.

Mr. McHale testified on behalf of Multi-Phase Electrical Services. Mr. McHale identified many of the benefits of renewable energy including job creation, support of related industries such *roofing material vendors, economic development and reductions in greenhouse gasses. Mr. McHale urged the Board to continue to support the very successful programs and to provide stable funding.*

Response: Staff disagrees with MSEIA's assertion that the residential solar market cannot function without continuing rebates. To the contrary, Staff's position is that the existing incentives including SRECs, utility solar programs, net-metering and federal tax credits are sufficient to make solar a viable option for residential and small commercial customers. In fact, during the period in 2010 that the rebates for small solar were fully committed and no rebates were available, 1,094 application for residential SREC only projects totaling over 8.6 MW were received. Staff appreciates comments by Multi-Phase in support of the benefits of renewable energy programs.

While the small market segment has utilized the SREC only program and the EDC solar financing program, there still is a need to support programs that allow fair access to all market segments including residential, and non-profit organizations consistent with the Board's directives for the solar transition. The use of the EDC solar financing program is currently under-subscribed. Staff's position is that additional support for long-term contracting can help to lower the short term costs of SRECs. Developing an incentive in the undersubscribed EDC solar financing program for the small market segment will assist residential and non-profit organizations access and utilize these programs consistent with the Board's directive for the solar transition. This incentive will lower the overall cost in the SREC market by significantly lowering the SREC payments from the high spot market price to the lower EDC solar financing average SREC financing price for SRECs. While SRECs have been selling on the spot market for over $600, the prices seen in the long-term contracts approved by the Board have been significantly lower. Staff concurs with Rate Counsel that rebates for small solar are no longer required. However, the intent of the proposed EDC Solar Financing Incentive ("ESFI") is not to reduce the cost of solar systems but to provide a strong incentive for customers to participate in the EDC SREC auctions and to enter into long-term contracts for the sale of SREC.

With regard to rebates for wind and biomass projects, Staff recognizes that participation levels in these programs have been limited. Staff has expended significant effort to eliminate other non-financial barriers to the development of wind and biomass projects and while there has been some increase in the participation levels, it is not to the extent desired. Staff recommends that a working group be formed to assess the costs and benefits of continuing a rebate program for wind and biomass and to explore other potential options for enhancing the development of onshore wind and biomass projects.

Jersey Solar noted the tremendous success of the solar program over the past 10 years stating it is currently one of the bright spots in the New Jersey economy. Jersey Solar commented that the limited funds available for solar rebates would be better spent on a subsidized interest loan program. Interest rate buy downs would be simple to administer with a single transaction when the loan closes, which would be upon completion of the system and town and utility interconnection approvals. The customer would arrange for financing through their own bank and that small private banks could complete these administrative tasks in the normal day-to-day service of providing loans. A loan program could expedite the move away from rebates and towards a new approach. Jersey Solar's position the industry is ready to move beyond rebates for small systems because the economic incentive for installing solar are still strong due to other incentives such SRECs, utility programs, federal tax incentives and net metering.

Response: Staff's position is that the concept of subsidizing loans for small solar systems warrants additional consideration. However, Staff is not prepared to recommend inclusion of a solar loan buy-down program at this point in time. Staff will ask the RE Market Manager to continue to explore the potential for a small solar interest rate buy down program and to discuss the concept further at future RE Committee meetings.

B. Sacahu commented that solar panels should not be put on farmland which should be used for farmland. B. Sachau further commented that energy production from solar is a business and should be fully taxed as a business and believes that farmland should remain as farmland and not be plowed over for solar panels that can be placed on commercial buildings or on landfills.

Response: The Board and other State agencies are evaluating this issue. The OCE also notes that the commenter's concerns regarding farmland assessments and agricultural use may be the subject of recent legislation, L. 2009, c. 213.

Offshore Wind

Rate Counsel states that it does not have a specific recommendation regarding the proposed offshore wind (OSW) budget since no detailed explanations were provided. Rate Counsel recommends discontinuing NJCEP funding for OSW on a forward going basis since the recently enacted OSW Economic Development Act provides adequate financial support for OSW. However, Rate Counsel supports the $10 million in the proposed budget to the extent that it needed to continue prior offshore wind meteorological station funding approved by its Board in Docket No. EO07030203.

Response: As stated in the OCE draft compliance filing, the proposed 2011 OSW program budget is solely to pay previous commitments and does not propose any new activities. Staff response above regarding why commitments need to be honored is applicable here as well.

CleanPower Choice Program

Ms. Barton of Community Energy testified regarding the CleanPower Choice program. Community Energy has been one of several suppliers to the CleanPower Choice program since 2005 serving approximately half of the customers enrolled in the program. Community Energy believes that the voluntary market for renewable energy is essential to set the renewable portfolio standards compliance requirements as a floor rather than a ceiling for the amount of renewables in the region. In order to make the voluntarily purchase renewable energy an option, a utility endorsed on-bill option is required. These programs can be operated with minimal support from the utility and Community Energy endorsed the recommendation that the minimal administrative costs for continuing the program be included in the budgets.

The NJUA noted there were no funds in the draft budget for utility support for the CleanPower Choice program. The NJUA recommended that funding be made available to support the utilities continued involvement in the program.

The Center for Resource Solutions (CRS) encouraged the continuation of the utilities involvement in the CleanPower Choice program. CRS recommended that the State require utilities/marketers to certify their renewable energy products through the Green-e Energy program, with the BPU and the utilities adopting CRS's criteria and National Standards as the basis for Green-e Energy certifying these transactions and conducting formal verification. CRS *already provides these services for dozens of utility programs nationally and for the majority of renewable energy deliveries in the voluntary marketplace.*

Rate Counsel supported the proposal to eliminate funding for this program.

3Degrees submitted comments supporting continuation of the CleanPower Choice program. 3Dgrees stated it believes that programs like the CleanPower Choice are a vital source of stable demand for renewable energy, and requested that the program continue in 2011 and beyond, including policy support that encourages targeted public and private investment to ensure their success,

Response: The OCE staff concurs with the recommendations for the 2011 budget to fund a CleanPower Choice utility budget to allow for the continued provision of billing services. OCE staff will work with the Clean Power Marketers and the Utilities to shift this funding. The CleanPower Choice budget has been revised to include $68,400 for the costs associated with the utilities continuing to provide billing services related to this program. Further, the OCE agrees that an alternative certification process will be needed and will be developing proposed rules for consideration by the Board allowing for the use of a product such as Green-e or equivalent as the means of certifying the product as renewable.

Renewable Energy Manufacturing Incentive

Cadmus Solar provided various statistics and facts indicating how difficult the business environment in New Jersey is as it relates to manufacturing jobs. Cadmus Solar stated that the proposal to eliminate the Renewable Energy Manufacturing Incentive (REMI) program is ill advised and would work against the goals of bringing clean, well paid manufacturing jobs back to New Jersey. Cadmus Solar recommended that the Board not only continue the program but dramatically increase the funding supporting it.

MSEIA recommended that the REMI program should stay the same as it is presently structured for now. Few or no REMI rebates have been paid out to date and thus there is little or no experience in administrative costs. Focus should be placed on quickly qualifying those few in-state solar manufacturers so the REMI program can produce some near term results.

Rate Counsel recommends that the proposal to allocate $1 million to REMI be rejected. Rate Counsel argues that in the current economic environment a better form of economic stimulus would be applying rate and bill credits to ratepayers, rather than allocating these funds to programs that have shown dubious benefits.

Response: The OCE's position is that there is some confusion regarding the intent of the proposal regarding the REMI program. Specifically, the OCE had discussed at several RE Committee meetings the concept of replacing the REMI program with a new program to be administered by EDA. However, the OCE and EDA were not able to develop a proposed new program in time for consideration by the Board. Therefore, Honeywell's draft compliance filing proposed to continue the REMI program as currently structured with a budget of $1 million which is consistent with MSEIA's recommendation. With regard to Cadmus Solar's proposal to significantly increase the REMI program budget, Staff notes that only a very small portion of the REMI program budget has been utilized to date and Staff's position is that the proposed budget is sufficient to meet anticipated program activity levels. Staff disagrees with Rate Counsel's recommendation to discontinue funding for this program since the attraction of in-State RE manufacturing facilities is an important policy objective which is supported by this program.

Edison Innovation Clean Energy Fund

Rate Counsel believes that while special studies, grants, venture capital and innovative funds have a certain degree of merit, they have difficult to measure outcomes and outcomes that may be attained are in the long run at best. Rate Counsel recommends that the current funding for the Edison Innovation Fund be eliminated in 2011.

Response: The proposed 2011 budget for the Edison Innovation Clean Energy Fund is solely dedicated to paying grants previously approved by the Board. As noted above, the Board has historically honored all commitments and not doing so for these projects would have a chilling effect on future participation in any NJCEP programs.

Tree Planting Program

Ms. Olizi testified on behalf of the New Jersey Tree Foundation. Ms. Olizi expressed her concern with the fact that the proposed budgets did not include any funding for the Cool Cities or any other program that funds the planting of trees to reduce energy consumption. She stated that the BPU entered into a four year contract with DEP to plant trees in urban areas to reduce the heat island effect. The Cool Cities program was the third most successful program returning $21 million on a $2.5 million investment not including ancillary benefits such as storm water runoff mitigation, increased property values and crime reduction. Ms. Olizi asked the Board to reconsider its decision to release Cool Cities and asked for an increase in funding.

Response: The referenced four year contract for this program provides that funding for this program is subject to approval by the BPU of the Annual Clean Energy Programs and Budgets and subject to State Appropriations Law. As noted above, the 2011 funding level is not sufficient to support all beneficial programs and Staff was required to make difficult decisions in developing proposed 2011 budgets. Several programs were eliminated or had their budgets reduced. Therefore, Staff does not support funding for tree planting programs at this time.

Term of Market Manager Contract Extension

Mr. Bovio recommended that the Market Manager contracts be extended by twelve months as opposed to six months. The contractors had some concerns regarding a mid-year change and noted that the program experience many changes in 2010 and that they need something to work with for a period of time. Mr. Bovio noted that a major transition would likely take more than six months.

The NJUA noted that when the programs were transitioned from the utilities to the State that the transition took over three years. In order to minimize market disruptions and customer confusion the NJUA encouraged the Board to extend the Market Manager contracts through the end of 2011.

Jersey Solar stated that there were about 1,200 solar rebates approved between September and November 2010 and that there will be an ongoing need to administer these rebate approvals, perform inspections, provide GATS certification numbers, etc. Transitioning this information to another entity or administrator would be difficult to achieve effectively. Jersey Solar recommended that the Board continue the RE market manager contract until at least the end of 2011.

Response: Staff recognizes the issues related to the term of the Market Manager contract extensions set out above. Staff is exploring with Treasury and the Board potential options related to the term of any contract extension.

EDECA

MSEIA stated that it believes that the BPU must adhere to the requirements of section 12 of EDECA in setting this budget which all SBC funds must be devoted to the purposes set forth in that section. A $5 million budget is a small fraction of what the rebate budget used to be and is not enough to support anywhere near enough residential and small commercial activity to be even close to what percentages of the market those sectors used to occupy.

Response: Section 12 of EDECA, N.J.S.A. 48:3-60(a)(3), requires, in part, that after the eighth year following enactment of the statute, the Board shall make a determination as to the appropriate level of funding for EE and RE programs "taking into consideration existing market barriers and environmental benefits with the objective of transforming markets, capturing lost opportunities, making energy services more affordable for low-income customers and eliminating subsidies for programs that can be delivered in the marketplace without electric public utility and gas public utility funding." EDECA does not specify either a required level of funding or an allocation to RE programs beyond the eighth year. Before making its recommendations, the OCE has given due consideration to the factors laid out in section 12, including the objective of transforming markets and eliminating subsidies for programs that can be delivered without public utility – ratepayer – funding. Those recommendations are presented to the Board for its consideration and determination. Moreover, the REIP rebate program budget is significantly amplified by carryover funding in addition to the $5 million in new funding. The proposed funding for RE in 2011 also includes funding for a new grid-connected renewable energy project solicitation as well as funding for RE projects with the EDA program budgets. Having considered the statutory factors and heeded EDECA's mandate to move the clean energy market away from subsidies toward a more market-based model, the OCE has adhered to the requirements of section 12 and recommends Board approval of its proposals.

In addition as required by the Renewable Energy Portfolio Standard (RPS) requirements as set forth at N.J.A.C. 14-8.2 and as detailed in the New Jersey RPS 2009 Annual Report dated February 8, 2010, the NJBPU through New Jersey electric suppliers provided almost $119,000,000 in incentives to renewable energy generators including solar, wind, biomass, landfill gas and resource recovery facilities. These RY2009 incentives were paid through the following:

1. 2,039,035 Class II RECs for approximately $2,000,000;
2. 3,127,491 Class I RECs for approximately $37,000,000;
3. 75,532 Solar RECs for approximately $80,000,000 of which $38,900,000 was through Solar Alternate Compliance Payments (SACP) and approximately $41,000,000 through SREC.

These incentives assist in financing the capital cost of the renewable energy system over time to improve their overall return of investment (ROI). In Energy Year 2010, staff estimates the SACP and SREC incentive payments to solar generator to be over $100,000,000. Of which approximately 70% will be from SRECs and 30% for SACP which is an improvement over last year.

Staff Recommendations and Proposed Modifications to the Compliance Filings

The OCE participated in the EE and RE committee meetings and provided input regarding proposed programs and budgets. The OCE also reviewed the initial filings, the written comments submitted, and the oral comments presented at the public hearing. The OCE coordinated with the Market Managers regarding proposed changes to be incorporated into the final 2011 compliance filings. Following this review, the OCE now recommends several changes to the initial compliance filings submitted in October 2010. These changes are discussed below.

Modifications to the Utilities' Filing

The Utilities withdrew a request for the flexibility to move funds between the seven cost categories within each of the individual utility budgets provided each utility remains within its total budget. The OCE recommends approval of this modification.

The Utilities recommended that in approving the Comfort Partners program, the Board direct that participation in either the Comfort Partners or DCA Weatherization Assistance program be an eligibility requirement for receiving monthly USF benefits and the Fresh Start arrears forgiveness program. The Utilities also made this request in previous compliance filings. The OCE notes that the issue raised by the Utilities has been discussed at USF stakeholder meetings and will continue to be evaluated by Board Staff. Staff supports the Utilities' proposal that participation in either the Comfort Partners or DCA Weatherization Assistance program be an eligibility requirement for receiving monthly USF benefits and the Fresh Start arrears forgiveness program. However, as stated in the 2009 and 2010 Budget Orders, such a requirement would require a modification of the USF program. It is not appropriate to make such modifications in this Order which addresses 2011 programs and budgets for the NJCEP. Therefore, the OCE does not recommend approval of this proposal.

The OCE also notes that the Utilities' 2011 compliance filing includes a commitment to implement the Customer Account Look-up pilot program. The OCE is aware that the pilot program noted in the Utilities' compliance filing has been implemented pursuant to the August 19, 2008 Order in Docket No. EA07110885. That Order stated that the program was "a one-year pilot program, but it will not terminate automatically at the end of the one year period." Rather, the Board directed Staff to monitor the implementation of this pilot program, report on the program's progress, and "propose such modifications as may appear necessary and appropriate." Notably, the Board acknowledged "a potential for slamming type problems with marketing and enrollment practices of CPMs [Clean Power Marketers]." The Board stated that, upon further review, it "will make a determination as to whether to extend the anti-slamming provisions to CPMs and consider issuing a rule proposal in this regard." The Board also directed that this pilot program's procedure "shall be incorporated in rules following the end of the one-year period and the Board's consideration of the reports presented at that time." In the 2010 Budget Order, the Board directed the OCE to develop, with input from the public, rule proposals regarding the potential for slamming and other issues relevant to the pilot program for the Board's consideration in 2010. As 2010 comes to a close and, in recognition of the Utilities' proposal to continue implementing this program in 2011, the OCE proposes to evaluate the pilot program as well as the need for rule proposals stating the procedure and addressing the potential for slamming. With input from stakeholders, the OCE intends to return to the Board with a recommendation during the first quarter of 2011.

Revised 2010 Residential EE and RE Budgets

By letter dated November 20, 2010, Honeywell requested modifications to its Board approved 2010 budgets. Honeywell requested the transfer of funds between certain budget categories within a program budget and to transfer $3,218,069.43 from the HPwES program to the Residential HVAC program and to transfer $291,567.50 from the CORE program to the REIP. Honeywell's request to modify 2010 budgets was approved by the Board at its December 6, 2010 agenda meeting prior to consideration of this matter. Those changes are addressed in a separate Order, dated December 6, 2010, in the above captioned docket.

Because 2011 budgets are based in part on final 2010 budgets, the proposed budget set out below reflects the Board's approval of Honeywell's request to modify those 2010 budgets. The net effect of this change is that the proposed 2011 budget for the Residential HVAC program is $3,218,069.43 higher and the HPwES program 2011 budget is $3,218,069.43 lower than the budget in the draft compliance filing. The REIP budget is also $291,567.50 higher and the CORE budget is $291,567.50 lower than what was proposed in the draft compliance filing. The OCE notes these modifications to the compliance filings for the record, but has already sought and received Board approval.

Residential EE Programs

As noted above, both Kamson and the New Jersey Apartment Association testified that garden style apartments fall between the cracks between the residential and C&I programs, that is, garden style apartments can include both residential and commercial components which complicates participation in the programs. The OCE agreed and coordinated meetings with the Residential and C&I Market Managers to develop changes to the programs that would offer an opportunity for garden style apartments to participate in the energy efficiency programs.

Specifically, the proposed HPwES program was modified to allow for the inclusion of garden style apartments. A new incentive structure was proposed for multi-family buildings using the same tier structure as single family as follows:

- Tier 2, at least 10% TES - $300.00 not to exceed 50% of the costs of the measures used to calculate TES
- Tier 3 Level 1, at least 20% TES - $900.00 not to exceed 50% of the costs of the measures used to calculate TES
- Tier 3 Level 2, at least 25% TES - $1,200.00 not to exceed 50% of the costs of the measures used to calculate TES

The OCE recommends Board approval of this modification to the HPwES program.

In addition, the OCE makes the following clarification. Although discussed at several of the EE Committee meetings, incentives for domestic solar hot water systems ("SDHW") were not removed from Honeywell's initial compliance filing. Incentives for SDHW are proposed to continue into 2011 and the OCE recommends approval by the Board.

C&I Programs

The United States Department of Energy ("USDOE") requires that all funds from the American Recovery and Reinvestment Act provided ("ARRA"), P.L. 111-5, 123 Stat. 115 be fully spent by April 2012. Otherwise, the State will forfeit these funds. By Order dated July 15, 2010, in

Docket Nos. EO09030210, EO09070542, EO09070543 and EO09070544, the Board allocated $17 million in ARRA funds to offer program incentives to customer that heats with oil and propane or are customers of non-investor-owned electric utilities ("non-IOUs"). Staff estimates that by the end of 2010 approximately $8 million of the $17 million will be expended or committed. To ensure that the State does not forfeit ARRA funds, a new Local Government Direct Install program was proposed to greatly increase the likelihood that all of the ARRA funds are fully expended in 2011. Further, experience in the field has shown that several customers that qualify for the Direct Install program have boilers of a size that exceeds to current program maximum. To resolve this issue TRC proposes to increase the maximum size boiler that can be install under the Direct Install program. Therefore, TRC modified the Direct Install program as follows:

1. Develop a new Local Government Direct Install program using ARRA funds through the State Energy Program ("SEP-ARRA") to pay the 60% incentive for entities who receive an EECBG.
2. Maximum Energy Star boiler size increased from 300,000 Btuh to 500,000 Btuh

At this time, Staff recommends approval of the new increased boiler size, but asks that the Board defer consideration of the proposal to develop a new Local Government Direct Install program. The OCE will present this matter to the Board for its consideration at a later date.

As discussed above, changes were made to both the Residential and C&I EE programs to address the concerns regarding eligibility of garden apartments. Further, the Pay-for-Performance program currently requires that customers reduce energy use by a minimum of 15% to qualify for incentives. Several large customers with high energy use for manufacturing processes have indicated they could deliver large energy savings, but could not meet the 15% minimum requirement. To address this issue, TRC has proposed to modify the minimum energy savings requirement by adding an alternative minimum energy savings level for manufacturing and other similar customers. Therefore, the proposed Pay for Performance was modified as follows:

1. Add clarifying language to both New Construction and Existing Buildings program related to multifamily project eligibility (e.g. low rise garden style market rate). Adding logic tree to filing to assist multifamily customers in determining which program they are eligible for (C&I or Residential)
2. Language was added related to the savings threshold required for industrial customers.

Staff recommends Board approval of these changes to the Pay for Performance program.

RE Programs: REIP and SRP

The OCE recommends continuation of the shift away from solar rebates. Market-based incentives for solar generation, primarily through the SRP, have developed much quicker than anticipated such that Staff does not believe rebates are required to stimulate the development of an active solar marketplace. As shown on the SREC status reports posted on the NJCEP website, this market transformation is evidenced by the fact that 504 projects totaling over 105 MW of solar have been built without rebates and that, so far, in 2010, the Market Manager has received over 1,000 applications for SREC only projects from residential customers.[8] EDECA

[8] SREC status reports can be accessed at http://www.njcleanenergy.com/renewable-energy/project-activity-reports/program-status-reports/program-status-reports

requires that the Board set its budgets and programs with the objective of “eliminating subsidies for programs that can be delivered in the marketplace without . . . customer funding.” Thus, consistent with EDECA, Staff proposes to eliminate rebates for small solar and include, as an alternative, an incentive for stimulating participation in the utility SREC auctions, which will further enhance the transition from rebates to a market-based approach.

The utility SREC auctions were designed, in large part, to stimulate long-term contracting for the purchase of SRECs which, in theory, will enable project financing since the banks will have assurances regarding future SREC revenues. Furthermore, Honeywell, the RE Market Manager, reported that in 2010 many SRECs sold on the spot market for over $600 while the prices that resulted from the utility SREC auctions were significantly lower. This reduction in SREC prices will create downward pressure on the price of electricity in the near term. Therefore, as the next step in the transition from rebate based incentives to market-based SREC incentives, Staff recommends that in 2011 incentives be provided to stimulate participation in utility SREC auction programs.

Notwithstanding the merits of the PSE&G Solar Loan program, Staff does not recommend incentives for participation in that program. Unlike the utility SREC auction programs, the PSE&G Solar Loan program does not result in a long-term fixed price for SRECs that will enable private financing and enhance the transition to a market-based approach. Staff’s intent is to promote the market transformation envisioned by EDECA and, at this time; Staff considers the utility SREC auctions the best means of progressing toward that objective.

With regard to rebates for wind and biomass projects, Staff recognizes that participation levels in these programs have been limited. Staff has spent significant effort to eliminate other non-financial barriers to the development of wind and biomass projects and while there has been some increase in the participation levels, it is not to the extent desired. Staff recommends that a working group be formed to assess the costs and benefits of continuing a rebate program for wind and biomass and to explore other potential options for enhancing the development of onshore wind and biomass projects.

In furtherance of Staff’s position, Honeywell modified the RE program filing to reflect changes to the systems for processing REIP and SRP applications. These changes are intended to simplify the application process. For example, previous Board policy required a minimum system output of 70% for solar systems. Given that SRP projects only receive SRECs based on actual or estimated production, the need for a minimum output requirement is no longer required. These projects are not eligible for rebates through the REIP program. Staff now recommends approval of these changes.

The OCE Compliance Filing

The OCE’s compliance filing proposed a reduction of $3 million from the OSW budget. However, the OCE has recognized that, at this time, only $2 million is available for reallocation to other programs. Therefore, the OSW budget was increase by $1 million. The additional $1 million was added to the OSW budget and the CHP budget was reduced by $1 million. The reduction to the CHP budget reflects a cancellation of a previously approved CHP project and not the reallocation of funds that would otherwise be available. Staff recommends approval of this modification.

The OSW budget, as modified above, is sufficient to satisfy all outstanding rebate commitments. The OCE notes, however, that OSW rebates currently require construction by January 2011.

The OCE also notes that it has previously reduced OSW rebates for some applicants and intends to recommend similar reductions for all applicants, subject to Board consideration and approval at a later date. In the event of cancellation or modification of OSW rebates, Staff may recommend reallocation of additional funds from the OSW budget to other programs, subject to Board approval.

The OCE's compliance filing also included the EDA's proposed programs and budgets. The EDA's filing proposed a fee of 3% for administrative services structured as 1% on the uncommitted cash balance and 2% on approved commitments. Based on Staff's concerns that grant and loan amounts not be diminished by fees and based on comments from the business community. Staff negotiated with the EDA to eliminated the EDA's proposed administrative fees and, instead, propose that the EDA receive compensation for its services at a total rate of $55,000 per month for all three of its programs. The EDA also removed all references to application fees which are not permitted under the NJCEP. Staff recommends approval of these modifications as reasonable.

EDA's initial compliance filing also provided the EDA with the right to convert its debt to equity in a future financing round under the same terms as any other investor in the round. Staff determined that this provided an equivalent of a warrant which, based on guidance from the Division of Law, is not permissible under the NJCEP. Therefore, this language was removed from the final compliance filing submitted by EDA and Staff recommends approval of this modification.

The OCE compliance filing also included the Sustainable Jersey Program. The budget proposed by Sustainable Jersey in the compliance filing was $745,000, but the budget tables in the compliance filing showed a budget of $500,000 for these services. To remedy this discrepancy and based on further input, the OCE has agreed to support a budget of $625,000 for the services to be provided by Sustainable Jersey. This amount is reflected in the revised OCE budgets shown below and Staff recommends its approval as reasonable.

Staff also proposes to work with Sustainable Jersey to develop a curriculum for schools akin to what had previously been provided through the TEACH program. Staff will seek public input and present the details of this proposal to the Board for consideration at a later date.

In 2010, the Board entered into an MOU with EDA to administer payment of grants awarded through the RE Program: Grid Connected. At the time, the Board lacked the Staff resources needed to properly manage these contracts. However, since that time the Board has hired several project managers and no longer requires the services of EDA to manage the payment of incentives to these projects. Therefore, Staff recommends that the Board approve a modification returning responsibility for this program, including the management of payments for current projects and the issuance of a new solicitation, to the OCE.

The OCE also notes that the NJLEUC pilot program may offer certain benefits to the State's largest energy users. The OCE recommends the development of a detailed proposal for a new pilot program, with input from NJLEUC, the public, and other interested parties. The pilot program would include a detailed budget and identify the source of funding, identify who would manage the program, whether any contract modifications would be required and provide additional details regarding the concepts set out in the proposed pilot submitted by NJLEUC. The OCE would then present that pilot program to the Board for consideration at a later date.

Revised compliance filings that incorporate the changes recommended by Staff above were submitted by the Utilities dated December 1, 2010, Honeywell dated December 2, 2010, TRC dated December 2, 2010 and the OCE dated December 1, 2010. The OCE recommends approval of the revised compliance filings.

Proposed NJCEP Funding

As noted above, the 2011 budget process commenced with the preparation of a 7&5 Report (7 months of actual expenses and 5 months of estimated expenses) by AEG, the Program Coordinator. AEG requested that all program managers provide actual expenses through July 2010, estimated expenses for the remainder of the year, and estimated commitments that would exist as of December 31, 2010. AEG deducted estimated 2010 expenses from the final Board approved 2010 budgets to estimate 2010 carry over. In the initial budgets circulated by the OCE AEG estimated $99.6 million in EE carryover, $68 million in RE carryover, $28 million in EDA program carryover and $2.8 million in OCE Oversight carryover. Transferring the RE Grid program from EDA to the OCE, as recommended above, increases the RE carryover to $73.5 million and reduces the EDA carryover to $23.4 million. AEG estimated that approximately $157 million of the carryover would be committed as of the end of the year and needed to pay incentives when the committed projects were completed in 2011 or 2012.

The CRA III Order, which concluded the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2009 – 2012 NJCEP, set a funding level of $319.5 million for 2011 from the SBC. Id. at 57. The budget tables included in the CRA III Order included reference to EE and RE funding for the four year cycle. Ibid. The following table shows the proposed detailed breakdown of the funding level for 2011. Id. at 49.

Proposed 2011 Funding from CRA III Order

C&I EE	$133,500,000.00
Residential EE	$89,000,000.00
Low Income	$30,000,000.00
Clean Energy Tech Fund	$7,500,000.00
Total EE	***$260,000,000.00***
RE	
Wind	$25,000,000.00
Biomass	$15,000,000.00
Small Solar	$12,000,000.00
Clean Energy Tech Fund	$7,500,000.00
Total RE	***$59,500,000.00***
Total 2011 Funding	**$319,500,000.00**

The funding allocations for EE and RE for years 2010-12 were not mandated by the Board. See id. at 57. Rather, the CRA III Order stated that the "detailed breakdown of the EE and RE funding for the years 2010-2012, as proposed by [S]taff . . . should be considered as guidance" in developing the annual detailed program descriptions and budgets. Ibid. The OCE took various factors into consideration as it developed a proposed allocation of 2011 SBC funding to the different program categories.

First, legislative action requires Staff to revise the proposed EE and RE funding allocations included as guidance in the CRA III Order for the 2011 NJCEP. By L. 2009, c. 207, the Legislature established a $25 million grant program designed to help pay the gas and electric public utility bills of households seeking temporary assistance from a nonprofit energy organization. Notwithstanding any provision to the contrary of N.J.S.A. 48:3-60 or any Order adopted pursuant thereto, the Legislature directed the Board to provide that $25 million from available balances of funds collected through the SBC and accumulated in State accounts. At its November 10, 2010 public meeting, in Docket Number EG10100740, the Board approved the release of a grant solicitation for that $25 million. Funding for that grant solicitation will come from the Clean Energy Trust Fund, the State account that holds the funding for the NJCEP. In addition, with the Fiscal Year 2011 Appropriations Act, the Legislature transferred $52.5 million from the Clean Energy Trust Fund to the General Fund. L. 2010, c. 35, at pp. 7, 209; see Appropriations Handbook at A-11, B-204. Thus, $77.5 million from the Clean Energy Program Trust Fund is no longer available for 2011 clean energy programs. As a result of this legislative action, the OCE developed revised funding allocations for use in developing proposed 2011 program budgets.

The OCE notes that a calculation error occurred and revised funding allocations only reflect the loss of $77 million rather than the total $77.5 million discussed above. Because the public was only notified of revisions totaling $77 million, the OCE will not recommend further revisions at this time. The OCE will seek stakeholder input regarding additional necessary programmatic and budget revisions before returning to the Board with a recommendation at a later date.

Second, the proposed EE and RE funding allocations included in the CRA III Order do not provide for OCE Oversight expenses. Previous Board Orders have allowed up to 10% of the new funding for administrative expenses. However, the Board and the OCE strive to keep administrative expenses as low as possible so that any unused administrative funding will become available for additional incentive payments to customers. Consistent with this approach, the OCE proposes the allocation of approximately 2% of the new funding to the OCE Oversight budget for various tasks related to program administration and evaluation.

The OCE also notes a change to the way funding is reflected in the 2011. For example, the CRA III Order included, as guidance, an allocation of $7.5 million from EE and $7.5 million from RE to the Clean Energy Tech Fund. Staff now proposes allocating these funds to the EDA for the programs it manages for the Board, including the Clean Energy Manufacturing Fund and the Green Growth Fund. These funds will be utilized to support both RE and EE projects. Consistent with the CRA III Order, the funding for these EE and RE programs remain, but the allocation is shown different from how it was presented in the CRA III Order.

In addition, RE funding for 2011 has not been broken into various technologies as it had been in the CRA III Order. The CRA III Order proposed, as guidance, the allocation of $25 million to wind, $15 million to biomass, and $12 million to small solar, but several events have occurred since 2008 that have caused the OCE to modify the proposed allocation of funds. These changes will be explained further below.

Finally, Staff is proposing the following modifications to the funding levels proposed in October that were posted on the web site and circulated to the Committees. The OCE seeks to reduce the C&I EE allocation by $1 million, or from $77 to $76 million, to reflect the reduction to the CHP budget recommended by Staff. Likewise, the RE allocation was increased by $6 million from $5 million to $11 million to reflect the transfer of $5 million from the EDA to the OCE budget for the RE Grid program plus an increase of $1 million for the OSW budget. These allocations were utilized by the program managers in developing their final 2011 program and budget proposals.[9]

Based on the above, the OCE now proposes the following allocations of the 2011 new SBC funding.

Proposed 2011 New Funding Allocation

C&I EE	$76,000,000.00
Residential EE	$63,350,000.00
Low-Income	$24,000,000.00
Competitive Grant-Loan Solicitation	$30,000,000.00
Total EE	**$193,350,000.00**
RE	**$11,000,000.00**
OCE Oversight	**$5,150,000.00**
EDA	**$33,000,000.00**
Legislative Action	**$77,000,000.00**
Total	**$319,500,000.00**

The table above does not separate RE funding into various technologies as it had been separated in the CRA III Order, because circumstances have changed since the Board's issuance of the CRA III Order. For example, the development of wind and small solar projects has been slower than anticipated. The REIP budget thus includes unspent carryover funding from 2010, which will be available in 2011. In addition, Staff has proposed reallocating over $5 million in funds from other programs to the REIP that will be available for rebates for wind and biomass and incentives for solar. In addition, market-based incentives for solar generation have developed much quicker than anticipated such that Staff does not believe rebates are required to stimulate the development of an active solar marketplace. Nevertheless, without taking into consideration the RE funding included in the EDA allocation, the proposed 2011 budget for RE shown below is $84.5 million. Therefore, Staff believes the proposed RE budget is sufficient to meet anticipated demand for projects in 2011 such that the allocations included as guidance in the CRA III Order are not appropriate at this time.

As discussed above, the NJCEP has provided the EDA with funding for the NJCEP programs it manages. The NJCEP programs managed by EDA earn interest. The EDA has also issued loans and grants through the NJCEP that are repaid over time. Any such interest or loan repayments become available for new program activity. The EDA has estimated that interest and loan repayments will total $171,427.48 in 2010. Therefore, in addition to the SBC funding discussed above, this funding is available for allocation to NJCEP programs.

The following table shows the proposed 2011 budgets that incorporate the OCE's proposed allocation of new SBC funds, estimated 2010 carry over, and EDA interest and loan repayments.

[9] The OCE's proposed 2011 funding level inadvertently omitted an additional $500,000 necessary to comply with recent legislative action. Following an opportunity for public comment, the OCE will return to the Board to recommend further revisions implementing this legislative action.

Proposed 2011 Program Funding						
		Estimated	Other			2011 Funding
	New 2011	2010	Anticipated	2011	Estimated	Less
Budget Category	Funding	Carryover	New Funding	Funding	Commitments	Commitments
	(a)	(b)	(c)	(d)= (a)+(b)+(c)	(e)	(f)=(d)-(e)
Energy Efficiency	$193,350,000.00	$99,632,900.51		$292,982,900.51	$76,933,958.81	$216,048,941.70
Renewable Energy	$11,000,000.00	$73,534,451.41		$84,534,451.41	$63,151,024.00	$21,383,427.41
EDA Programs	$33,000,000.00	$23,444,728.82	$171,427.48	$56,616,156.30	$18,000,000.00	$38,616,156.30
OCE Oversight	$5,150,000.00	$2,816,637.81		$7,966,637.81	$0.00	$7,966,637.81
Total NJCEP	**$242,500,000.00**	**$199,428,718.55**	**$171,427.48**	**$442,100,146.03**	**$158,084,982.81**	**$284,015,163.22**
Legislative Action	**$77,000,000.00**					
Total	**$319,500,000.00**					

(a) = 2011 funding level from September 30, 2008 CRA Board Order (see discussion and footnote on legislative action)
(b) = estimated 2010 carry over from EE, RE and OCE Oversight budget sheets
(c) = Other Anticipated Funding: EDA interest and loan/grant repayments
(d) = New 2011 funding, plus estimated carry over, plus other anticipated new funding
(e) = estimated program commitments as of December 31, 2010
(f) = 2011 estimated funding levels, less program commitments, as of December 31, 2010

As discussed above, the OCE utilized the 7&5 report to develop a preliminary Staff straw budget proposal that was circulated to the EE and RE committees and used as a basis for commencing 2011 program and budget discussions. Updates were provided, as available. The EE and RE committees met monthly from June through November 2010 to review and discuss proposed programs and budgets. The Market Managers developed proposed programs and budgets for discussion at the EE and RE committee meetings based on the goals and strategies set forth in the Energy Master Plan and the EE and RE policy objectives of the Board. The Market Managers considered the comments of committee members and the OCE in developing proposed budgets that were included in their filings. Subsequent to their initial filings, additional comments were provided by the OCE, taking into consideration the written comments received as well as spoken comments made at the public hearing. The Market Managers then submitted revised filings including revised budgets.

Energy Efficiency Program Budget

The CHP program was discontinued as a stand-alone program in 2008. TRC proposed transferring $149,372.24 from the CHP program, which is no longer required to pay outstanding commitments due to project cancellations, to the Pay-for-Performance program. The EE program budgets were also updated to reflect the changes to the 2010 budgets approved by the Board subsequent to the issuance of the draft budgets.

The following table shows the 2011 Energy Efficiency Program budgets recommended by the OCE. The proposed budgets are followed by a brief description of the programs.

2011 Energy Efficiency Program Budget

Energy Efficiency Programs							
	NJBPU	Estimated	Estimated	New	Line	Final	Committed
	Approved	2010	2010	2011	Item	2011	Expenses
Programs	2010 Budget	Expenses	Carry Over	Funding	Transfers	Budgets	
Residential EE Programs	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) + (d) + (e)	(g)
Residential HVAC - Electric & Gas	$16,268,617.09	$9,841,983.54	$6,426,633.55	$13,359,524.43	$0.00	$19,786,157.98	$2,685,000.00
Residential New Construction	$20,262,610.08	$8,517,429.07	$11,745,181.01	$8,198,788.49	$0.00	$19,943,969.50	$9,045,000.00
Energy Efficient Products	$17,936,073.74	$16,973,116.39	$962,957.35	$11,721,807.17	$0.00	$12,684,764.52	$0.00
Home Performance with Energy Star	$58,782,277.65	$52,939,298.90	$5,842,978.75	$28,983,881.96	$0.00	$34,826,860.71	$10,850,720.00
Community Partners Initiative	$992,612.00	$992,612.00	$0.00	$0.00	$0.00	$0.00	$0.00
Residential Marketing	$3,260,238.50	$3,036,252.45	$223,986.05	$1,085,997.95	$0.00	$1,309,984.00	$0.00
Sub Total Residential	**$117,502,429.06**	**$92,300,692.35**	**$25,201,736.71**	**$63,350,000.00**	**$0.00**	**$88,551,736.71**	**$22,580,720.00**
Residential Low Income							
Comfort Partners	$32,206,497.01	$32,206,497.01	$0.00	$24,000,000.00	$0.00	$24,000,000.00	$0.00
Sub Total Low Income	**$32,206,497.01**	**$32,206,497.01**	**$0.00**	**$24,000,000.00**	**$0.00**	**$24,000,000.00**	**$0.00**
C&I EE Programs							
Commercial/Industrial Construction							
C&I New Construction	$6,813,711.71	$2,038,248.73	$4,775,462.98	$4,500,000.00	$0.00	$9,275,462.98	$4,275,462.98
C&I Retrofit	$35,109,759.59	$17,614,464.46	$17,495,295.13	$18,982,705.24	$0.00	$36,478,000.37	$12,995,295.13
Pay-for-Performance New Construction	$4,966,134.60	$478,640.04	$4,487,494.56	$3,000,000.00	$0.00	$7,487,494.56	$2,000,000.00
Pay-for-Performance	$32,305,102.62	$2,748,759.32	$29,556,343.30	$24,143,960.76	$149,372.24	$53,849,676.30	$20,000,000.00
CHP	$5,859,508.79	$4,706,156.63	$1,153,352.16	($0.00)	($149,372.24)	$1,003,979.92	$1,000,000.00
Local Government Audit	$13,232,385.46	$8,082,214.49	$5,150,170.97	$6,965,000.00	$0.00	$12,115,170.97	$2,269,436.00
Direct Install	$24,532,976.50	$13,536,194.80	$10,996,781.70	$18,333,334.00	$0.00	$29,330,115.70	$10,996,781.70
TEACH	$1,000,000.00	$661,538.00	$338,462.00	$0.00	$0.00	$338,462.00	$338,462.00
Marketing	$1,038,200.00	$1,038,200.00	$0.00	$1,075,000.00	$0.00	$1,075,000.00	$0.00
Business Conference	$123,866.12	$123,866.12	$0.00	$0.00	$0.00	$0.00	$0.00
Sub Total C&I	**$124,981,645.39**	**$51,028,282.59**	**$73,953,362.80**	**$77,000,000.00**	**$0.00**	**$150,953,362.80**	**$53,875,437.81**
Other EE Programs							
Special Studies	$877,801.00	$400,000.00	$477,801.00	$0.00	$0.00	$477,801.00	$477,801.00
Competitive Grant-Loan Solicitation	$0.00	$0.00	$0.00	$30,000,000.00	$0.00	$30,000,000.00	$0.00
Sub Total Other Energy Efficiency Programs	**$877,801.00**	**$400,000.00**	**$477,801.00**	**$30,000,000.00**	**$0.00**	**$30,477,801.00**	**$477,801.00**
Total Energy Efficiency	**$275,568,372.46**	**$175,935,471.95**	**$99,632,900.51**	**$194,350,000.00**	**$0.00**	**$293,982,900.51**	**$76,933,958.81**

(a) = Board approved revised 2010 budget.
(b) = Estimated 2010 expenses from 7&5 report.
(c) = 2010 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
(d) = Level of new 2011 funding allocated to each program.
(e) = Transfer of funds from one program or budget category to another.
(f) = 2010 carryover plus new 2011 Funding plus/less line item transfers.
(g) = committed expenses estimated to be paid in 2011 or 2012

1. Residential HVAC – Electric and Gas: The Residential Gas and Electric HVAC Program provides rebates to customers that purchase high efficiency heating and cooling equipment such as furnaces and central air conditioners.

2. Residential New Construction: The Residential New Construction Program provides financial incentives to builders that construct new homes meeting the New Jersey Energy Star Homes standards which use less energy than homes built to meet the minimum requirements of existing codes.

3. Energy Efficient Products: The Energy Efficient Products Program provides financial incentives and support to retailers that sell energy efficient products, such as appliances or compact fluorescent light bulbs.

4. Home Performance with Energy Star: The Home Performance with Energy Star Program recruits and trains contractors that install energy efficiency measures in existing homes.

The program includes incentives to customers for the installation of such measures and enhanced incentives for moderate income customers.

5. Community Partners Initiative: The OCE proposes discontinuation of this program in 2011.
6. Residential Marketing: The residential marketing budget is for all marketing activities related to promoting the residential programs.
7. Residential Low Income: The Residential Low-Income Program provides for the installation of energy conservation measures at no cost to income-qualified customers.
8. C&I New Construction: The C&I New Construction Program provide rebates and other incentives to commercial and industrial customers that design and build energy efficient buildings.
9. C&I Retrofit: The C&I Retrofit Program provide rebates and other incentives to commercial and industrial customers that install high efficiency equipment in existing buildings.
10. Pay-for-Performance New Construction: The Pay-for-Performance New Construction program will provide incentives for new buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
11. Pay-for-Performance: The Pay-for Performance program will provide incentives for existing buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
12. CHP: The combined heat and power (“CHP”) program provides incentives for the installation of CHP systems. The program was discontinued in 2008 and incentives for CHP are now included as part of the Pay-for-Performance program. The 2011 CHP budget is for commitments made prior to discontinuing the program.
13. Local Government Audit: The Local Government Energy Audit program offers subsidized energy efficiency audits to municipalities and other government entities.
14. Direct Install: The Direct Install program provides incentives for the installation of energy efficiency measures in small commercial buildings,
15. TEACH: The TEACH program worked with school districts to develop energy curriculum and reduce energy usage in the schools. The OCE is proposing to discontinue this program in 2011. The proposed 2011 budget provides sufficient funds to pay for previous commitments and associated administrative fees.
16. C&I Marketing: The C&I marketing budget is for all marketing activities related to promoting the C&I programs.
17. Business Conference: There is no proposed funding for a business conference in 2011.
18. Special Studies: The Special Studies budget will fund outstanding commitments related to green jobs training grants previously approved by the Board.

The following sets out the proposed allocation of the Energy Efficiency program budgets to each of the program managers.

Proposed 2011 Energy Efficiency Program Budget by Program Manager					
Energy Efficiency Programs					
	Honeywell	**TRC**	**Utilities**	**OCE**	**Total**
Programs					
Residential EE Programs					
Residential HVAC - Electric & Gas	$19,786,157.98				**$19,786,157.98**
Residential New Construction	$19,943,969.50				**$19,943,969.50**
Energy Efficient Products	$12,684,764.52				**$12,684,764.52**
Home Performance with Energy Star	$34,826,860.71				**$34,826,860.71**
Community Partners Initiative	$0.00			$0.00	**$0.00**
Residential Marketing	$1,309,984.00				**$1,309,984.00**
Sub Total Residential	**$88,551,736.71**	**$0.00**	**$0.00**	**$0.00**	**$88,551,736.71**
Residential Low Income					
Comfort Partners	**$0.00**	**$0.00**	**$24,000,000.00**	**$0.00**	**$24,000,000.00**
C&I EE Programs					
C&I New Construction		$9,275,462.98			**$9,275,462.98**
C&I Retrofit		$36,478,000.37			**$36,478,000.37**
Pay-for-Performance New Construction		$7,487,494.56			**$7,487,494.56**
Pay-for-Performance		$53,849,676.30			**$53,849,676.30**
CHP		$1,003,979.92			**$1,003,979.92**
Local Government Energy Audit		$12,115,170.97			**$12,115,170.97**
Direct Install		$29,330,115.70			**$29,330,115.70**
TEACH		$338,462.00			**$338,462.00**
C&I Marketing		$1,075,000.00			**$1,075,000.00**
Business Conference		$0.00			**$0.00**
Sub Total C&I	**$0.00**	**$150,953,362.80**	**$0.00**	**$0.00**	**$150,953,362.80**
Other EE Programs					
Special Studies				$477,801.00	**$477,801.00**
Competitive Grant-Loan Solicitation				$30,000,000.00	**$30,000,000.00**
Sub Total Other Energy Efficiency Programs	**$0.00**	**$0.00**	**$0.00**	**$30,477,801.00**	**$30,477,801.00**
Total Energy Efficiency	**$88,551,736.71**	**$150,953,362.80**	**$24,000,000.00**	**$30,477,801.00**	**$293,982,900.51**

Renewable Energy Program Budget

The OCE recommends a number of modifications to the proposed RE budget as follows:

1. The CORE program was closed to new applications in 2008. OCE recommends that $589,044 which is no longer needed for rebates due to project cancellations be reallocated to the REIP.
2. By Order dated September 16, 2010, Docket No. EO08110971, the Board reduced two of the three approved the offshore wind rebates, for a total of $2 million. Staff recommends reallocation of these funds to the REIP.
3. Honeywell has proposed elimination of RE Marketing as a separate budget item. Staff recommends reallocating $38,353.54 in RE Marketing carry over to REIP.
4. The proposed 2011 budget for the Edison Innovation Clean Energy Fund includes sufficient funds to pay all outstanding commitments for grants previously approved by the Board. Staff recommends that this program be closed to new applicants in 2011 and that $1,446,556 in funds in excess of the amount needed to pay outstanding commitments be reallocated to REIP.
5. $68,400 in funding for continuing Utility support for the CleanPower Choice program was added to the budget.

6. The RE Grid program budget was transferred from the EDA to the RE budget.

The OCE recommends the 2011 Renewable Energy Program budgets shown in the following table which incorporates the line item transfers proposed above. The proposed budgets are followed by a brief description of the programs.

Proposed 2011 Renewable Energy Program Budget

Renewable Energy Programs							
	NJBPU	Estimated	Estimated	New	Line	Final	Committed
	Approved	2010	2010	2011	Item	2011	Expenses
Programs	2010 Budget	Expenses	Carry Over	Funding	Transfers	Budgets	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)+(d)+(e)	(g)
Customer On-Site Renewable Energy	$54,778,432.50	$33,680,955.98	$21,097,476.52	$0.00	($589,044.00)	$20,508,432.52	$20,500,000.00
Clean Power Choice	$123,115.25	$118,958.25	$4,157.00	$64,243.00	$0.00	$68,400.00	$0.00
Offshore Wind	$13,870,253.00	$900,000.00	$12,970,253.00	$0.00	($2,000,000.00)	$10,970,253.00	$10,970,253.00
Renewable Energy Program: Grid Connected	$6,201,605.00	$745,632.00	$5,455,973.00	$5,000,000.00	$0.00	$10,455,973.00	$3,110,688.00
Renewable Energy Incentive Program	$66,771,767.89	$37,020,168.54	$29,751,599.35	$5,935,757.00	$4,073,953.54	$39,761,309.89	$25,500,000.00
RE Marketing	$394,755.50	$356,401.96	$38,353.54	$0.00	($38,353.54)	$0.00	$0.00
Edison Innovation Clean Energy Fund (formerly CST)	$5,940,000.00	$1,723,361.00	$4,216,639.00	$0.00	($1,446,556.00)	$2,770,083.00	$2,770,083.00
SUB-TOTAL Renewables	**$148,079,929.14**	**$74,545,477.73**	**$73,534,451.41**	**$11,000,000.00**	**$0.00**	**$84,534,451.41**	**$62,851,024.00**

(a) = Board approved revised 2010 budget.
(b) = Estimated 2010 expenses from 7&5 report.
(c) =2010 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
(d) = Level of new 2011 funding allocated to each program.
(e) = Transfer of funds from one program or budget category to another.
(f) = 2010 carryover plus new 2011 Funding plus/less line item transfers.
(g) = committed expenses estimated to be paid in 2011 or 2012

1. Customer Sited Renewable Energy (“CORE”): The CORE Program provides rebates to customers that install RE systems to meet the electric loads of their homes or businesses. This program was discontinued in 2009. The 2011 budget will be utilized to pay rebate commitments made prior to program termination.
2. CleanPower Choice: The CleanPower Choice Program is a program that allows customers to voluntarily support the development of an RE industry by agreeing to pay slightly higher rates to purchase renewably generated electricity.
3. Offshore Wind: The Offshore Wind program will provide rebates for the installation of OSW meteorological towers or buoys and funding additional OSW studies.
4. Renewable Energy Program: Grid Connected. This program managed by the OCE provides incentives to large non-solar renewable energy projects, including wind and biomass.
5. Renewable Energy Incentive Program: This program provides incentives for customer-sited renewable energy systems, including solar, wind, and biomass. This program also provides services related to the establishment and trading of RECs and SRECs.
6. RE Marketing: There is no RE Marketing budget proposed for 2011.

7. Edison Innovation Clean Energy Fund: This program was previously managed by the New Jersey Commission on Science and Technology. The Board previously approved several grants as part of this program that will be managed by the OCE in 2011. There are no new program activities proposed for 2011.

The following states the proposed allocation of the 2011 Renewable Energy program budget to each of the program managers.

Proposed 2011 Renewable Energy Program Budget by Program Manager				
Renewable Energy Programs				
	Honeywell	**OCE**	**Utilities**	**Total**
Programs				
Customer On-Site Renewable Energy	$20,508,432.52			**$20,508,432.52**
Clean Power Choice			$68,400.00	**$68,400.00**
Offshore Wind		$10,970,253.00		**$10,970,253.00**
Renewable Energy Program: Grid Connected		$10,455,973.00		**$10,455,973.00**
Renewable Energy Incentive Program	$39,761,309.89			**$39,761,309.89**
RE Marketing				**$0.00**
Edison Innovation Clean Energy Fund (formerly CST)		$2,770,083.00		**$2,770,083.00**
SUB-TOTAL Renewables	**$60,269,742.41**	**$24,196,309.00**	**$68,400.00**	**$84,534,451.41**

EDA Program Budget

Although many EDA programs also support RE, the OCE proposes showing the programs managed by EDA as a separate budget category in 2011 as opposed to commingling them with the RE programs. The following table shows the proposed budget for the programs to be managed by EDA followed by a brief description of the program.

Proposed 2011 EDA Program Budget							
	NJBPU	Estimated	Estimated	New	Other	Final	Committed
	Approved	2010	2010	2011	Anticipated	2011	Expenses
Programs	2010 Budget	Expenses	Carry Over	Funding	New Funding	Budgets	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)+(d)+(e)	(g)
EDA PROGRAMS							
EDA RE Project Grants and	$1,284,714.00	$1,284,714.00	$0.00	$0.00	$0.00	$0.00	$0.00
EDA Renewable Energy Business Venture Financing/REED	$250,000.00	$250,000.00	$0.00	$0.00	$0.00	$0.00	$0.00
EDA Edison Innovation Clean Energy Manufacturing and Green	$27,731,486.82	$4,286,758.00	$23,444,728.82	$11,000,000.00	$171,427.48	$34,616,156.30	$18,000,000.00
Edison Innovation Green Growth Fund	$0.00	$0.00	$0.00	$4,000,000.00	$0.00	$4,000,000.00	$0.00
EE Revolving Loan Fund	$0.00	$0.00	$0.00	$18,000,000.00	$0.00	$18,000,000.00	$0.00
SUB-TOTAL EDA Programs	**$29,266,200.82**	**$5,821,472.00**	**$23,444,728.82**	**$33,000,000.00**	**$171,427.48**	**$56,616,156.30**	**$18,000,000.00**

1. RE Project Grants and Financing: The Renewable Energy Project Grants and Financing Program has been terminated. All previous commitments have been paid or terminated.
2. Renewable Energy Business Venture Financing: The Renewable Energy Business Venture Financing Program has been terminated. All previous commitments have been paid or terminated.

3. Edison Innovation Clean Energy Manufacturing Fund: The Edison Innovation Clean Energy Manufacturing Fund will be managed by EDA to provide incentives to attract and expand energy efficiency and renewable energy manufacturing facilities to New Jersey.
4. Green Growth Fund: The Green Growth Fund will offer assistance in the form of loans to clean technology companies that have achieved 'proof of concept' and successful, independent beta results and are seeking funding to grow and support their technology business.
5. EE Revolving Loan Fund: This low interest loan program is structured as a companion to the NJCEP Pay for Performance (PFP) incentive program, which is designed to provide grant incentives to large commercial and industrial customers who comprehensively upgrade their facilities through investments in energy efficiency.

OCE Oversight Budget

The OCE recommends that the program not fund sponsorships or memberships in 2011. Therefore, the OCE recommends that $35,492 in estimated carryover related to the 2010 Northeast Energy Efficiency Partnership budget and $9,114 related to the 2010 Clean Energy States Alliance budget be reallocated to OCE Staff and Overhead. The following table states the 2011 OCE Oversight budget recommended by the OCE.

2011 OCE Oversight Budget

	NJBPU Approved 2010 Budget	Estimated 2010 Expenses	Estimated 2010 Carry Over	New 2011 Funding	Line Item Transfers	Final 2011 Budgets
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) + (d) + (e)
Administration and Overhead						
OCE Staff and Overhead	$1,532,521.03	$1,002,183.20	$530,337.83	$1,241,000.00	$44,606.00	$1,815,943.83
Program Coordinator	$2,289,480.00	$2,245,497.00	$43,983.00	$2,024,000.00		$2,067,983.00
Memberships-Dues						
Northeast Energy Efficiency Partnership Sponsorship including EMV Regional Protocol Forum	$316,300.00	$280,808.00	$35,492.00	$0.00	($35,492.00)	$0.00
Clean Energy States Alliance	$134,114.00	$125,000.00	$9,114.00	$0.00	($9,114.00)	$0.00
Consortium for Energy Efficiency	$133,817.00	$133,817.00	$0.00	$0.00		$0.00
Sub-Total: Administration and Overhead	**$4,406,232.03**	**$3,787,305.20**	**$618,926.83**	**$3,265,000.00**	**$0.00**	**$3,883,926.83**
Evaluation and Related Research						
Rutgers-CEEEP	$400,000.00	$331,584.29	$68,415.71	$300,000.00		$368,415.71
Funding Reconciliation	$33,715.00	$33,715.00	$0.00	$0.00		$0.00
O&M Scoping Study/Online Academy	$450,000.00	$450,000.00	$0.00	$0.00		$0.00
Other Studies	$57,937.60	$57,937.60	$0.00	$0.00		$0.00
Program Evaluation	$1,511,779.65	$0.00	$1,511,779.65	$440,000.00		$1,951,779.65
Financial Audits	$700,000.00	$191,502.20	$508,497.80	$500,000.00		$1,008,497.80
Green Jobs and Building Code Training	$100,000.00	$0.00	$100,000.00	$0.00		$100,000.00
Sub-Total: Evaluation and Related Research	**$3,253,432.25**	**$1,064,739.09**	**$2,188,693.16**	**$1,240,000.00**	**$0.00**	**$3,428,693.16**
Marketing and Communications						
Outreach and Education/Community Partner Grants	$154,185.47	$145,167.65	$9,017.82	$20,000.00		$29,017.82
Sustainable Jersey	$0.00	$0.00	$0.00	$625,000.00		$625,000.00
Sub-Total: Marketing and Communications	**$154,185.47**	**$145,167.65**	**$9,017.82**	**$645,000.00**	**$0.00**	**$654,017.82**
TOTAL: Administration	**$7,813,849.75**	**$4,997,211.94**	**$2,816,637.81**	**$5,150,000.00**	**$0.00**	**$7,966,637.81**

(a) = Board approved revised 2010 budget
(b) = Estimated 2010 expenses from 7&5 report.

(c) = 2010 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
(d) = Level of new 2011 funding allocated to each program.
(e) = Transfer of funds from one program or budget category to another.
(f) = 2010 carry over plus new 2011 Funding plus/less line item transfers.

The OCE Oversight budget includes three components:

1. Administration and Overhead;
2. Evaluation and Related Research; and,
3. Marketing and Communications.

Administration and Overhead includes the OCE Staff expenses and overhead and Program Coordinator services. The OCE proposes to discontinue all sponsorships/memberships in 2011. The OCE Oversight budget has been reduced to less than 2% from the allowable 10% of new funds in an effort to direct more funding to the NJCEP programs. Despite this small amount of funding allocated to the OCE Staff expenses and overhead, the OCE notes that the NJCEP has enjoyed overwhelming and increasing success over the years.

The OCE Oversight budget includes two additional components. The evaluation and related research component includes funds for various program evaluation activities that assess the energy efficiency and renewable energy markets in New Jersey and recommend improvements to the programs. The marketing and communications component includes funds for expenses related to the previously approved Outreach and Education Grants and for service provided by Sustainable Jersey. The three components of the OCE Oversight budget are discussed in the OCE's compliance filing.

Performance Incentives

Neither Honeywell nor TRC have requested performance incentives for 2011.

Protocols

The OCE has directed the program managers to develop proposed revisions to the Protocols to Measure Resource Savings ("Protocols"), approved by the Board by Order dated October 10, 2010, in Docket No. EO09120975. The revised Protocols would be required to address any additions or changes to the 2011 programs approved herein. In addition, the OCE recommends that the program await CEE's market characterization report on using AFUE as a performance metric for integrated heat and hot water systems so that the Market Managers can determine if that change to the current protocols are warranted. Changes to the Protocols will be formed with input from public stakeholders and presented to Board for consideration at a later date. Following Board approval, the Protocols will be utilized for estimating savings from the 2011 programs discussed above.

DISCUSSION AND FINDINGS

Consistent with the Market Managers' and the Program Coordinator's contracts, the OCE has coordinated with the Market Managers and the Program Coordinator regarding the programs and budgets set out in the compliance filings. The OCE, in conjunction with these contractors, held monthly public meetings with the EE and RE committees from June to November to receive comments and input into the development of the 2011 programs and budgets. In addition, a public hearing was held on November 10, 2010 to solicit additional input on the proposed program plans and budgets and written comments were accepted from the public. Accordingly, the Board **HEREBY FINDS** that the process utilized in developing the 2011 programs and budgets was appropriate and provided stakeholders and interested members of the public the opportunity to comment.

The OCE has considered the extensive public stakeholder input received, as well as the comments of the Market Managers and Program Coordinator. The OCE believes the programs and budgets discussed above will deliver significant benefits to the State and will satisfy the objectives of EDECA. For example, the OCE's recommendations move the RE program closer to a market-based approach and, accordingly, eliminates ratepayer subsidies as required by EDECA. Therefore, the OCE recommends approval of the 2011 program and budget filings consistent with the recommended modifications discussed above.

The Board has reviewed the OCE's recommendations regarding the 2011 program and budget filings submitted by the OCE (including the filings of the EDA and Sustainable Jersey), Honeywell, TRC, and the Utilities as well as comments submitted by other interested public stakeholders. The Board **HEREBY FINDS** the OCE's recommendations to be reasonable and consistent with the laws and policies of the State. Therefore, the Board **HEREBY APPROVES** the 2011 program and budget filings submitted by the OCE dated December 1, 2010 (including the filings of the EDA and Sustainable Jersey), the Utilities dated December 1, 2010, Honeywell dated December 2, 2010, and TRC dated December 2, 2010, as modified by incorporation of the changes recommended by the OCE above.

Although the Board has approved the OCE's compliance filing including proposed funding for the developing EE grant/loan program, the Board will consider the specific details of this program at a later date and **HEREBY DIRECTS** the OCE to seek public input as it develops this proposed program. The Board has also approved two new programs to be administered by the EDA consistent with the terms of an MOU, which the Board will consider at a later date. The Board **HEREBY DIRECTS** the OCE to negotiate the terms of an MOU with the EDA for the management of these programs in 2011 and to return to the Board for consideration of that MOU prior to execution. The Board **FURTHER DIRECTS** Staff to review and improve the cost effectiveness of the NJCEP educational programs. Moreover, the Board **HEREBY DIRECTS** the OCE to seek public input, develop a curriculum for schools with Sustainable Jersey, and return to the Board with a proposal for consideration at a later date.

The Board has approved the OCE's recommendations regarding solar incentives. With regard to rebates for wind and biomass projects, Staff has noted that participation levels in these programs have been limited. The Board **HEREBY DIRECTS** the OCE to establish a working group to assess the costs and benefits of continuing a rebate program for wind and biomass and to explore other potential options for enhancing the development of onshore wind and biomass projects.

The OCE recommended that the Board authorize Staff to work with NJLEUC and other interested parties to develop a detailed proposal for a new pilot program for consideration by the Board. The Board concurs that the proposed pilot has the potential to benefit the State's largest energy users by providing an alternative, simplified path to participation in the NJCEP. Therefore, the Board **HEREBY DIRECTS** the OCE to coordinate with NJLEUC, the public, and other interested parties to seek input regarding the development of a pilot program for the State's largest energy users to be presented for consideration by the Board at a later date.

TRC's compliance filing also included a proposal for a new Direct Install Program for Local Government Entities. TRC proposed that up to 60% of the installed cost of cost effective, approved measures be paid by SEP-ARRA funds, subject to the approval by the USDOE. The OCE requested that the Board defer consideration of this proposal and the Board desires additional feedback from the USDOE regarding the feasibility of utilizing SEP-ARRA funds for this proposed program prior to acting on this request. Therefore, the Board **HEREBY DIRECTS** the OCE to review the proposed Direct Install Program for Local Government Entities with TRC and the USDOE. The Board **FURTHER DIRECTS** Staff to report the results of that review to the Board. The Board will consider the proposed Direct Install Program for Local Government Entities at a later date.

The Board also notes its prior directives regarding the Customer Account Look-up pilot program and regulations as well as the OCE's recommendations regarding that pilot program in 2011. The Board **HEREBY DIRECTS** the OCE to evaluate the pilot program as well as the need for rule proposals stating the look-up procedure and addressing the potential for slamming. The Board **FURTHER DIRECTS** the OCE to seek input from stakeholders and return to the Board with a recommendation on those issues during the first quarter of 2011.

Having approved the programs as modified, the Board **HEREBY DIRECTS** the OCE to work with the Market Managers, with appropriate notice to the public, to finalize application forms and make other changes necessary to implement the changes ordered herein. The Board **FURTHER DIRECTS** the OCE to post the 2011 compliance filings, as modified and approved herein, on the NJCEP website along with a copy of this Order.

The Board has also reviewed the statewide budgets compiled by the OCE and the proposed line item transfers recommended by Staff. The Board **HEREBY FINDS** the proposed line item transfers to be reasonable and appropriate. Therefore, the Board **HEREBY APPROVES** the line item transfers and 2011 budgets in the tables above, which reflect the OCE's final recommendations.

The 2011 budgets approved herein are based on estimated expenses for 2010 and are subject to "true up" in a future Order once final 2010 expenses are known. For example, the OCE estimated that all expenses related to the O&M Scoping Study/Online Academy will be paid in 2010 and therefore proposed a 2011 budget of $0 for these activities. If payment of final invoices for the O&M Scoping Study/Online Academy is delayed until 2011, the actual 2010 expenses will be below estimated expenses, which will result in additional carryover. To the extent that 2011 budgets approved herein are below 2011 expenses due to actual 2010 expenses being less than estimated 2010 expenses, Treasury is authorized to pay invoices for approved program expenses. Pursuant to its authority under N.J.S.A. 48:2-40, the Board may reopen this matter and adjust the 2011 budgets, as required, in a separate Order.

Also, as noted above, the 2011 budgets approved herein are contingent on appropriations by the Legislature and subject to State appropriations law. For example, budgets and funding allocations for the NJCEP may require modification to reflect the Appropriations Act. In addition, Staff has noted the need to make an additional adjustment of $500,000 to comply with the Appropriations Act for Fiscal Year 2011. Pursuant to its authority under N.J.S.A. 48:2-40, the Board may reopen this matter to make any necessary adjustments as a result of State appropriations law. Such changes will be considered by the Board and memorialized in a separate Order.

The Board is reevaluating its policies regarding Smart Growth, considering a transition of the NJCEP administrative structure, and awaiting a revised Energy Master Plan. As these policies develop, the Board may revise or reconsider the programs described herein pursuant to its authority under N.J.S.A. 48:2-40. Any revision to these programs will include input from public stakeholders and interested parties.

Contract Modifications

Honeywell and TRC have filed proposed requests to extend and modify their contracts as needed to implement the 2011 program and budget modifications approved herein. These contract modifications were transmitted to Treasury for review. Upon receipt of approval from Treasury, the OCE will submit the proposed contract amendments to the Board for review and approval.

DATED: 12/22/10

BOARD OF PUBLIC UTILITIES
By:

LEE A . SOLOMON
PRESIDENT

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Elizabeth Randall
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COMMISSIONER

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