Agenda Date: 4/14/10
Agenda Item: 8C

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

CLEAN ENERGY

IN THE MATTER OF COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR THE 2009 -2012: REVISED 2010 BUDGETS	))))	ORDER DOCKET NO. EO07030203

(SERVICE LIST ATTACHED)

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities ("Board") at its April 14, 2010 public meeting, where the Board considered proposed modifications to 2010 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, N.J.S.A. 48:3-49 et seq. ("EDECA") was signed into law. EDECA established requirements to advance energy efficiency and renewable energy in New Jersey through the societal benefits charge. N.J.S.A. 48:3-60(a)(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. Ibid. 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").

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 million for 2011, and $379 million for 2012. The Board's action to approve the 2009 programs and budgets was memorialized in an Order dated January

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

8, 2009, Docket No. EO07030203. By Order dated December 17, 2009, Docket No. EO07030203, the Board approved 2010 programs and budgets for the NJCEP ("2010 Budget Order") as well as the compliance filings of Honeywell, TRC, the OCE, and six utilities (collectively referred to as the "Utilities").[2]

In the 2010 Budget Order, as in previous Orders, the Board made its approval contingent on appropriations. The Board stated that "[a]ny adjustments to the 2010 budget as a result of State appropriations, if necessary, will be considered by the Board and memorialized in a separate Order." The public was then put on notice that changes to the State budget may impact the funding of NJCEP programs approved in the 2010 Budget Order.

On February 10, 2010 Governor Christie issued Executive Order 14 in which he declared a fiscal emergency in the State of New Jersey. Pursuant to N.J.S.A. 52:27B-26, the Governor ordered the Director of the Division of Budget and Accounting within Treasury to identify and place into reserve funds sufficient to ensure that the State budget would remain in balance. On that authority, Treasury identified and placed $158 million of funding from the societal benefits charge, located in the Clean Energy Trust Fund within Treasury, into reserve.

Because those funds were previously a part of the NJCEP 2010 budget, the OCE believes that the Board must modify the 2010 Budget Order to implement Executive Order 14. In this Order, the Board will consider proposed modifications to the 2010 programs and budgets previously approved by the Board. The Board's action is consistent with its authority under N.J.S.A. 48:3-60(a)(3) as well as the 2010 Budget Order.

Development of the Revised 2010 Programs and Budget Filings

Upon issuance of Executive Order 14, the OCE considered whether program participation would exceed available funding. Program participation rates are driven by both the level of the incentives and other factors outside the control of the program such as the state of the economy, the state of the new construction marketplace, and the State's weather patterns, which can impact air conditioning and heating system sales. The OCE, in coordination with the Program Coordinator and the Market Managers, continually monitor program participation rates and expenses to ensure that commitments do not exceed available funding. After review of the NJCEP programs and the funding available for 2010, the OCE determined that funding could meet the current program participation rate, but revisions to the budgets were urgently needed if these rates were to continue throughout the year.

In addition, the Board formally noticed a public hearing on March 18, 2010. The public hearing was intended to provide an opportunity for stakeholder input on proposed revisions to the NJCEP 2010 programs and budgets. The notice also stated that the Board would accept written comments through March 25, 2010. Board President Lee Solomon presided over the public hearing, which was held on March 25, 2010. This public hearing was attended by the Commissioners of the Board as well as approximately 250 people.

Board Staff's straw proposal, which will be discussed below, was circulated along with the notice. The straw proposal stated the OCE's proposed revisions to the 2010 programs and budgets. Both the notice and the straw proposal were broadly circulated and both were posted on the NJCEP and Board's web sites. Stakeholders commented at the public hearing and submitted written comments on the straw proposal. Those comments are summarized below.

[2] The compliance filings included program descriptions and detailed budgets for each program.

2010 Budget True Up

In the 2010 Budget Order the Board approved a total budget of approximately $555 million. The total 2010 budget included carryover of unspent funds from previous years as well as anticipated new funding of $269 million, which was approved by the Board in the CRA III Order. In addition, a significant portion of the overall 2010 budget includes funds to pay rebate and other commitments made by the NJCEP in prior years.

The NJCEP operates similar to a construction budget in which an approved commitment is made in one year and paid after construction is completed and inspected in a subsequent year. As noted below, the current commitments to pay the approved rebates once a new Energy Star home is constructed or new solar system is installed are $195 million. The tables below note those programs with prior approved commitments. Some programs pay rebates upon installation or purchase of equipment and do not have commitments.

The tables below note those program budgets with prior commitments. Although some programs pay incentives immediately, other programs may make a rebate commitment in one year, but not pay that commitment until construction is completed and inspected in a subsequent year. Funding for these prior commitments forms a part of the total 2010 budget even though these commitments will be paid in 2010 through 2012.

The Board establishes annual budgets based on estimated expenses for the previous year. Once actual expenses are known, the Board has historically issued a revised budget Order to "true up" any differences between actual and estimated expenses. As has been the Board's practice, the 2010 Budget Order relied on estimates that would require "true up" at a later date.

2009 actual expenses are now known and are approximately $61 million below estimated 2009 expenses. The majority of the additional funding is due to overestimation of rebates and other incentives that were to be paid by the end of the year. A portion of the additional funding is due to approved rebate commitments that expire or the projects are not constructed.

The actual expenses for 2009 are now known. The following tables show the final 2009 budgets approved by the Board; the actual 2009 expenses and carry over; the estimated 2009 carry over that was used to develop initial 2010 budgets; and the difference between the actual and estimated carry over for the energy efficiency ("EE"), renewable energy ("RE") and OCE Oversight budgets. Estimated 2009 expenses were developed in September 2009 and differences between estimated and actual expenses reflect both changes in market activity and commitments that were expected to be completed in 2009, but carried forward into 2010. The tables have been updated since the release of the OCE Straw Proposal to reflect final 2009 expenses.

2009 Energy Efficiency Program Budget

Programs	NJBPU Approved 2009 Budget (a)	Actual 2009 Expenses (b)	Actual 2009 Carry Over (c) = (a) - (b)	Estimated 2009 Carryover from 2010 Budget Order (d)	Difference = Additional Carryover (e) = (c) - (d)
Residential EE Programs					
Residential HVAC - Electric & Gas	$13,532,500.80	$9,557,604.89	$3,974,895.91	$4,083,364.40	($108,468.49)
Residential New Construction	$42,576,218.09	$9,082,800.43	$33,493,417.66	$32,629,659.88	$863,757.78
Energy Efficient Products	$25,315,444.47	$19,623,879.93	$5,691,564.54	$10,895,221.87	($5,203,657.33)
Home Performance with Energy Star	$23,652,926.69	$10,248,143.70	$13,404,782.99	$8,739,385.03	$4,665,397.95
Community Based Efficiency Initiative	$1,247,612.00	$447,612.00	$800,000.00	$350,000.00	$450,000.00
Residential Marketing	$4,580,830.00	$3,710,123.26	$870,706.74	$602,503.51	$268,203.23
Sub Total Residential	**$110,905,532.04**	**$52,670,164.21**	**$58,235,367.83**	**$57,300,134.69**	**$935,233.15**
Residential Low Income					
Comfort Partners	$36,309,764.38	$30,741,450.93	$5,568,313.45	$7,473,620.38	($1,905,306.93)
Sub Total Low-Income	**$36,309,764.38**	**$30,741,450.93**	**$5,568,313.45**	**$7,473,620.38**	**($1,905,306.93)**
C&I EE Programs					
Commercial/Industrial Construction					
C&I New Construction	$10,691,720.49	$2,240,924.83	$8,450,795.66	$7,637,083.95	$813,711.71
C&I Retrofit	$22,020,298.02	$14,410,530.34	$7,609,767.68	$5,539,082.79	$2,070,684.89
New School Construction & Retrofit (P4P NC in 2010 BO)	$7,103,223.98	$1,006,162.63	$6,097,061.35	$5,555,117.26	$541,944.09
CHP	$11,784,675.15	$1,003,184.76	$10,781,490.39	$10,307,748.15	$473,742.24
Local Government Audit	$13,276,120.00	$1,862,388.85	$11,413,731.15	$8,712,442.25	$2,701,288.90
Direct Install	$10,295,999.00	$125,000.00	$10,170,999.00	$9,695,999.00	$475,000.00
Pay-for-Performance	$23,245,128.08	$743,119.20	$22,502,008.88	$20,369,948.08	$2,132,060.80
TEACH	$795,600.00	$188,225.00	$607,375.00	$445,397.50	$161,977.50
Marketing	$1,555,000.00	$1,546,809.20	$8,190.80	$0.00	$8,190.80
Business Conference	$1,046,000.40	$710,932.44	$335,067.96	$0.00	$335,067.96
Sub Total C&I	**$101,813,765.12**	**$23,837,277.25**	**$77,976,487.87**	**$68,262,818.98**	**$9,713,668.89**
Other EE Programs					
Special Studies	$1,327,101.50	$0.00	$1,327,101.50	$1,227,101.50	$100,000.00
Cool Cities	$4,956,762.98	$3,709,765.51	$1,246,997.47	$383,708.43	$863,289.04
Sub Total Other Energy Efficiency Programs	**$6,283,864.48**	**$3,709,765.51**	**$2,574,098.97**	**$1,610,809.93**	**$963,289.04**
Total Energy Efficiency	**$255,312,926.02**	**$110,958,657.90**	**$144,354,268.12**	**$134,647,383.98**	**$9,706,884.15**

2009 Renewable Energy Program Budget

Renewable Energy Programs Existing Programs	NJBPU Approved 2009 Budget (a)	Actual 2009 Expenses (b)	Actual 2009 Carry Over (c) = (a) - (b)	Estimated 2009 Carryover from 2010 Budget Order (d)	Difference = Additional Carryover (e) = (c) - (d)
Customer On-Site Renewable Energy	$126,605,581.76	$35,155,470.15	$91,450,111.61	$51,874,925.29	$39,575,186.32
Clean Power Choice	$629,501.00	$411,884.32	$217,616.68	$83,009.22	$134,607.46
DEP Ecological Baseline Study	$2,100,000.00	$2,100,000.00	$0.00	$0.00	$0.00
Offshore Wind	$13,765,676.00	$0.00	$13,765,676.00	$13,765,676.00	$0.00
Renewable Energy Program: Grid Connected (Formerly REDI)	$10,201,605.00	$0.00	$10,201,605.00	$10,201,605.00	$0.00
Renewable Energy Incentive Program	$54,070,980.40	$8,813,207.72	$45,257,772.68	$39,001,189.19	$6,256,583.49
Edison Innovation Clean Energy Fund	$6,000,000.00	$60,000.00	$5,940,000.00	$3,365,000.00	$2,575,000.00
RE Marketing	$680,319.00	$562,751.17	$117,567.83	$57,078.76	$60,489.07
HMFA Solar Loan Program	$7,000,000.00	$0.00	$7,000,000.00	$7,000,000.00	$0.00
SUB-TOTAL Renewables	**$221,053,663.16**	**$47,103,313.36**	**$173,950,349.80**	**$125,348,483.46**	**$48,601,866.34**
EDA PROGRAMS					
RE Project Grants and Financing	$4,085,967.00	$2,725,286.00	$1,360,681.00	$970,681.00	$390,000.00
Renewable Energy Business Venture Financing/REED	$1,537,473.38	$368,905.18	$1,168,568.20	$908,568.38	$259,999.82
Edison Innovation Clean Energy Manufacturing Fund: EE & RE	$24,000,000.00	$2,480,000.00	$21,520,000.00	$20,520,000.00	$1,000,000.00
SUB-TOTAL EDA Programs	**$29,623,440.38**	**$5,574,191.18**	**$24,049,249.20**	**$22,399,249.38**	**$1,649,999.82**
TOTAL Renewable Energy Programs	**$250,677,103.54**	**$52,677,504.54**	**$197,999,599.00**	**$147,747,732.84**	**$50,251,866.16**

2009 OCE Oversight Budget

	NJBPU Approved 2009 Budget	Actual 2009 Expenses	Actual 2009 Carry Over	Estimated 2009 Carryover from 2010 Budget Order	Difference = Additional Carryover
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
ADMINISTRATION AND OVERHEAD					
OCE Staff and Overhead	$2,413,000.00	$947,875.39	$1,465,124.61	$608,560.09	$856,564.52
Program Coordinator	$2,072,014.75	$1,982,512.50	$89,502.25	$0.00	$89,502.25
Memberships-Dues					
Northeast Energy Efficiency Partnership Sponsorship including EMV Regional Protocol Forum	$600,000.00	$233,700.00	$366,300.00	$68,692.00	$297,608.00
Clean Energy States Alliance	$172,057.00	$62,943.00	$109,114.00	$0.00	$109,114.00
Consortium for Energy Efficiency	$135,183.00	$126,366.00	$8,817.00	$8,817.00	$0.00
National Association of State Energy Officials and ACORE	$15,000.00	$1,500.00	$13,500.00	$0.00	$13,500.00
National Association of Regulatory Utility Commissioners	$5,000.00	$0.00	$5,000.00	$0.00	$5,000.00
USGBC/Other Memberships	$30,000.00	$0.00	$30,000.00	$0.00	$30,000.00
Sub-Total: Administration and Overhead	**$5,442,254.75**	**$3,354,896.89**	**$2,087,357.86**	**$686,069.09**	**$1,401,288.77**
Evaluation and Related Research					
Rutgers-CEEEP	$500,000.00	$305,273.85	$194,726.15	$57,484.37	$137,241.78
Impact Evaluation	$513,240.00	$351,920.00	$161,320.00	$164,320.00	($3,000.00)
Funding Reconciliation	$50,000.00	$16,285.00	$33,715.00	$20,350.00	$13,365.00
O&M Scoping Study/Online Academy	$450,000.00	$0.00	$450,000.00	$300,000.00	$150,000.00
Other Studies/Job Training Pilot	$400,000.00	$12,062.40	$387,937.60	$249,131.20	$138,806.40
Program Evaluation	$1,100,000.00	$55,220.35	$1,044,779.65	$900,000.00	$144,779.65
Northeast Energy Efficiency Partnership Scoping Study	$132,326.50	$131,673.50	$653.00	$653.00	$0.00
Sub-Total: Evaluation and Related Research	**$3,145,566.50**	**$872,435.10**	**$2,273,131.40**	**$1,691,938.57**	**$581,192.83**
Marketing and Communications					
Energy Savings Campaigns	$75,303.87	$74,820.98	$482.89	($7,598.83)	$8,081.72
Web Site	$300,000.00	$32,413.09	$267,586.91	$267,586.91	$0.00
Outreach and Education/Community Partner Grants	$427,656.70	$193,471.23	$234,185.47	$218,671.64	$15,513.83
Sub-Total: Marketing and Communications	**$802,960.57**	**$300,705.30**	**$502,255.27**	**$478,659.72**	**$23,595.55**
TOTAL: Administration	**$9,390,781.82**	**$4,528,037.29**	**$4,862,744.53**	**$2,856,667.38**	**$2,006,077.15**

The budget "true up" shown in the tables above includes additional funding for allocation among the NJCEP programs. Approximately $61 million of additional funds are available for allocation to the NJCEP as a result of the "true up." These funds will partially offset the budget reductions needed to implement Executive Order 14. In addition, $579,946 in additional interest and loan repayments for the EDA programs are available for allocation. The revised funding levels shown in the table below reflect the "true up" between actual and estimated 2009 expenses; the additional EDA interest and loan repayments; and the $158 million reserve.

Revised 2010 Funding Levels

	2010 Budget From 12/17/09 Board Order	Additional Carryover	Additional EDA Interest and Loan Repayments	Initial 2010 Budget Plus Additional Carry Over	Budget Reductions	Revised 2010 Funding Levels	Committed Expenses	Revised 2010 Budget Less Commitments
	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)	(f)=(d)+(e)		
Energy Efficiency Programs	$321,124,883.98	$9,706,884.15		$330,831,768.13	($63,251,579.23)	$267,580,188.90	$68,925,948.79	$198,654,240.11
Renewable Energy Programs	$219,480,883.84	$50,251,866.16	$579,946.00	$270,312,696.00	($86,969,525.99)	$183,343,170.01	$125,601,373.24	$57,741,796.77
OCE Oversight	$14,286,667.38	$2,006,077.15		$16,292,744.53	($7,778,894.78)	$8,513,849.75	$454,185.47	$8,059,664.28
Total	$554,892,435.20	$61,964,827.46	$579,946.00	$617,437,208.66	($158,000,000.00)	$459,437,208.66	$194,981,507.50	$264,455,701.16

Overall, the additional funding offsets the reserve such that the 2010 programs and budgets only require a reduction of approximately $97 million.

The OCE Straw Proposal

As noted above, the OCE, in coordination with the NJCEP Market Managers and the NJCEP Program Coordinator, prepared a straw proposal that set out proposed revisions to the 2010 NJCEP programs and budgets. The straw proposal was circulated to stakeholders for comment.

Based on objectives of EDECA and past Board orders, the NJCEP has generally looked to maximize job creation and retention; energy savings; clean energy generation; and environmental benefits. Taking these objectives into consideration, the OCE utilized the following principles in developing its proposed budget modifications and program changes:

1. Honor all existing rebate commitments.
2. Reduce or eliminate NJCEP administrative costs across the board.
3. Defer or eliminate new programs/initiatives that have not been implemented to date.
4. Reduce/defer/eliminate new grant programs and new solicitations.
5. Update/scrub existing program commitments to eliminate any projects no longer under development.
6. Minimize changes to “whole building” programs. The Home Performance with Energy Star program has experienced considerable growth in the past few months and the OCE desires to continue this momentum. Therefore, OCE has proposed an increase to the budget for this program.
7. Maintain sufficient budgets to continue all existing programs.

The following tables show the budget modifications proposed by the OCE in its straw proposal followed by a brief summary of the proposed program changes.

EE Programs

Proposed Revisions to 2010 Energy Efficiency Program Budgets

Programs	Board Approved 2010 Budget (a)	Additional Carry Over (b)	Line Item Transfer (c)	Budget Reductions (d)	Revised 2010 Budget (e)=(a)+(b)+(c)+(d)	Commitments as of 2/12/10 (g)	Revised 2010 Budget Less Commitments (h)
Residential EE Programs							
Residential HVAC - Electric & Gas	$20,187,081.93	($108,468.49)	$0.00	($5,151,201.44)	$14,927,412.00	$0.00	$14,927,412.00
Residential New Construction	$31,453,881.12	$863,757.78	$0.00	($10,378,747.90)	$21,938,891.00	$14,019,300.00	$7,919,591.00
Energy Efficient Products	$28,653,608.08	($5,203,657.33)	$0.00	($1,448,572.75)	$22,001,378.00	$0.00	$22,001,378.00
Home Performance with Energy Star	$42,124,569.88	$4,497,597.95	$0.00	$4,012,413.08	$50,634,580.92	$19,991,000.00	$30,643,580.92
Community Partners Initiative	$2,397,494.01	$450,000.00	$0.00	($1,854,882.01)	$992,612.00	$0.00	$992,612.00
Residential Marketing	$4,675,834.75	$268,203.23	$0.00	($1,539,008.98)	$3,405,029.00	$0.00	$3,405,029.00
Sub Total Residential	$129,492,469.77	$767,433.15	$0.00	($16,360,000.00)	$113,899,902.91	$34,010,300.00	$79,889,602.91
Residential Low Income							
Comfort Partners	$31,123,620.38	($1,922,945.93)	$0.00	$0.00	$29,200,674.45	$0.00	$29,200,674.45
Sub Total Low Income	$31,123,620.38	($1,922,945.93)	$0.00	$0.00	$29,200,674.45	$0.00	$29,200,674.45
C&I EE Programs							
C&I New Construction	$9,300,000.00	$813,711.71	$0.00	($4,800,000.00)	$5,313,711.71	$3,737,854.00	$1,575,857.71
C&I Retrofit	$25,539,083.00	$2,052,684.89	$0.00	$0.00	$27,591,767.89	$14,000,000.00	$13,591,767.89
Pay-for-Performance New Construction	$12,437,215.85	$541,944.09	$0.00	($8,013,016.34)	$4,966,143.60	$0.00	$4,966,143.60
Pay-for-Performance	$62,315,345.58	$2,132,060.80	$0.00	($17,018,437.64)	$47,428,968.74	$2,655,150.00	$44,773,818.74
CHP	$8,229,422.00	$473,742.24	$0.00	($3,300,000.00)	$5,403,164.24	$5,403,164.24	$0.00
Local Government Energy Audit	$14,987,442.00	$2,701,288.90	$0.00	($6,000,000.00)	$11,688,730.90	$4,991,136.00	$6,697,594.90
Direct Install	$17,695,999.00	$475,000.00	$0.00	($3,000,000.00)	$15,170,999.00	$2,000,000.00	$13,170,999.00
TEACH	$1,550,000.00	$161,977.50	$0.00	($400,000.00)	$1,311,977.50	$800,000.00	$511,977.50
Marketing	$1,630,000.00	$8,190.80	$0.00	($550,000.00)	$1,088,190.80	$0.00	$1,088,190.80
Business Conference	$1,046,485.40	$335,076.96	$0.00	($1,381,562.36)	$0.00	$0.00	$0.00
Sub Total C&I	$154,730,992.83	$9,695,677.89	$0.00	($44,463,016.34)	$119,963,654.38	$33,587,304.24	$86,376,350.14
Total Energy Efficiency	**$315,347,082.98**	**$8,540,165.11**	**$0.00**	**($60,823,016.34)**	**$263,064,231.74**	**$67,597,604.24**	$195,466,627.50

Proposed EE Program Revisions

HVAC

- Eliminate Contractor Participation incentive ($100)
- Eliminate Creatives and Co-op Advertising
- Reduce Quality Installation Verification participants from 3,262 to 750
- Eliminate duct pilot implementation
- Reduce Solar Electric participants from 400 to 100
- Eliminate Non-HVAC Processing item
- Reduce contractor support from $15,667.00 to $9,200.10 per month
- Reduce Research and Development from $556,200.00 to $147,003.00.

Residential New Construction

- Reduce Tier 2 and 3 project estimate by 500 units
- Reduce Tier 1 Single Family incentive from $2,500 to $1,800
- Increase Tier 1 Multi-Family incentive from $700 to $1,000
- Reduce total average incentive for Tier 3 from $25,000 to $18,000
- Reduce R&D from $365,132.00 to $262,418.00

Energy Efficient Products

- Reduce CFL budget from $7 million to $5 million
- Reduce total consumer electronics initiative to $1,500,000 and spread across consumer electronics offerings
- Remove pool pumps and timers, and new product development administration
- Remove O-Power project
- Cap appliances at current commitment levels (TVs -15,485, Monitors - 5257, Desktops – 150)
- Zero out contingency
- Eliminate Pool Pump development
- Reduce washing machine incentive from $75 to $50

Home Performance with Energy Star

- Revert back to the customer incentives cap of $5,000
- Remove income qualified incentive at 75%. This customer class is eligible for 50% incentive.
- Remove Tier 2, require air sealing in Tier 3
- Reduce contractor audit incentive from $175.00 to $100.00
- Reduce contractor incentive from $1,400 to $1,000
- Eliminate contractor subsidies associated for BPI Accreditation and tools.
- Eliminate customer coupons for CFLs
- Coordinate with NJNG to pay T2 & T3 incentive to participants in their service territory ($5 million)
- Implement a new multifamily building incentive structure
    - Multifamily buildings are defined as those with five or more units in a single building, or multiple buildings (each with five or more units) within a single geographic boundary and with a single property management structure but no more than 3-story high and with no elevator in the building.
    - Incentives structure is as follows:
        - $5,000 cap on 1st unit
        - $3,000 cap on units 2-5
        - $1,000 cap for all units thereafter

Community Partners Initiative

- Remove Whole Community Pilot administration and incentives
- Reduce existing incentives from $500,000 to $100,000

Residential Marketing

- Eliminate ad hoc events
- Eliminate variable contingencies
- Scale back travel, event planning and execution, press releases, print, radio & television advertising and printed materials.

Low-Income Program

- The OCE is not proposing any changes to the utility low-income Comfort Partners program other than a small reduction to the program budget.

C&I New Construction

- New construction activity has seen a slow down under the current economic conditions. The proposed budget is sufficient to meet anticipated program participation levels.

C&I Retrofit

- The proposed budget is sufficient to meet anticipated program participation levels.

Pay for Performance New Construction

- Eliminate the doubling of incentives for certain customer classes
- Eliminate doubling the cap for certain customer classes

Pay for Performance

- Eliminate the doubling of incentives for certain customer class
- Eliminate doubling the cap for certain customer classes

CHP

- This program is closed to new participants. Proposed budget is sufficient to pay existing commitments.

Local Government Energy Audit

- Cap reduced to $100,000 per customer, year, regardless of size/# of buildings.

Direct Install

- Institute an entity cap of $250,000 per year
- Institute a project cap of $40,000 per project ($100,000 per project for local government entities)

TEACH

- Reduce the quantity of schools to be served by 100
- Eliminate planned program evaluation activities
- Eliminate second energy education contractor

C&I Marketing

- Reduce variable contingency
- Eliminate promotional items budget
- Reduce paid media budget:
    - Eliminate outdoor budget
    - Eliminate radio budget
    - Eliminate television/video/PSA
    - Reduce electronic display/association newsletter budget
    - Reduce print media budget

Clean Energy Conference

- Eliminate 2010 Clean Energy Conference.

In addition to the changes noted above, the OCE is proposing the use of funding from the American Recovery and Reinvestment Act ("ARRA") for program administration costs. Approval of the OCE's proposal would be contingent on approval from the U.S. Department of Energy ("USDOE").

Renewable Energy Programs

Proposed Revisions to 2010 RE Program Budgets

	Board Approved 2010 Budget	Additional Carry Over	Line Item Transfers	Budget Reductions	Revised 2010 Budget	Commitments as of 2/12/10	Revised 2010 Budget Less Commitments
Programs	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(g)	(h)
Customer On-Site Renewable Energy	$46,883,993.67	$39,575,186.32	$0.00	($15,213,760.99)	$71,245,419.00	$71,245,419.00	$0.00
Clean Power Choice	$83,009.22	$40,551.16	$0.00	($80,000.00)	$43,560.38	$0.00	$43,560.38
Renewable Energy Incentive Program	$83,449,003.45	$6,253,223.49	$0.00	($31,000,000.00)	$58,702,226.94	$29,857,811.00	$28,844,415.94
RE Marketing	$701,764.50	$81,044.24	$0.00	($285,765.00)	$497,043.74	$0.00	$497,043.74
SUB-TOTAL Renewables	$131,117,770.84	$45,950,005.21	$0.00	($46,579,525.99)	$130,488,250.06	$101,103,230.00	$29,385,020.06

Proposed RE Program Revisions

CORE

- The revised CORE program budget reduction reflects projects that have been cancelled/scrubbed.

REIP

- Reduce the new funding for REIP commitments by $31.0 million through the following:
  - o Residential solar: Reduction of $7.8 million achieved by reducing this budget from $30.0 million to $22.2 million.
  - o Non Residential solar: Reduction of $6.0 M achieved by reducing this budget from $13.4 million to $7.4 million.
  - o Wind and Biopower: Combine these two separate budget categories into one budget and reduce funding by $16.7 million achieved by reducing the combined budget from $21.2 million to $4.5 million with a soft cap to review if it looks like one technology will reserve more than $3.5 million of the available budget.
  - o As a result of these budget reductions it is anticipated that the Market Manager administration fees for REIP will be reduced by approximately $500,000.
- Lower the REIP solar incentive levels effective with Funding Cycle 2 which commences on May 1, 2010 as follows:
  - o Solar residential from $1.75/Watt (meeting EE requirement) to $1.35/ Watt and remove EE requirement (see bullet below).
  - o Solar non residential from $1.00/Watt (meeting EE requirement) to $.80/ Watt and remove EE requirement (see bullet below).
  - o Since the above reductions incorporate the capacity block reduction that would have occurred at 20 MW of approved solar residential and 20 MW approved solar non residential projects, the next capacity block reduction will be determined at a future date.
- Eliminate the HPwES and C&I audit requirement to qualify for full solar incentive level. This will have some effect on the REIP program and will provide a significant decrease in the demand for HPwES funds.

RE Marketing

- Reduce RE Marketing budget by $366,809.24.

EDA/CST/HMFA Programs

Proposed Revisions to 2010 EDA/CST/HMFA Program Budgets

Programs	Board Approved 2010 Budget (a)	Additional Carry Over (b)	Line Item Transfer (c)	Budget Reductions (d)	Revised 2010 Budget (e)=(a)+(b)+(c)+(d)	Commitments as of 2/12/10 (g)	Revised 2010 Budget Less Commitments (h)
Special Studies	$777,801.00	$100,000.00	$0.00	$0.00	$877,801.00	$872,000.00	$5,801.00
Cool Cities	$0.00	$863,289.04	$0.00	($863,289.04)	$0.00	$0.00	$0.00
Offshore Wind	$13,870,253.00	$0.00	$0.00	$0.00	$13,870,253.00	$13,870,253.00	$0.00
Renewable Energy Program: Grid Connected (Formerly REDI)	$16,201,605.00	$0.00	$0.00	($10,000,000.00)	$6,201,605.00	$0.00	$6,201,605.00
RE Project Grants and Financing	$894,714.00	$390,000.00	$0.00	$0.00	$1,284,714.00	$894,714.00	$390,000.00
EDA Renewable Energy Business Venture Financing/REED	$870,890.00	$260,000.00	**$0.00**	$0.00	$1,130,890.00	$1,122,903.00	$7,987.00
EDA Clean Energy Manufacturing and Green Growth Fund	$43,160,651.00	$1,000,000.00	$0.00	($17,000,000.00)	$27,160,651.00	$12,882,000.00	$14,278,651.00
CST Edison Innovation Clean Energy Fund	$6,365,000.00	$2,585,000.00	$0.00	($3,000,000.00)	$5,950,000.00	$2,993,443.00	$2,956,557.00
HMFA EE Mortgages	$5,000,000.00	$0.00	$0.00	($5,000,000.00)	$0.00	$0.00	$0.00
HMFA Solar Loan Program	$7,000,000.00	$0.00	$0.00	($7,000,000.00)	$0.00	$0.00	$0.00
SUB-TOTAL EDA Programs	**$94,140,914.00**	**$5,198,289.04**	**$0.00**	**($42,863,289.04)**	**$56,475,914.00**	**$32,635,313.00**	$23,840,601.00

Proposed Revisions to State Entity Programs

HMFA EE Mortgage Program

- Eliminate funding for HMFA EE Mortgages. This program has not yet been implemented and the OCE recommends putting this program on hold for now.

EDA and CST Programs

- The OCE proposes that no new funding be forwarded to EDA or CST in 2010
    - Use carry over funding for new grants for EDA Manufacturing Fund and CST Edison Innovation Fund projects
    - Eliminate new funding for Green Growth fund and Wrap Around program which have not yet been implemented

HMFA Solar Loan Program

- Eliminate NJCEP funding for HMFA Solar Loan program, but continue ARRA funding for this program.

OCE Oversight

Proposed Revisions to 2010 OCE Oversight Budget

	Board Approved 2010 Budget	Additional Carry Over	Line Item transfers	Budget Reductions	Revised 2010 Budget	Commitments as of 2/12/10	Revised 2010 Budget Less Commitments
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(g)	(h)
Administration and Overhead							
OCE Staff and Overhead	$2,175,934.26	$856,771.09	$0.00	($1,499,977.75)	$1,532,727.60	$0.00	$1,532,727.60
Program Coordinator	$2,400,000.00	$89,502.25	$0.00	($200,022.25)	$2,289,480.00	$0.00	$2,289,480.00
Memberships-Dues							
Northeast Energy Efficiency Partnership Sponsorship including EMV Regional Protocol Forum	$568,692.00	$297,608.00	$0.00	($550,000.00)	$316,300.00	$300,000.00	$16,300.00
Clean Energy States Alliance	$175,000.00	$109,114.00	$0.00	($150,000.00)	$134,114.00	$0.00	$134,114.00
Consortium for Energy Efficiency	$133,817.00	$0.00	$0.00	$0.00	$133,817.00	$0.00	$133,817.00
National Association of State Energy Officials and ACORE	$15,000.00	$13,500.00	$0.00	($28,500.00)	$0.00	$0.00	$0.00
National Association of Regulatory Utility Commissioners	$5,000.00	$5,000.00	$0.00	($10,000.00)	$0.00	$0.00	$0.00
USGBC/Other Memberships	$30,000.00	$30,000.00	$0.00	($60,000.00)	$0.00	$0.00	$0.00
Sub-Total: Administration and Overhead	$5,503,443.26	$1,401,495.34	$0.00	($2,498,500.00)	$4,406,438.60	$300,000.00	$4,106,438.60
Evaluation and Related Research							
Rutgers-CEEEP	$507,484.37	$105,657.49	$0.00	($200,000.00)	$413,141.86	$0.00	$413,141.86
Impact Evaluation	$0.00	($3,000.00)	$3,000.00	$0.00	$0.00	$0.00	$0.00
Funding Reconciliation	$100,350.00	$13,365.00	$0.00	($80,000.00)	$33,715.00	$0.00	$33,715.00
O&M Scoping Study/Online Academy	$300,000.00	$150,000.00	$0.00	$0.00	$450,000.00	$0.00	$450,000.00
Other Studies	$69,131.20	$138,806.40	$0.00	($150,000.00)	$57,937.60	$0.00	$57,937.60
Program Evaluation	$2,870,000.00	$144,779.65	($3,000.00)	($1,200,000.00)	$1,811,779.65	$0.00	$1,811,779.65
Financial Audits	$1,000,000.00	$0.00	$0.00	($200,000.00)	$800,000.00	$0.00	$800,000.00
Green Jobs and Building Code Training	$1,500,000.00	$0.00	$0.00	($1,100,000.00)	$400,000.00	$0.00	$400,000.00
University Clean Technology Demonstration Projects	$1,500,000.00	$0.00	$0.00	($1,500,000.00)	$0.00	$0.00	$0.00
Sub-Total: Evaluation and Related Research	$7,846,965.57	$549,608.54	$0.00	($4,430,000.00)	$3,966,574.11	$0.00	$3,966,574.11
Marketing and Communications							
Energy Savings Campaigns	$0.00	$8,081.72	$0.00	($8,081.72)	$0.00	$0.00	$0.00
Web Site	$267,586.91	$0.00	$0.00	($267,586.91)	$0.00	$0.00	$0.00
Outreach and Education/Community Partner Grants	$668,671.64	$42,364.38	$0.00	($530,000.00)	$181,036.02	$181,036.02	$0.00
Sub-Total: Marketing and Communications	$936,258.55	$50,446.10	$0.00	($805,668.63)	$181,036.02	$181,036.02	$0.00
TOTAL: Administration	$14,286,667.38	$2,001,549.98	$0.00	($7,734,168.63)	$8,554,048.73	$481,036.02	$8,073,012.71

Proposed Revisions to OCE Oversight Activities

- Reduce funding for OCE staff overhead and Program Coordinator
- Eliminate funding for Northeast Energy Efficiency Partnerships ("NEEP") Energy Measurement and Verification ("EM&V") Regional Forum and annual sponsorship
- Eliminate funding for National Association of State Energy Offices ("NASEO"), United States Green Buildings Council ("USGBC"), and other memberships
- Reduce funding for the Center for Energy, Economic and Environmental Policy ("CEEEP") for evaluation support
- Reduce funding for 2010 evaluation projects
- Reduce funding for green jobs training
- Eliminate funding for university clean technology demonstration projects
- Eliminate funding for web site upgrades
- Eliminate funding for new outreach and education grants
- Propose petitioning USDOE to allow the use of ARRA funds for ARRA program administrative expenses

Summary of Comments

The following section summarizes the comments submitted to the Board regarding the OCE Straw Proposal. The comment summaries include both the oral comments presented at the public hearing on March 25, 2010 and the written comments submitted to the Board. The OCE's responses are also included.

Those who commented on this matter are listed below: Jersey Shore LLC ("Jersey Shore"), Powell Energy and Solar, LLC ("Powell"), South Jersey Gas Company ("South Jersey Gas"), SG Heating and Air Conditioning ("SGHAC"), Kevin Kraft, Heat Shed Inc. ("Heat Shed"), Qado Energy ("Qado"), Fred DeSanti, New Jersey Natural Gas Company ("NJNG"), H.T. Lyons, Inc. ("Lyons"), Bovio Advanced Comfort & Energy Solutions ("Bovio"), Rubino Service Company ("Rubino"), Andrew Tomlinson, The Solar Alliance, CitiLog, Sun Electrical Corporation, Sunlight Phototonics Inc. ("Sunlight"), Edgardo Suarez, Elizabethtown Gas Company ("ETG"), Association of New Jersey Environmental Commissions ("ANJEC"), Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), Mid-Atlantic Solar Energy Industries Association ("MSEIA"), New Jersey Business & Industry Association ("NJBIA"), New Jersey Large Energy Users Coalition ("NJLEUC"), ISLES E4, Inc. ("ISLES"), Home Energy Matters, NEEP, Sunpower Corporation ("Sunpower"), Cathy Sims, ProTech Energy Solutions ("ProTech"), Eneractive Solutions ("Eneractive"), Opower, Home Energy Team, Air Group, BC Express, Bright Alternatives, Ed Hutchinson, Sierra Club, Global Warming and Clean Energy Advocates for Environment New Jersey ("Environment New Jersey"), Fuel Merchants Association, South Jersey Mechanical Contractors Association ("SJ Contractors Association"), Mayors' Committee for a Green Future, FRAS Air Conditioning, Trinity Solar, National Association of Energy Service Companies ("NAESCO"), Walters Group, New Jersey Conservation Foundation, Locus Energy, ACI Clean Energy, Princeton Air Conditioning, Efficiency First, New Jersey Environmental Federation, New Jersey Environmental League, Labor Local 55, Ecological Systems, Jim Price, Solar Home Energy Solutions, Scott Schultz, Bud Fahey, George Kraemer, Danielle Heise, Mike Shannon, Greenhouse Market, Kristen DelPino, John Amels, Matt Mason, and U.S. Supreme Building Council.

General Comments to the Straw Proposal: ANJEC, Bright Alternatives, Ed Hutchinson, NEEP, ProTech, ISLES, Sierra Club, Ms. Beth Kujan, New Jersey Conservation Foundation, New Jersey Environmental Federation, Mr. George Kraemer, Shailesh Vakil, NEEP, Environment New Jersey, SJ Contractors Association, Mayors' Committee for a Green Future, FRAS Air Conditioning, South Jersey Gas, U.S. Supreme Building Council, New Jersey Conservation Foundation, Locus Energy, Rate Counsel, ACI Clean Energy, New Jersey Environmental League, Labor Local 55, George Kraemer, Home Energy Team, and Home Energy Matters.

Several commentors generally objected to the proposed cuts presented in the straw proposal and urged restoration of the funding reserved from the NJCEP. Commenters requested that the funds from the NJCEP, the Retail Margin Fund, and the Regional Greenhouse Gas Initiative ("RGGI") be restored. Many commenters stated that these programs assist in reducing greenhouse gases and other pollutants; enabling the State to remain below the cap to which it committed through RGGI; promoting economic stability; improving the forests' capacity to capture carbon; saving money for the State and its citizens; promoting economic growth especially among small installation companies; and preserving the goals of the Energy Master Plan. Some commenters expressed concern that, as a result of the proposed cuts, jobs will migrate to neighboring states. Other commenters claimed that the funds were needed for the NJCEP, because they believe the United States is still behind other countries in this area. Several commentors also provided input about the benefits of clean energy. Rate Counsel generally supported the straw proposal as it relates to EE and RE, but contended that future budgets should reflect recently implemented utility EE and RE programs, such as PSE&G's EE program budget exceeding $235 million.

Response: The OCE acknowledges Rate Counsel's support for the straw proposal and understands the concerns of other commenters. The OCE is aware of the significant benefits of energy efficiency and renewable energy. With that understanding, the OCE drafted the straw proposal with the intent of maximizing the benefits of the NJCEP programs while reducing the budgets to reflect the reserve. The straw proposal will allow for the continuation of the NJCEP's current programs so that, among other reasons, businesses may still rely on these programs and jobs will not be lost. In addition, the straw proposal includes sufficient funds to honor all existing commitments. Because the revised budget of approximately $459 million can support payment of these commitments as well as the continued growth of existing programs, the OCE believes the budget is sufficient to continue one of the most aggressive clean energy programs in the country. The OCE's proposed program modifications consider existing utility programs, such as the one noted in Rate Counsel's comments. The OCE believes that Rate Counsel's comment about utility programs warrants further consideration and intends to consider such in the context of developing 2011 NJCEP budget and future program budgets.

Reserve of $158 Million from the NJCEP: MSEIA, Mayors' Committee for a Green Future, Heat Shed, The Solar Alliance, Sun Electrical Corporation, Environment New Jersey, ETG, Rate Counsel, Shailesh Vakil, NEEP, ProTech, ANJEC, ISLES, NEEP, Trinity Solar, U.S. Supreme Building Council, NAESCO, Powell Energy & Solar, New Jersey Environmental League, Ecological Systems, Jim Price, Rate Counsel, Solar Home Energy Solutions, and New Jersey Environmental Federation.

Many commentors believe that the funding for the 2010 NJCEP budget was based on a charge established by EDECA and paid by ratepayers to their utilities for the development of clean energy and was not tax revenue. Commenters asserted that these monies were legislatively dedicated for EE and RE and could not be diverted to any other purpose. MSEIA announced at the public hearing and in its written comments, that it had filed a legal challenge to the reserve in court. Commenters also asserted that any change in NJCEP funding should be a public decision rather than one made by the Governor or the Board.

Commenters stated their fear that the $158 million reserve created a precedent for future diversions from the NJCEP. Commenters asked the Board to request that the Governor reconsider this action and ensure that this funding was not diverted in future. One commenter suggested alternate sources of funding to address the State's fiscal emergency.

In Rate Counsel's opinion, which was shared by other commenters, the $158 million reserve of NJCEP funding represents money that was neither spent nor committed for NJCEP activities in earlier budget years. Rate Counsel stated its concern that unspent and uncommitted funds represent a mismatch between NJCEP funding levels and actual spending on budgeted activity. Rate Counsel commented that, going forward, individual NJCEP programs should be subject to constant evaluation and an effort should be made to modify NJCEP budgets to reflect actual program activity so that funds collected from ratepayers would not go unspent. Rate Counsel also recommends that the Board adopt a process that returns year-end excess NJCEP dollars as a credit to ratepayers through a reduction in the societal benefits charge. ETG's comments assert that any decrease in the NJCEP budget should also result in a decrease in the payments it is required to make to the Clean Energy Trust Fund.

Response: The OCE acknowledges the comments, but must note that the Board has no authority over the State's budget and little role in the State Budget process. The Board is not the appropriate body to address many of the commenters' concerns. Under N.J.S.A. 48:3-

60a(3), the Board has the authority to establish programs, budgets, and set incentive levels for NJCEP programs. In the 2010 Budget Order, as in previous Orders, the Board recognized that its decisions were contingent on State appropriations law. The public was thus put on notice that changes to the State budget may impact the funding of NJCEP programs approved in the 2010 Budget Order. In Executive Order 14, the Governor declared a fiscal emergency in the State and ordered the Director of the Division of Budget and Accounting to identify and place into reserve items of appropriation in an amount sufficient to ensure that the State Budget is in balance. Pursuant to N.J.S.A. 52:27B-26, as ordered by the Governor, Treasury identified and placed funding from several areas into reserve, including $158 million of NJCEP funding. On March 4, 2010, the Board's President Solomon testified before the Assembly about the reserve of funds administered by the Board. Specifically, President Solomon recognized the need to make adjustments to the 2010 Budget Order as a result of the reserve, but stated that programs were expected to continue with adequate funding. The OCE believes it must recommend revisions to the NJCEP budgets to ensure that spending does not exceed available funding. The OCE circulated a straw proposal for public comment on March 18, 2010. The budgets in the straw proposal reflect the necessary reductions, but also show the OCE's effort to continue existing programs. The public has had input into the process and the OCE intends to make appropriate revisions based on its review of the comments.

The OCE strives to match program budgets to anticipated program activity, but program activity is subject to factors, such as general economic conditions and even the weather, which are outside of the control of the OCE. In addition, program activity levels for new programs are often difficult to estimate without the benefit of prior program activity as a guide. Although NJCE program activity is still subject to a variety of factors, Rate Counsel's concern may be addressed in 2010, because the straw proposal has postponed new programs. The OCE believes that funding will be spent quickly and ratepayers will see the benefits of the NJCEP.

With regard for Rate Counsel's request to credit ratepayers and ETG's request to reduce its contribution to the Clean Energy Trust Fund, the OCE does not believe it is appropriate to make modifications to CRA III or institute a credit to ratepayers without the benefit of additional stakeholder input on those proposals. EDECA established a process for the establishment of the NJCEP's funding levels, which should be followed if those funding levels are to be amended. The OCE also notes that the Energy Master Plan anticipates that the Board will commence a proceeding in 2010 to review the future administrative structure of the NJCEP. The OCE believes that Rate Counsel's comments regarding its proposed process should be considered in that proceeding.

Regulatory Risk: ANJEC, ProTech, Mayors' Committee for a Green Future, ISLES, Solar Home Energy Solutions, ProTech, New Jersey Environmental League, Solar Home Energy Solutions, Scott Schultz.

Some commentors expressed concern that the cuts proposed by the OCE introduce the potential of regulatory risk, resulting in the loss of financial backing and decreased State credibility. Commenters requested that the Board give every assurance possible that funding sources would remain sufficient to justify the risks of investment. Commenters also predicted fewer residential and less than 50 kW projects as a result of the budget cuts. Commenters also noted that the cuts could have the additional impact of undermining local government clean energy initiatives and reducing trust in the government.

Response: The OCE's first objective in drafting the straw proposal within the budget constraints was the inclusion of funding sufficient to honor all existing commitments. The OCE straw proposal achieves that goal and intends to recommend it for Board approval. Furthermore, the budget proposed by the OCE includes sufficient funding to continue all existing programs. The OCE believes that the revised incentives proposed in the straw proposal are also sufficient to continue the high level of demand for program incentives. The OCE also recommends a reasonable time period for introducing revised incentives so the marketplace has an opportunity to close out projects “sold” under the old incentives and begin to “sell” the new incentives. The OCE straw proposal is intended to minimize the impact of the necessary budget reductions and continue to support the contractors and customers that have made investments based upon the programs. Finally, as a general matter, the OCE intends to carefully monitor program expenses compared to program budgets over the course of the year.

Impact on ARRA Funding: ProTech, NAESCO, and Sierra Club.
One commenter claimed that NJCEP dollars are matched by the federal government and through the creation of subsidies by businesses. Commentors also claimed that New Jersey was able to attract ARRA funding because the leaders of the NJCEP tied that money to existing programs, which demonstrated the “shovel readiness” of these federally funded projects for the benefit of New Jersey. By trimming those programs, the commentors question whether that the Board risks losing those federal funds and violating federal regulations.

Response: The NJCEP funds are not matched by federal funds, but the State does receive federal funds for EE and RE programs. The OCE developed its straw proposal while taking into consideration the requirements of ARRA funding awarded to the State and communicating with the USDOE. The OCE does not believe the proposed revisions to the budget will impact any ARRA funding awarded to the State and is coordinating with the USDOE to confirm that no federal funding will be lost as a result.

Energy Efficiency:
Opower urges the Board to approve a program that compares one person’s energy use with his neighbors as a means of recommending energy savings.

Response: The OCE appreciates Opower’s comment. Although the OCE believes the proposed program may have merit, given the budget constraints, the OCE does not support funding new programs at this time.

Utility Economic Stimulus Energy Efficiency Programs: NJNG, South Jersey Gas, ETG
The commentors support the Board’s efforts to promote the burgeoning energy industry and reference the commitment made to EE through the Board’s approval of Economic Stimulus Energy Efficiency (“E3”) programs. However, some commenters expressed their concern that the straw proposal, if approved, could have the effect of “turning back the clock” on the economic and energy policy progress made by those programs. Certain utilities also made comments specific to their own program and service territory.

NJNG submitted four program-specific comments on the EE portion of the straw proposal. With reference to the WARMAdvantage program, NJNG stated that there are likely to be customers who have already made significant investment decisions on energy-efficient equipment in reliance upon existing incentives in the HPwES program. NJNG believes that the installation date for WARMAdvantage qualified equipment might be a relevant date of consideration of eligibility under these incentives. NJNG’s comments support the straw proposal’s recommendation that NJNG pay Tier 2 and Tier 3 incentives under HPwES, provided the associated expenses do not exceed the budget approved for HPwES in the E3 program. NJNG’s comments support the elimination of Tier 2 incentives under HPwES. However, NJNG states that it can support the administration and provide the funding for Tier 2 incentives within its service territory for those customers who have participated in an NJNG Audit as a result of the installation of a high-efficiency furnace. NJNG believes that allowing it to maintain this incentive in its service territory would provide a pilot program for the provision of incentives to customers to install additional EE measures. NJNG's comments also support the retention of the Comfort Partners program with no major changes to structure or budget.

South Jersey Gas states that the straw proposal could directly affect four of its five E3 programs approved by the Board in 2009. In particular, South Jersey Gas points to its Residential Home Performance Finance program, Residential Efficiency Domestic Program, Direct Install, and Combined Heat and Power Distributive Generation. South Jersey Gas commented that it is will to work with the Board to facilitate a plan to preserve the integrity of existing programs.

In its comments, ETG agrees that changes affecting the "whole building" programs should be minimal. The commenter would consider funding, as part of its E3 program, two of the incentives eliminated in the straw proposal: the Tier 2 incentive for HPwES and the 50% rebate for Tier 3 measures provided under the "whole building" program. ETG believes that the HPwES contractor audit incentive should not be reduced and suggests using a part of the increased funding for HPwES in the straw proposal to keep that incentive at its current $175 level. More generally, ETG comments that any changes to the NJCEP should not impact its ability to implement the corresponding element of its E3 program.

Response: The OCE appreciates the comments to the EE portion of the straw proposal. The straw proposal continues funding for all of the existing NJCEP programs. The planned expansion of certain programs and the development of some new programs may be revisted during the 2011 budget process. The OCE believes that the revised budget of $459 million is sufficient to continue to support the development of growing clean energy businesses in New Jersey.

The OCE appreciates the support for the Comfort Partners program. The OCE also welcomes South Jersey Gas's offer to work with the Board to preserve the integrity of existing programs. The OCE also appreciates NJNG's and ETG's proposal to utilize E3 funding for Home Performance projects in their service territories.

The OCE believes that it is important to maintain consistent program incentives across the State to minimize customer and contractor confusion if different incentives are provided in different service territories. However, NJNG has indicated that it has made commitments to contractors operating in its service territory related to the availability of Tier 2 incentives. Therefore, the OCE believes that NJNG as well as South Jersey Gas and ETG, to the extent applicable, should have the flexibility to eliminate Tier 2 incentives for customers in their service territories. Although the OCE intends to recommend this flexibility in eliminating Tier 2 incentives, the OCE does not support NJNG's and ETG's proposals to continue discontinued incentives in their service territories only. If the Board adopts the OCE's recommended program changes, the OCE will coordinate with the commenters to establish an effective date for the elimination of Tier 2 incentives in their service territories. The proposed effective dates of any revised incentives will be intended to balance customer's reliance on incentives with the need to reduce incentives to keep program expenses within budget. The OCE will also coordinate with the commenters to explore what changes, if any, are required to their E3 programs to enable this result.

Commercial & Industrial ("C&I") Sector: NJBIA, NJLEUC
NJBIA and NJLEUC claim that the C&I sector contribute the largest portion of fees to the NJCEP. The commenters also stated that, for every dollar invested in C&I projects, there is an $11 return on investment compared to a $4 return on residential projects. The commentors assert that they do not benefit proportionately to their contribution to the NJCEP. NJBIA comments request that the OCE re-think the reductions in rebate levels for the business ratepayers, since they contribute at sustainably higher rates than the residential ratepayers, deliver a higher return on investment, and often have more expensive projects that demand higher rebate levels.

Response: The OCE recognizes that C&I programs deliver a higher level of savings per program dollar than other programs and the straw proposal was developed with that in mind. The OCE believes the C&I programs will have sufficient funding to meet anticipated participation levels. The proposed increase in the budget for the HPwES programs reflects the exponential growth the program has experienced over the past several months. Finally, the OCE believes that it is important for NJCEP programs to benefit all ratepayers, despite the greater rate of return on C&I investments.

Energy Savings Improvement Program ("ESIP"): NJLEUC
NJLEUC advocates the retention and expansion of this program, because - in addition to enabling needed energy savings - the cost of the program is paid for out of savings rather than requiring an initial capital investment.

Response: The ESIP was established by statute, L. 2009, c. 4. Since its enactment, the OCE has advocated its use and supports the continued development of such projects.

Combined Heat and Power ("CHP"): Fred DeSanti, Jim Price, ETG, NJBIA, NJLEUC.
The commentors strongly supported the CHP grants that had been available through the Retail Margin Fund and recommended the reduction of funding for other NJCEP programs to make funding available for those CHP projects. Fred DeSanti suggested a scoring system for the evaluation and ranking of programs to be funded by the NJCEP and the Retail Margin Fund. ETG comments that the proposed elimination of the NJCEP's CHP program should not affect its ability to offer its CHP and gas cooling programs.

Response: The OCE appreciates the commenters' support for CHP. The Board had expected to approve CHP projects for funding from the Retail Margin Fund, but that funding was also reserved. The OCE is now considering alternative sources of funding for those projects and anticipates presenting its recommendations to the Board in the near future.

The straw proposal addresses the NJCEP programs. The OCE is in general agreement with the suggested priorities for establishing priority among programs for funding. A cost-benefit analysis of the programs is prepared by CEEEP on an annual basis. The OCE also takes into consideration jobs creation and emission reductions in preparing its recommendations to the Board regarding programs and budgets. The OCE supports the continuation of ETG's programs, but notes that the CHP program through the NJCEP has not been eliminated.

Pay for Performance: Eneractive Solutions, NAESCO, NJBIA, NJLEUC.
Eneractive Solutions comments that its business benefited from the Pay for Performance program and credits the program as being the primary contributor to achieving the goals of the Energy Master Plan. The commenter fears that cutting the program budget will diminish its potential impact. NAESCO comments that Pay for Performance has received the largest cuts in terms of percentage, despite the fact that it produces the greatest savings for the least amount of money. According to NJBIA, the residential program saw total cuts for all programs ($15.3 million) that were less than the cut experienced by C&I for the Pay for Performance Program ($17 million). NJBIA claims that Pay for Performance has a higher subscription rate than several of the residential programs.

Response: The OCE appreciates the commenters' support for the program. The Pay for Performance program has approximately $2.7 million in outstanding commitments and $15 million worth of anticipated projects. As such, the OCE believes the proposed budget of $47 million is sufficient to meet anticipated 2010 program demand, expenses, and commitments. Furthermore, the OCE notes that the incentives for non-government/not-for-profit customers remain unchanged from current levels and that the program provides incentives of up to $1 million per electric and gas meter plus an additional $1 million to customers that install CHP.

Direct Install: Lyons, Ed Hutchinson.
The commentors object to the straw proposal's $40,000 project cap and $250,000 aggregate cap for this program, because they believe that these caps would not allow small to medium-sized businesses to pursue comprehensive energy efficiency strategies for their whole building. The commentors suggest a cap of $100,000 like the cap set for governmental entities.

Response: The OCE agrees with the comments requesting the same incentive cap for governmental and non-governmental entities. The Direct Install program was initiated in late 2009 and has little historic participation information that may be used to gauge program activity levels and project costs. Therefore, the OCE will monitor program activity levels and project costs going forward and assess whether any changes to the incentive cap should be proposed to the Board for consideration at a later date.

The straw proposal proposed a project cost cap of $100,000, which equates to an incentive cost cap of $80,000. The OCE will recommend that both entities have incentives capped at $80,000. TRC's revised compliance filing reflects this change and clarifies the incentive cap.

Residential New Construction ("RNC"): Sunpower
Sunpower stated that the proposed $10.4 million reduction in the RNC budget amounted to a 32% decrease from the existing budget and asked the OCE to reconsider that reduction, as well as the proposed decreases in Tier I incentives for single family homes.

Response: The OCE believes that the proposed budget for the RNC program is sufficient to cover anticipated program expenses and commitments for that program. The OCE also believes the budget is reflective of the current downturn in the new home construction market.

Home Performance with Energy Star ("HPwES"): John Conforti of Air Group, BC Express, Princeton Air Conditioning, Bovio, Rubino, ISLES, Walters Group, Labor Local 55, Efficiency First, Jim Price, George Kraemer, Greenhouse Market, Edgardo Suarez, Xavier Walter, FRAS Air conditioning, Powell, SGHAC, Sunpower, Bright Alternatives, Fuel Merchants Association, Jim Price, Bud Fahey, Home Energy Matters, Mike Shannon, Kristen DelPino, John Amels, Rate Counsel.

Some commentors credit the program with promoting business growth during difficult economic times. The energy efficiency benefits for homeowners were also referenced as well as the need to retain benefits at current levels to motivate homeowners and achieve "critical mass" in the marketplace. Several commenters stated that their transition to performing HPwES work had required significant investments of time and capital for equipment, marketing, training, and hiring. The commentors claimed to have made this effort because they believed that HPwES was not intended as a short-term initiative. Commenters expressed their concern that the proposed reduction in program incentives would undo all the progress of the last few years. ISLES commented that the proposed modifications are prejudiced against the low-income population, in particular, the elimination of the 75% rebate level for income-eligible participants in HPwES.

Mr. Walter commented that the energy audit contribution be increased to the national average. Some commenters suggested streamlining the program; eliminating HVAC rather than energy efficiency and free air sealing; and reducing the number of new contractors in the program. Matt Mason suggested various changes including eliminating a set audit fee, allowing builders to do their own audits, eliminating air sealing, changing the loan program by working with community banks to allow a faster reimbursement of contractors, and ensuring that small contractors like himself be made aware of future rule changes. Mr. Suarez urges the Board to maintain the energy audit contractor incentive; the BPI training and tools incentive; and the existing customer incentive cap of $10,000. Sunpower stated that, were the REIP program to eliminate its requirement for participation in HPwES, the increased funding for this program might not be necessary. Rate Counsel and Efficiency First, a national non-profit contractor trade association, support the recommendations in the straw proposal.

Response: The OCE appreciates the commenters' support for this program. The straw proposal recommends an $12 million increase to this program budget in recognition of the significant growth this program has experienced over the past several months and the commitments contractors have made to this program. The program has recently experienced exponential growth, going from approximately 10 to 20 applications per month in early 2009, to 100 to 250 applications per week in 2010. With this growth, the program will soon exceed available funding notwithstanding the increased budget. The OCE supports eliminating the higher REIP incentive for customers that participate in the HPwES program which will decrease demand for HPwES program incentives.

In assisting the OCE develop the straw proposal, the Market Manager explored ways to reduce program incentives in a manner that allowed for the continued growth of the program. The OCE believes that the program changes incorporated into the straw proposal reflect the opinion of many HPwES contractors. The OCE also believes the proposed changes to program incentives reflect a reasonable approach to keeping the program within budget while respecting the investments made by the contractor community.

The OCE believes that the specific comments submitted warrant further consideration as they may assist the OCE in efforts to further refine this program. The OCE encourages the commenters to raise these issues at the monthly stakeholder meetings of the EE Committee for an open, public discussion of the merits of the proposed program changes.

Energy Efficient Products
Danielle Heise expressed concern that the proposed reductions threatened the ability to market energy efficient products and educate consumers.

Response: With the exception of the rebates for clothes washers, neither the OCE nor the straw proposal recommend any reductions to customer rebates for energy efficient products. The proposed reduction to the incentives for washing machines, from $75 to $50, reflects a reduction necessary to keep the program within budget given the higher than anticipated number of clothes washer rebates submitted over the past several months.

Renewable Energy:

Renewable Energy Incentive Program ("REIP"): MSEIA, Heat Shed, Powell, The Solar Alliance, Sun Electrical Corporation, Cathy Sims, Scott Schultz, Bud Fahey, Rate Counsel, Trinity Solar, Powell Energy & Solar, and Ecological Systems.

Many commenters generally referenced the environmental benefits of renewable energy and the economic growth stimulated by solar rebates. Some commentors requested retention of REIP rebates at current levels, because rebates ease the financial burden of investing in renewable energy. Commenters also asserted that the straw proposal would have a disproportionate impact on small-scale solar. Commentors also argue that, if the commercial rebates are reduced, the commercial solar sector cannot meet investors' requirements with respect to return on investment. MSEIA was generally supportive of reducing the rebates over time, but commented that reducing rebates too fast would cause program collapse. Rate Counsel and Powell support the Straw Proposal's REIP reductions. Powell supported the increase in the Alternate Compliance Payment to produce a stronger return on investment. The commenter recommended maintaining or raising the current ACP and instituting a "guarantee" for the SREC program to ensure an income stream for potential investors. It was also suggested that an adjustment in the Solar Alternative Compliance Payment ("SACP") would enable the Board to maintain solar rebate levels. Ecological Systems suggested disbursing a portion of the incentive at the beginning of a project or when materials are brought on site.

Response: The OCE appreciates the commenters' support for this program. The Board has previously approved an incentive reduction to take effect once the program reaches 20 megawatts worth of rebate approvals. As approved, the incentive levels would automatically drop by $0.20/watt for residential projects and $0.10/watt for non-residential projects. The OCE does not recommend changes to that approval. Rather, the straw proposal will eliminate a higher incentive for those projects that meet EE requirements, because additional incentive through REIP is not necessary to promote participation in the HPwES program and will drive additional participation in the program which as discussed above is budget constrained. The OCE also believes the proposed incentives for solar, combined with the Board's net metering rules and the current SREC levels are sufficient to support the continued growth of the solar industry in the State. The combination of these incentives off-set the cost of investing in solar while promoting the environmental benefits of renewable energy. Payment before project completion would increase the OCE's administrative burden by requiring multiple reviews of project status and the issuance of multiple incentive payments instead of one payment. The OCE would also have to pursue the return of funds where a project payment was made, but the project either did not proceed to completion or failed to meet all program requirements. Therefore, to ensure proper use of ratepayer funds, an incentive is paid when the NJCEP can verify, at the least cost, that a project has met all program requirements.

Customer On-site Renewable Energy ("CORE"): Rate Counsel
Rate Counsel observes that the proposed budget reduction of $15.2 million represents 31% of the CORE 2010 carry-over, based upon participation uncertainty due to cancelled and scrubbed projects. Given the participation uncertainty, Rate Counsel suggests two alternative approaches: (1) assuming a 25% scrub rate for projects currently described as "committed" would allow an additional reduction of $17.8 million; or (2) assuming a 25% scrub rate for carry-over projects that have not been scrubbed would allow an additional reduction of $6.1 million.

Response: The OCE agrees with Rate Counsel in concept and has explored the potential for reducing the budget to reflect historic scrub rates. However, the OCE believes that 100% of all commitments should be reserved against the budget to ensure sufficient funds are available to pay all rebate commitments once those projects are completed.

Wind and Biomass: Rate Counsel, Citilog
Rate Counsel supports the proposal to combine and reduce the wind and biomass budget to $4.5 million, but urges OCE to fund projects on a "first-come, first-served" basis rather than using technology-based soft caps. CitiLog, which states that it has been planning wood biomass processing and renewable energy centers for Newark and Camden County in expectation of receiving a $1.9 million REIP rebate, asserts that combining biomass and wind budgets and reducing that budget to $4.5 million is too aggressive a reduction. The commenter asserts that it was on target to begin operations in the fourth quarter of 2010 and would have provided more than 100 permanent jobs, but that if the proposed reduction is made it is likely to relocate to a lower-cost location.

Response: The OCE appreciates Rate Counsel's support for the proposed reductions to the wind and biomass budgets. Based on historic participation rates for wind and biomass projects, the OCE believes that the proposed wind and biomass budget of $4.5 million is sufficient to meet anticipated 2010 program expenses and commitments. As a general matter, the OCE intends to carefully monitor program expenses and commitments compared to program budgets over the course of the year. If demand for wind and biomass rebates proceed at a higher rate than anticipated, the OCE would consider recommending additional funds to this budget category

The OCE believes it is important that funding be available to promote the development both wind and biomass projects. The soft cap requires a review if one technology reaches $3.5 million in incentives at which time a decision can be made regarding whether or not to reserve the remaining budget for the other technologies. The OCE is concerned that a policy of "first come, first served" for these technologies could result in either wind or biomass utilizing all of the available funding, depending on the pace of project development.

Offshore Wind: NJBIA
NJBIA comments that the $12 million for offshore wind should be put towards renewable energy technologies on land. It claims those technologies have more direct benefits for ratepayers.

Response: The budget includes funding to pay previous rebate commitments plus a study for which the Board has previously contracted. Ensuring adequate funding for previous commitments was a guiding principle in the development of the straw proposal. In addition, there is minimal potential for on shore wind in New Jersey, but offshore wind was a key component of the Energy Master Plan. Therefore, the OCE disagrees with this comment.

Community Partners: Mayors' Committee for a Green Future
The commenter states that the NJCEP is a very important part of its Sustainable Jersey Certification program and asks that the funding be reinstated for this program.

Response: The straw proposal continues funding for the Community Partners Initiative including funding for Sustainable Jersey. The Sustainable Jersey Certification program remains unchanged. The proposed revised budget reduces the budget for incentives paid to municipalities from $500,000 to $100,000, but does not propose any changes to the current level of incentives. The OCE believes the proposed budget is sufficient to pay all requests for incentives anticipated to be received in 2010.

Clean Power Choice: NJBIA
NJBIA supports further cuts to Clean Power Choice, because it claims that program has failed to meet objectives or customer penetration.

Response: Total expenses for the CleanPower Choice program are estimated to be approximately $100,000 in 2010. The straw proposal reduces support for the program to the minimum level necessary to continue reporting and verifying program results.

Other State Agency Programs: Rate Counsel, Sunlight, NJBIA, Qado
Rate Counsel comments that the programs funded by ratepayer dollars, but managed by other state agencies, are difficult to measure and questions the merit of these programs. Qado Energy and NJBIA comment that the EDA and CST programs have created a clear competitive process that both funds initial research and development and also offers the promise of larger sums for the commercialization and growth phases of a new product or service. They urge the Board to amend the straw proposal to favor the EDA and CST programs. Qado Energy also supports the new Green Growth Fund that was approved. Sunlight states that appropriate

levels of State support for PV development and manufacturing will enable New Jersey to maintain its position at the forefront of the solar industry, but that the proposed decreases threaten that position. ISLES commented that elimination of proposed new HMFA EE Mortgages and HMFA Solar Loan Program evinced prejudice against low-income customers.

Response: The OCE believes the programs that are funded by the straw proposal will support the development of businesses needed to support the delivery of clean energy programs. As such, these programs will create additional clean energy related jobs. The proposed budget includes sufficient funding to continue issuing CEMF program grants. The straw proposal would also continue the NJ Renewable Energy Manufacturing Incentive as well as funding through the EDA and CST programs that provide support for the development of solar cell technologies in NJ. The straw proposal eliminated funding for some programs, such as the Green Growth Fund, that were to be managed by other State agencies. While the OCE believes the proposed Green Growth fund has merit, the OCE does not support for new programs in light of the current budget constraints. The OCE hopes to consider funding for the Green Growth Fund in the context of the 2011 NJCEP budget. Finally, although the OCE does not support new programs at this time, HMFA and EDA have received funding through ARRA. The OCE encourages commenters to utilize those programs during 2010.

OCE Oversight: NJBIA, Solar Alliance, Rate Counsel, Home Energy Solutions, Kevin Kraft
With regard to the revised administrative budget, the Solar Alliance urges that the market management function be maintained to allow timely processing of applications and that there be sufficient funding to continue the program and market reporting, which it regards as critical to transparency and accountability. Kevin Kraft asked for a policy of more expeditious action on homeowners' applications. Solar Home Energy Solutions expressed concerns that slow payment of rebates might have contributed to the perception of excess program funding and recommended faster program administration. Rate Counsel strongly objects to any reduction to the program evaluation budget, arguing that the proposed evaluation studies provide information that can be used to improve the operation of clean energy programs over time. Rate Counsel recommends that OCE be directed to trim the $1.1 million from other line items. NJBIA supports the cuts made to the Business Conference, TEACH, and Marketing budgets. It suggests further cuts to portions of the OCE administrative budget, in particular to fees paid to out-of-State organizations. NJBIA also comments that this money should be used on projects and jobs in-State. NJBIA claims that the OCE should be required to evaluate portions of the programs that are overseen by the Market Managers as opposed to hiring outside groups, claiming that several millions in cost savings could be realized in this area.

Response: The straw proposal does not recommend cuts to the administrative budgets that would impact program delivery. The market management function will be maintained at levels sufficient to allow for timely processing of applications and reporting of relevant market information. The OCE believes that program evaluation is important. The proposed evaluation budget of $1.8 million is sufficient to perform the evaluation activities planned for 2010. To the extent that sufficient in-state resources and expertise exist, the OCE intends to rely on Board staff or CEEEP to perform evaluation activities. The OCE strives to keep its budget low and often reallocates funding from administration to program incentives. The straw proposal similarly reallocates funding from these budget lines to program budgets.

<u>Staff Recommendations</u>

Having considered of the comments, the OCE coordinated with the market managers and the NJCEP Program Coordinator to develop final revisions to the 2010 programs and budgets for consideration by the Board. The OCE's proposed changes to the straw proposal are detailed below. The OCE believes that the program changes proposed in the Straw Proposal as modified above reflect a reasonable balancing of the positions taken in the comments.

The OCE straw proposal was based on estimates of actual 2009 expenses. As explained above, the OCE has since updated the budgets to reflect the actual 2009 expenses. The OCE recommends approval of those budgets rather than the estimates included with the straw proposal.

The market managers updated estimates of outstanding program commitments. The proposed budgets for the CORE and CHP programs were revised to reflect updated levels of outstanding commitments. The CORE program update will result in approximately $3.5 million in funds being reallocated to the REIP budget and $3.5 million being reallocated to the Home Performance with Energy Star budget as compared to the proposed budgets in the Straw Proposal. The OCE recommends approval of these updates.

Further, both Honeywell and TRC made minor adjustments to the proposed budgets included in their revised compliance filings to reflect updated estimates of expenses that incorporate the proposed program changes. That is, Honeywell and TRC reviewed the proposed budgets and made adjustments to reflect a more detailed assessment of the number of participants, rebates and related fees they estimate will result from the revised budgets and incentive levels. The OCE recommends approval of these changes.

The OCE straw proposal recommended eliminating funding for the Clean Energy conference, but the OCE has since identified prior commitments that must be paid. The revised budgets include $123,866.12 for previous incurred expenses. The OCE recommends approval of this budget line as amended. No additional new funds will be expended for the conference.

The OCE agreed with the commenters' suggestions regarding the incentive cap for the Direct Install program. The revised filing submitted by TRC modified the proposed incentive cap for non-governmental entities from $40,000 to $80,000 per project and clarified that the incentive cap for governmental entities was also $80,000 based on a project cost of $100,000. The Board recommends approval of these changes to the straw proposal.

The compliance filing submitted by the OCE inadvertently omitted adding $579,946.00 in additional EDA interest and loan repayments to the EDA budget. Therefore, Staff recommends that the budget line entitled "EDA Clean Energy Manufacturing and Green Growth Fund" be increased from $27,160,651.00, which is the budget for this program shown in the OCE compliance filing, to $27,740,597.00. The OCE will submit a revised compliance filing reflecting this modification. The budgets shown in the table below reflect this change.

The following tables set out the final budgets recommended by the OCE and the allocation of the program budgets to the various program managers:

Revised 2010 Energy Efficiency Program Budget

	Board Approved 2010 Budget	Additional Carry Over	Line Item Transfer	Budget Reductions	Revised 2010 Budget	Commitments as of 2/12/10
Programs	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(g)
Residential EE Programs						
Residential HVAC - Electric & Gas	$20,187,081.93	($108,468.49)		($5,151,201.46)	$14,927,411.98	
Residential New Construction	$31,453,881.12	$863,757.78		($10,378,748.22)	$21,938,890.68	$14,019,300.00
Energy Efficient Products	$28,653,608.08	($5,203,657.33)		($1,448,578.67)	$22,001,372.08	
Home Performance with Energy Star	$42,124,569.88	$4,665,397.96		$7,406,645.73	$54,196,613.57	$19,991,000.00
Community Partners Initiative	$2,397,494.01	$450,000.00		($1,854,882.01)	$992,612.00	
Residential Marketing	$4,675,834.75	$268,203.23		($1,498,509.23)	$3,445,528.75	
HMFA EE Mortgages	$5,000,000.00	$0.00		($5,000,000.00)	$0.00	
Sub Total Residential	**$134,492,469.77**	**$935,233.15**	**$0.00**	**($17,925,273.86)**	**$117,502,429.06**	**$34,010,300.00**
Residential Low Income						
Comfort Partners	$31,123,620.38	($1,905,306.93)		**$0.00**	$29,218,313.45	
Sub Total Low Income	**$31,123,620.38**	**($1,905,306.93)**	**$0.00**	**$0.00**	**$29,218,313.45**	**$0.00**
C&I EE Programs						
C&I New Construction	$9,300,000.00	$813,711.71		($4,800,000.00)	$5,313,711.71	$3,737,854.00
C&I Retrofit	$25,539,083.00	$2,070,684.89		($8.30)	$27,609,759.59	$14,000,000.00
Pay-for-Performance New Construction	$12,437,215.85	$541,944.09		($8,013,025.34)	$4,966,134.60	$0.00
Pay-for-Performance	$62,315,345.58	$2,132,060.80		($17,142,303.76)	$47,305,102.62	$2,655,150.00
CHP	$8,229,422.00	$473,742.24		($2,843,655.45)	$5,859,508.79	$5,859,508.79
Local Government Energy Audit	$14,987,442.00	$2,701,288.90		($6,456,345.44)	$11,232,385.46	$4,991,136.00
Direct Install	$17,695,999.00	$475,000.00		($2,688,022.50)	$15,482,976.50	$2,000,000.00
TEACH	$1,550,000.00	$161,977.50		($711,977.50)	$1,000,000.00	$800,000.00
Marketing	$1,630,000.00	$8,190.80		($549,990.80)	$1,088,200.00	
Business Conference	$1,046,485.40	$335,067.96		($1,257,687.24)	$123,866.12	
Sub Total C&I	**$154,730,992.83**	**$9,713,668.89**	**$0.00**	**($44,463,016.33)**	**$119,981,645.39**	**$34,043,648.79**
Other EE Programs						
Special Studies	$777,801.00	$100,000.00		$0.00	$877,801.00	$872,000.00
Cool Cities	$0.00	$863,289.04		($863,289.04)	$0.00	
Sub Total Other Energy Efficiency Programs	**$777,801.00**	**$963,289.04**	**$0.00**	**($863,289.04)**	**$877,801.00**	**$872,000.00**
Total Energy Efficiency	**$321,124,883.98**	**$9,706,884.15**	**$0.00**	**($63,251,579.23)**	**$267,580,188.90**	**$68,925,948.79**

Revised 2010 Energy Efficiency Program Budget by Program Manager					
Energy Efficiency Programs					
	Honeywell	**TRC**	**Utilities**	**OCE, EDA, Treasury, CST, DEP**	**Total**
Programs					
Residential EE Programs					
Residential HVAC - Electric & Gas	$14,927,411.98				$14,927,411.98
Residential New Construction	$21,938,890.68				$21,938,890.68
Energy Efficient Products	$22,001,372.08				$22,001,372.08
Home Performance with Energy Star	$54,196,613.57				$54,196,613.57
Community Partners Initiative	$547,612.00			$445,000.00	$992,612.00
Residential Marketing	$3,445,528.75				$3,445,528.75
HMFA EE Mortgages	$0.00				$0.00
Sub Total Residential	**$117,057,429.06**	**$0.00**	**$0.00**	**$445,000.00**	**$117,502,429.06**
Residential Low Income					
Comfort Partners			$29,218,313.45		$29,218,313.45
Sub Total Low Income	**$0.00**	**$0.00**	**$29,218,313.45**	**$0.00**	**$29,218,313.45**
C&I EE Programs					
C&I New Construction		$5,313,711.71			$5,313,711.71
C&I Retrofit		$27,609,759.59			$27,609,759.59
Pay-for-Performance New Construction		$4,966,134.60			$4,966,134.60
Pay-for-Performance		$47,305,102.62			$47,305,102.62
CHP		$5,859,508.79			$5,859,508.79
Local Government Energy Audit		$11,232,385.46			$11,232,385.46
Direct Install		$15,482,976.50			$15,482,976.50
TEACH		$1,000,000.00			$1,000,000.00
Marketing		$1,088,200.00			$1,088,200.00
Business Conference		$123,866.12			$123,866.12
Sub Total C&I	**$0.00**	**$119,981,645.39**	**$0.00**	**$0.00**	**$119,981,645.39**
Other EE Programs					
Special Studies				$877,801.00	**$877,801.00**
Cool Cities					**$0.00**
Sub Total Other Energy Efficiency Programs	**$0.00**	**$0.00**	**$0.00**	**$877,801.00**	**$877,801.00**
Total Energy Efficiency	**$117,057,429.06**	**$119,981,645.39**	**$29,218,313.45**	**$1,322,801.00**	**$267,580,188.90**

Revised 2010 Renewable Energy Program Budget

Programs	Board Approved 2010 Budget (a)	Additional Carry Over (b)	Line Item Transfers (c)	Budget Reductions (d)	Revised 2010 Budget (e)=(a)+(b)+(c)+(d)	Commitments as of 2/12/10 (g)
Customer On-Site Renewable Energy	$46,883,993.67	$39,575,186.32		($22,459,179.99)	$64,000,000.00	$63,980,249.24
Clean Power Choice	$83,009.22	$134,607.46		($123,600.43)	$94,016.25	
Offshore Wind	$13,870,253.00	$0.00		$0.00	$13,870,253.00	$13,870,253.00
Renewable Energy Program: Grid Connected (Formerly REDI)	$16,201,605.00	$0.00		($10,000,000.00)	$6,201,605.00	$0.00
Renewable Energy Incentive Program	$83,449,003.45	$6,256,583.49		($26,629,247.50)	$63,076,339.44	$29,857,811.00
RE Marketing	$701,764.50	$60,489.07		($367,498.07)	$394,755.50	
SUB-TOTAL Renewables	**$161,189,628.84**	**$46,026,866.34**	**$0.00**	**($59,579,525.99)**	**$147,636,969.19**	**$107,708,313.24**
EDA/CST/HMFA PROGRAMS						
RE Project Grants and Financing	$894,714.00	$390,000.00		($390,000.00)	$894,714.00	$894,714.00
EDA Renewable Energy Business Venture Financing/REED	$870,890.00	$259,999.82		$0.00	$1,130,889.82	$1,122,903.00
EDA Clean Energy Manufacturing and Green Growth Fund	$43,160,651.00	$1,000,000.00	$579,946.00	($17,000,000.00)	$27,740,597.00	$12,882,000.00
CST Edison Innovation Clean Energy Fund	$6,365,000.00	$2,575,000.00		($3,000,000.00)	$5,940,000.00	$2,993,443.00
HMFA Solar Loan Program	$7,000,000.00	$0.00		($7,000,000.00)	$0.00	
SUB-TOTAL EDA Programs	**$58,291,255.00**	**$4,224,999.82**	**$579,946.00**	**($27,390,000.00)**	**$35,706,200.82**	**$17,893,060.00**
Total RE Programs	**$219,480,883.84**	**$50,251,866.16**	**$579,946.00**	**($86,969,525.99)**	**$183,343,170.01**	**$125,601,373.24**

Revised 2010 Renewable Energy Program Budget by Program Manager

Renewable Energy Programs				
	Honeywell	**OCE/EDA**	**Utilities**	**Total**
Programs				
Customer On-Site Renewable Energy	$64,000,000.00			$64,000,000.00
Clean Power Choice	$27,016.25		$67,000.00	$94,016.25
Offshore Wind		$13,870,253.00		$13,870,253.00
Renewable Energy Program: Grid Connected (Formerly REDI)		$6,201,605.00		$6,201,605.00
Renewable Energy Incentive Program	$63,033,027.44	$43,312.00		$63,076,339.44
RE Marketing	$394,755.50			$394,755.50
SUB-TOTAL Renewables	**$127,454,799.19**	**$20,115,170.00**	**$67,000.00**	**$147,636,969.19**
EDA/CST/HMFA PROGRAMS				
RE Project Grants and Financing		$894,714.00		$894,714.00
EDA Renewable Energy Business Venture Financing/REED		$1,130,889.82		$1,130,889.82
EDA Clean Energy Manufacturing and Green Growth Fund		$27,740,597.00		$27,740,597.00
CST Edison Innovation Clean Energy Fund		$5,940,000.00		$5,940,000.00
HMFA Solar Loan Program		**$0.00**		$0.00
SUB-TOTAL EDA Programs	**$0.00**	**$35,706,200.82**	**$0.00**	**$35,706,200.82**
TOTAL Renewable Energy Programs	**$127,454,799.19**	**$55,821,370.82**	**$67,000.00**	**$183,343,170.01**

Revised 2010 OCE Oversight Budget						
	Board Approved 2010 Budget	Additional Carry Over	Line Item transfers	Budget Reductions	Revised 2010 Budget	Commitments as of 2/12/10
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(g)
Administration and Overhead						
OCE Staff and Overhead	$2,175,934.26	$856,564.52		($1,499,977.75)	$1,532,521.03	
Program Coordinator	$2,400,000.00	$89,502.25		($200,022.25)	$2,289,480.00	
Memberships-Dues						
Northeast Energy Efficiency Partnership Sponsorship including EMV Regional Protocol Forum	$568,692.00	$297,608.00		($550,000.00)	$316,300.00	$300,000.00
Clean Energy States Alliance	$175,000.00	$109,114.00		($150,000.00)	$134,114.00	
Consortium for Energy Efficiency	$133,817.00	$0.00		$0.00	$133,817.00	
National Association of State Energy Officials and ACORE	$15,000.00	$13,500.00		($28,500.00)	$0.00	
National Association of Regulatory Utility Commissioners	$5,000.00	$5,000.00		($10,000.00)	$0.00	
USGBC/Other Memberships	$30,000.00	$30,000.00		($60,000.00)	$0.00	
Sub-Total: Administration and Overhead	$5,503,443.26	$1,401,288.77	$0.00	($2,498,500.00)	$4,406,232.03	$300,000.00
Evaluation and Related Research						
Rutgers-CEEEP	$507,484.37	$137,241.78		($244,726.15)	$400,000.00	
Impact Evaluation	$0.00	($3,000.00)	$3,000.00	$0.00	$0.00	
Funding Reconciliation	$100,350.00	$13,365.00		($80,000.00)	$33,715.00	
O&M Scoping Study/Online Academy	$300,000.00	$150,000.00		$0.00	$450,000.00	
Other Studies	$69,131.20	$138,806.40		($150,000.00)	$57,937.60	
Program Evaluation	$2,870,000.00	$144,779.65	($3,000.00)	($1,200,000.00)	$1,811,779.65	
Northeast Energy Efficiency Partnership Scoping Study	$0.00	$0.00		$0.00	$0.00	
Financial Audits	$1,000,000.00	$0.00		($200,000.00)	$800,000.00	
Green Jobs and Building Code Training	$1,500,000.00	$0.00		($1,100,000.00)	$400,000.00	
University Clean Technology Demonstration Projects	$1,500,000.00	$0.00		($1,500,000.00)	$0.00	
Sub-Total: Evaluation and Related Research	$7,846,965.57	$581,192.83	$0.00	($4,474,726.15)	$3,953,432.25	$0.00
Marketing and Communications						
Energy Savings Campaigns	$0.00	$8,081.72		($8,081.72)	$0.00	
Web Site	$267,586.91	$0.00		($267,586.91)	$0.00	
Outreach and Education/Community Partner Grants	$668,671.64	$15,513.83		($530,000.00)	$154,185.47	$154,185.47
Sub-Total: Marketing and Communications	$936,258.55	$23,595.55	$0.00	($805,668.63)	$154,185.47	$154,185.47
TOTAL: Administration	$14,286,667.38	$2,006,077.15	$0.00	($7,778,894.78)	$8,513,849.75	$454,185.47

The revised budgets in the tables above were circulated by the OCE to the program managers, which were advised to submit revised 2010 compliance filings consistent with the budgets and program changes recommended by the OCE above. Such filings were submitted by Honeywell by letter dated April 8, 2010, by TRC by letter dated April 8, 2010, by the Utilities by letter dated April 8, 2010 and by the OCE dated April 8, 2010. The OCE has reviewed the revised compliance filings and determined they are consistent with the budgets and program changes described above and recommends approval.

The OCE further recommends implementation of these changes in the following order. Due to the swell in applications to the HPwES program, the participation rate may soon exceed available funding. The straw proposal recommends a reduction in incentives for the HPwES program. To avoid exceeding the available funds for this program, the OCE recommends reducing incentives effective 5 days from the date of this Board Order.

To ease the transition in the REIP program, the OCE recommends implementing revised incentives for that program on May 1, 2010. The second funding cycle for REIP commences on that date. Therefore, the OCE believes this date is a reasonable day to implement the changes from the straw proposal.

The OCE recommends that all other program changes become effective 30 days from the date of this Board Order.

Discussion and Findings

The State is currently facing a fiscal emergency, as declared by Governor Christie in Executive Order 14. EDECA grants the Board the authority to establish programs, budgets, and set incentives for the NJCEP. Notwithstanding that authority, the Board's 2010 Budget Order was contingent on appropriations. Changes to the State's budget can impact funding for the NJCEP. To preserve the State's budget, Treasury has reserved $158 million of the NJCEP funding. Because that funding was considered when drafting the 2010 Budget Order, revisions to the NJCEP programs and budgets are necessary to reflect the reduction and ensure that program participation does not exceed available funds. The OCE prepared a straw proposal with revisions to the 2010 programs and budgets that are based on the principles discussed above. The straw proposal was circulated for written comment and the Board held a public hearing on this matter. Upon review of the comments and once additional information on actual expenses was received, the OCE prepared recommendations to the Board that modified the straw proposal.

In light of the State's fiscal emergency, the comments submitted, and the Board's authority under EDECA, the Board **HEREBY FINDS** that the straw proposal, as modified by the OCE, is reasonable. The Board **FURTHER FINDS** that the program changes stated in the straw proposal, as modified by the OCE, are incorporated into compliance filings submitted to the Board for approval. Therefore, the Board **HEREBY APPROVES** the revised 2010 compliance filings filed by Honeywell by letter dated April 8, 2010, by TRC by letter dated April 8, 2010, by the Utilities by letter dated April 8, 2010 and by the OCE dated April 8, 2010 (as modified above). The OCE has also recommended implementing program changes to the HPwES program 5 days from the date of this order; changes to the REIP program on May 1, 2010; and all other changes 30 days from the date of this Order. The Board **HEREBY FINDS** the OCE's recommendations to be reasonable and **HEREBY ORDERS** implementation of the program changes as recommended by the OCE.

DATED: 4/21/10

BOARD OF PUBLIC UTILITIES
By:

LEE A. SOLOMON
PRESIDENT

JOSEPH L. FIORDALISO
COMMISSIONER

NICHOLAS ASSELTA
COMMISSIONER

Elizabeth Randall

ELIZABETH RANDALL
COMMISSIONER

COMMISSIONER JEANNE M. FOX ABSTENTION STATEMENT

I/M/O Comprehensive Energy Efficiency and Renewable Energy Resource Analysis 2009-2012
2010 Programs and Budgets Docket Number EO07030203

I abstain from the decision of the Board in this matter because the Director of the Division of Budget and Accounting reserved $158 million from the 2010 Clean Energy Trust Fund to balance the State Budget. The funds in that account are generated by utility ratepayers through the Societal Benefits Charge ("SBC"); those funds are not State tax dollars. In 1999 the Legislature expressly dedicated funds for Energy Efficiency and Renewable Energy in the Electric Discount and Energy Efficiency Act ("EDECA") at N.J.S.A. 48:3-60a(3). This Reserve of these dedicated ratepayer funds will harm New Jersey's national reputation as a respected Clean Energy leader, especially when added to the Reserve of the Regional Greenhouse Gas Initiative ("RGGI") funds; the Reserve of $128 million of Retail Margin Funds ("RMF"), as well as the 2011 Fiscal Year ("FY") proposed State Budget, which proposes to take at least another $52 million from the SBC. These additional actions, if implemented, will result in: loss of jobs and businesses, less reduction in energy consumption than would have otherwise occurred; and the creation of serious uncertainty in the business community as to their future investments and growth in New Jersey.

Although the Director of Budget and Accounting likely has the authority to reserve $158 million from the Clean Energy Trust Fund, those funds cannot be used for purposes other than the goals identified by EDECA unless the Legislature acts. The Legislature must weigh and balance the fiscal needs of the State with the ongoing need for certainty and the essential stability of our nationally recognized Clean Energy Program ("CEP").

As I discuss herein, I appreciate and acknowledge the professional development and presentation of the material by the Office of Clean Energy staff but I must abstain from approving the proposed changes due to a fundamental disagreement with the policy of taking funds specifically committed for Energy Efficiency and Renewable Energy to pay the State's general budget expenses.

Governor Chris Christie recognized and declared a fiscal emergency in Executive Order 14. Under Executive Order 14 all state employees are required to work with the Director of Budget and Accounting to identify opportunities and reserve funds "in an amount sufficient to ensure that the State's budget remains in balance." Under this direction, and at the request of President Solomon, the Office of Clean Energy staff prepared a Straw Proposal (Straw) that outlined potential areas where previously budgeted funds could be reallocated to accommodate the Governor's Executive Order. I commend President Solomon for having the Office of Clean Energy staff strategically and carefully develop the Straw Proposal.

I agree with the principles used to develop the Straw: to protect the most successful programs; to continue all existing programs; to honor all existing commitments; to increase the budget for Home Performance with Energy Star (HPwES) (while unfortunately decreasing the incentive); to maintain Comfort Partners with no major changes; and to recognize the importance of maintaining consistent program levels and incentives across the State. For this Fiscal Year, due to funds carried forward and the increase in the SBC, the CEF should be able to sustain the objectives outlined in the Straw Proposal. However, any future, further reduction will likely be quite detrimental.

I also agree with the staff recommendations regarding the timing of program changes; examining a shift of programs and incentives to the utilities; seeking Federal American Recovery and Reinvestment Act ("ARRA") funds to supplement, not supplant, the lost funding, particularly with the Combined Heat and Power ("CHP") program; as well as working closely with the Federal Department of Energy ("DOE") and the NJ Division of Law ("DOL") to prevent the loss of any federal funds due to decreases in allocated funds for these programs and to identify any available federal grant money that could cover part of the losses.

However I have a number of concerns with the decision to revise the previously approved 2010 CEP Budget. One dominant concern is the unknown effect of future additional reallocations of the funding supporting the 2010 CEP Budget. The Clean Energy Trust Fund has been tentatively identified as a source of funding for payment of the State's $42 million electricity and heating bills in the proposed FY 2011 State Budget. The FY 2011 State Budget also proposes the reallocation of $10 million from the NJCEP to Treasury's Office of Energy Services. This money from the Clean Energy Trust fund will be in addition to the up to $128 million reserved from the RMF and the reserve of RGGI funds.

I strongly agree with many of the comments made by businesses, citizens and utilities alike during the Straw Proposal hearing held on March 25, 2010. There is significant concern among the public that a precedent will be set to start and then continue to erode or take CEP allocated funds which were statutorily dedicated in 1999. This will create doubt and loss of trust in the program by existing and potential businesses. The ability of current businesses to plan for growth and for new businesses to consider establishing themselves in New Jersey is significantly compromised. Jobs will migrate to neighboring states that have secure clean energy funding. Once this precedent is set, the faith and trust in the State's commitment is forever put into question.

A major gas company representative stated that the Straw "could have the effect of turning back the clock ... on economic and energy policy progress." Another said "any decrease in the NJCEP budget which results from this proceeding should result in a decrease in the payments it is required to make to the Clean Energy Trust Fund." A representative from Local 55 in Newark said that," most of its members were previously unemployed or under-employed" but that this "program resulted in hundreds of jobs for them."

A manager from an energy efficiency business said that Pay for Performance and HPwES programs resulted in employees increasing from 4 to 14 and they had planned for further hires; now they were thinking of possible layoffs. He stated that his company had made a significant investment of time and capital for equipment, marketing, training and hiring in "reliance upon State assurances". The "proposed reduction would undo all the progress of the last few years." Numerous others expressed similar concerns; the precedent for future diversions; loss of financial backing for new and existing businesses; loss of thousands of jobs and its negative effect on economic growth; loss of the State's credibility going forward; and loss of New Jersey's leadership in Clean Energy innovation.

Perception is reality. While I believe that the Straw as approved on its own would not cause significant harm to the CEP, those losses combined with future proposed takings and an uncertain budget future create a reasonable and likely perception that the State's commitment to clean energy is faltering. As one contractor stated at the hearing, "the sense of certainty is destroyed. It's unreasonable to expect future investments."

The impact of the proposed FY 2011 State Budget and Executive Order 14's Reserve of millions of dollars from the RMF and the RGGI funding are not addressed in this Order. In addition, P.L. 2009, c.207 signed into law on January 15, 2010 requires that the Board allocate $25 million from the SBC for New Jersey SHARES starting with FY 2011. It is possible that well over $100 million and up to as much as $200 million might be sought from the Clean Energy Trust Fund. Simply put this would be devastating to New Jersey's energy future.

Finally, recommend the following:

1) The Board support the administration, President Solomon, OCE staff and the DOL in seeking authority from DOE to use ARRA funds most especially to supplement the pending CHP projects that were expected to be funded from the RMF;

2) The Board have the Office of Clean Energy, other relevant Board staff and DOL investigate other SBC options for the payment of the New Jersey Shares' $25 million other than from the Clean Energy Trust Fund; and

3) The Board seriously consider eliminating the Retail Margin Fund, which has likely fulfilled its usefulness.

Jeanne M. Fox

JEANNE M. FOX
COMMISSIONER

ATTEST: Kristi Izzo

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

Kristi Izzo