Agenda Date: 12/16/09
Agenda Item: 8A

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: 2010 PROGRAMS AND BUDGETS: COMPLIANCE FILINGS	))))	ORDER DOCKET NO. EO07030203

(SERVICE LIST ATTACHED)

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities ("Board") at its December 16, 2009 public meeting, where the Board considered the proposed 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 ("SBC"). 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").

As required by EDECA, in 1999, the Board initiated its first comprehensive EE and RE resource analysis proceeding. At the conclusion of this proceeding, the Board issued its initial order, dated March 9, 2001, Docket Nos. EX99050347 et seq. ("CRA I Order"). The CRA I Order set funding levels for the years 2001 through 2003, established the programs to be funded, and approved budgets for those programs. By Order dated July 27, 2004, Docket No. EX03110945

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

et seq., the Board set the funding level for 2004, established the programs to be funded, and approved budgets for those programs.

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

By Order dated April 27, 2007, Docket No. EO07030203, the Board directed the Office of Clean Energy ("OCE" or "Staff") to initiate a third comprehensive EE and RE resource analysis proceeding and to schedule public hearings on program funding and funding allocations for the years 2009 through 2012. By Order dated September 30, 2008 (the "CRA III Order"), Docket No. EO07030203, the Board concluded this proceeding and set funding levels of $245 million for 2009, $269 million for 2010, $319 million for 2011, and $379 million for 2012.

The Board approved programs and budgets for the NJCEP at its December 16, 2008 public meeting. The Board's action to approve the 2009 programs and budgets was memorialized in an Order dated January 8, 2009, Docket No. EO07030203 ("2009 Budget Order"). The 2009 Budget Order approved the compliance filings that included program descriptions and detailed budgets, which break down the larger budgets of the EE and RE programs. Throughout the year, the Board took action to update and otherwise modify the programs and budgets described in the 2009 Budget Order. These revisions to the 2009 Budget Order were memorialized in Orders dated April 3, August 7, October 19, November 10, and December 16, 2009, in Docket No. EO07030203.

Development of the 2010 Programs and Budget Filings

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

> The Market Manager(s), in conjunction with the Program Coordinator, shall lead and facilitate the development and revision of programs and program budgets in a coordinated process with the OCE, CEEEP[2] and CEC[3]. These changes may be in reaction to program adjustments proposed by CEEEP. The Market Manager(s) shall review the programs and their effectiveness for the purpose of improving and modifying program designs on a periodic basis . . . .

Having revised the request, Treasury issued, on behalf of the Board, Request for Proposal 07-X-38468 for NJCEP Program Coordinator Services on March 20, 2007. Section 3.0 of the RFP for Program Coordinator services states: "[t]he Program Coordinator shall manage, monitor and

[2] CEEEP refers to the Center for Energy, Economic and Environmental Policy at Rutgers University.
[3] CEC refers to the Clean Energy Council. The Clean Energy Council is open to any member of the public and functions as a public stakeholder group.

ensure the performance of the Market Managers and other entities that receive funds through the New Jersey Clean Energy Programs[.]"

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

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

CEEEP was engaged by the Board to manage the evaluation of the NJCEP. CEEEP evaluation activities included preparation of a program cost benefit analysis, preparation of a multi-year evaluation plan, and management of other evaluation activities performed by third party contractors including: an EE Market Assessment performed by Summit Blue Consulting ("Summit Blue"), an RE Market Assessment performed by Summit Blue, and an Impact Evaluation performed by KEMA, Inc. ("KEMA"). All of the evaluation reports are posted on the NJCEP web site and are available to public stakeholders. The evaluation reports informed the development of 2010 programs and budgets.

The 2010 budget process commenced with the preparation of a 7&5 Report (7 months of actual expenses and 5 months of estimated expenses) by AEG, the Program Coordinator. AEG requested that all program managers provide actual expenses through July 2009, estimated expenses for the remainder of the year, and estimated commitments that would exist as of December 31, 2009. This 7&5 Report informed the OCE's proposed budgets discussed below.

In specifically developing the 2010 NJCEP programs and budgets, the following process was used: monthly public stakeholder meetings of the EE and RE committees, chaired by the OCE, began to include discussion of the 2010 program plans and budgets starting in June 2009. Discussions ensued at the meetings held on June 16th, July 21st, August 18th, September 23rd, and November 4th. Meeting notices, including dates, times, and locations, were posted on the NJCEP website and sent to the committee listservs. All agenda and discussion materials were distributed to the committee listservs and meeting notes were posted on the website at: http://njcleanenergy.com/main/event-listings/clean-energy-council-committees/clean-energy-council-committee-meetings-notes. At each of these meetings representatives of Honeywell, TRC, the Utilities, the Economic Development Authority ("EDA"), the Housing and Mortgage Financing Agency ("HMFA"), the Commission of Science and Technology ("CST"), the Department of Community Affairs ("DCA"), DEP, EE/RE installers, EE/RE technology

[4] Treasury has represented that the Honeywell and TRC contracts have been extended to January 19, 2011, but has yet to issue contract revisions that reflect those extensions.
[5] Treasury issued a revised contract dated June 26, 2009 that extended the AEG contract to July 10, 2011.

companies, and other interested parties discussed proposed changes to the programs and budgets and solicited comments from meeting participants regarding other suggested changes to the programs.

Subsequent to the September meetings of the EE and RE committees, each program manager was directed by the OCE to submit proposed 2010 programs and budgets for consideration by the Board. Pursuant to the Board's CRA III Order, each program filing was required to include at a minimum:

1. A description of the program
2. Identification of the target market and of customer eligibility
3. A description of the program offerings and customer incentives
4. A description of program delivery methods
5. A description of quality control provisions
6. Program goals including specific energy savings or renewable generation targets
7. Minimum requirements for program administration
8. Marketing plans
9. Detailed budgets that include, at a minimum, a breakdown of costs by the following budget categories:
    a. Administration and program development
    b. Sales, marketing, call centers and website support
    c. Training
    d. Rebates and other direct incentives
    e. Rebate processing, inspections and other quality control
    f. Performance incentives, and
    g. Evaluation and Related Research

Proposed 2010 programs and budgets were submitted by:

1. Honeywell
2. TRC
3. Six Utilities
4. The OCE including programs jointly managed with the EDA, the CST, and the HMFA.

The proposed programs and budgets were posted on the web site and circulated to the EE and RE Committee listservs in October 2009. In addition, the Board held a public meeting on October 13, 2009. At this meeting, which was chaired by President Fox, the proposed programs and budgets were presented and discussed. Staff also made a request for written comments by November 4, 2009. Written comments were received and are discussed below. This Order will address the OCE's recommendations and issues related to the Board's review of each of the filings that were submitted.

<u>The 2010 Program and Budget Filings</u>

The following section discusses each of the 2010 Program and Budget filings submitted to the Board for consideration and approval.

The Utilities' Filing

By letter dated December 8, 2009, Public Service Electric and Gas Company ("PSE&G") submitted, on behalf of six natural gas and electric utilities, a compliance filing for the

Residential Low-income Program ("Comfort Partners") and utility support for the CleanPower Choice Program. Rockland Electric Company ("RECO") has not joined the other electric and gas utilities in providing the Comfort Partners program. As part of its Energy Efficiency Stimulus Program, RECO will implement a Low Income Audit and Install Sub-Program. The six Utilities' compliance filing includes the provisions required by the CRA III Order.

The Comfort Partners Program did not transition to the Market Managers and will continue to be managed by the six Utilities. This program is implemented through third party contracts and overseen collectively by the six Utilities. The six Utilities have made significant and substantial revisions to this program to increase the number of participants and the level of energy and cost savings. The program is designed to improve energy affordability for low-income households through energy conservation.

The American Recovery and Reinvestment Act of 2009 ("ARRA") included $118 million in funding for the DCA Weatherization Assistance Program ("WAP"). The DCA's WAP provides similar services to low-income customers in New Jersey as the Comfort Partners program. DCA has proposed to increase the level of services provided to each customer served by WAP and the six Utilities have proposed similar modifications to the Comfort Partners program. These modifications are aimed at pursuing a deeper level of savings from each home treated.

The six Utilities have proposed to continue the Green Job partnerships with organizations such as the Department of Labor and local job training agencies. The six Utilities propose to continue pilot programs aimed at neighborhood canvassing, mold/moisture remediation, roof repairs, electrical repairs and lead and asbestos remediation which began in 2009. The six Utilities will also continue to pilot new measures such as cool roofs, reflective window film, and gravity film exchange.

In addition, the four investor owned electric utilities will support the Clean Energy Campaign for the CleanPower Choice Program, which will offer retail electric customers the option of selecting an energy product with higher levels of RE than is required by the Renewable Portfolio Standard. This program will be delivered through a collaborative utility and clean power marketer program hosted by the four investor owned electric utilities, with oversight by the OCE. The Utilities represent that, in 2010, they "will implement the requirements of the August 19, 2008 Board Order in Docket No. EA07110885" by instituting a pilot program, tracking the program cost, and filing program information with the Board. The Utilities will also support the CleanPower Choice program by maintaining the IT changes needed to support a line item on customer's bills and systems to support EDI transactions with Clean Power Marketers. The Utilities compliance filing budget includes funding for these CleanPower Choice support services. Finally, the Utilities state that the OCE will play a lead role in marketing the program in cooperation with the utilities and clean power marketers.

The Honeywell Filing

After public input on draft programs initiated in June, by letter dated October 8, 2009, Honeywell submitted proposed 2010 programs and budgets for the programs it manages and for the programs that are managed by the OCE and supported by Honeywell. Honeywell proposes to continue delivering the following existing programs:

- Residential New Construction
- Residential HVAC
- Energy Efficient Products

- Home Performance with ENERGY STAR
- Community Partners Initiative
- Renewable Energy Incentive Program

Honeywell's 2010 compliance filing provides the required program details regarding the above programs. The filing also includes a marketing plan and budget.

During the course of 2009, Honeywell proposed several significant changes to certain programs. These changes were approved by the Board in its August 7, 2009 revised 2009 Budget Order in this docket. Honeywell is in the process of implementing those changes. To allow sufficient time for the new program changes to take hold in the marketplace, Honeywell has not proposed any significant new program modifications to the majority of its programs for 2010. In addition, Honeywell proposes some changes in 2010 to reflect the implementation of ARRA programs and the Utility Energy Efficiency Stimulus Programs. Based on comments received from stakeholders, discussions at the EE and RE Committee meetings, and input from the OCE, Honeywell has adjusted the proposed budgets and program descriptions and submitted a revised filing by letter dated December 9, 2009.

The following provides a summary of the program changes proposed by Honeywell in its revised 2010 program and budget filing:

- Residential New Construction
    - Transition to open market for home rater services and provide rebates to builders for such services
    - Target incentives towards home buyers to transform the market by driving consumer demand for Energy Star homes
    - Coordinate with DCA regarding implementation of new residential energy codes
- Residential HVAC
    - Add a new higher efficiency tier for cooling equipment (SEER 16)
    - Eliminate split rebates between the customers and the contractors and pay rebates to either the customer or the contractor
    - Add a contractor participation incentive
- Home Performance with Energy Star
    - Engage NJ Shares to promote the home energy assessment at a reduced fee ($25) to income qualified customers
    - Transition Honeywell out of performing audits such that all audits are performed by independent BPI certified contractors
- Energy Efficient Products
    - Increase the refrigerator early retirement rebate from $30 to $50
    - Add new incentives of $300 per efficient pool pump and $75 per pool pump timer
    - Expand to include pilot scale promotions and incentives for consumer electronics such as set top boxes, televisions, LCD monitors, and desk top computers
- Community Partners
    - Coordinate with Sustainable Jersey, a certification program offered by the NJ Sustainable State Institute at Rutgers University, to increase community enrollment and support overall sustainability activities
- Renewable Energy Incentive Program ("REIP")
    - Rebate budget supports the continued expansion of the first REIP solar incentive capacity block from 10 MW to 20 MW for residential and non-residential solar

- To be eligible for standard rebate levels all solar projects will need to document participation in NJCEP efficiency programs
- New Jersey Renewable Energy Manufacturing Incentive ("NJREMI") will be expanded to include eligible wind and bio-power equipment
- Matching financial incentives are available to support feasibility studies for wind and bio-power projects larger than 100 kW. Program funds are also available to support post construction impact studies for wind installations in designated coastal zones

Honeywell also manages and/or supports the SREC Registration Program, but has not recommended program changes in 2010.

The TRC Filing

TRC submitted a 2010 program and budget filing dated September 29, 2009 for the programs it manages. Based on comments received from stakeholders, discussions at the EE Committee meetings discussed above, and input from the OCE, TRC made several adjustments to the proposed budgets and program descriptions and submitted a revised filing by letter dated December 9, 2009. With additional input from the OCE, TRC further revised its 2010 filing by letter dated December 10, 2009. TRC proposes to continue delivering the following existing programs:

- C&I Construction
    - C&I New Construction and Pay-for-Performance New Construction
    - C&I Retrofit
    - New School Construction and Retrofit
- Teaching Energy Awareness with Children's Help ("TEACH")
- Local Government Energy Audit
- Pay-for-Performance
- Direct Install
- Sector Specific Program Enhancement Initiative

TRC's filing, dated December 9, 2009 and further revised on December 10, 2009, provides all of the required program details regarding the above programs. The filing also includes a marketing plan and budget.

Like Honeywell, TRC proposed several changes to its programs in 2009. These changes were approved by the Board in its August 7, 2009 revised 2009 Budget Order in this docket. TRC is also in the process of implementing those changes as well as changes to its programs to reflect the implementation of ARRA programs and the Utility Energy Efficiency Stimulus Programs. To allow sufficient time for the new program changes to take hold in the marketplace, TRC has not proposed significant program modifications for 2010. Rather, TRC proposes the following modifications to its currently approved programs.

- Increase the number of schools targeted for participation in the TEACH program
- In 2009, the Board approved a significant increase in the incentives for certain classes of customers such as hospitals, governmental entities, non-profits, and others that participate in the Pay-for-Performance program. TRC proposes to extend these increased incentives into 2010

- Modify eligibility criteria and incentive structure for C&I Construction program custom measures
- Add data centers to the Sector Specific program
- Modify the incentives for several prescriptive rebates including occupancy controls, gas furnaces and water heaters, air compressors with VFDs, and certain T-5 and T-8 lamps
- Add LED refrigerator case lighting and induction lighting as a prescriptive measure
- Increased rebates for geothermal systems

TRC's 2009 budget included, in part, budgets for the following programs:

- C&I New Construction including Pay-for-Performance New Construction
- C&I Retrofit
- New School Construction and Retrofit
- Pay-for Performance

TRC's revised filing dated December 9, 2009 also includes the State of New Jersey's Energy Efficiency and Conservation Block Grants ("EECBG") Rebate Program. Having received additional input from the OCE, TRC clarified its description of the EECBG Rebate Program in its December 10, 2009 revised filing. Ultimately, TRC proposes to process applications for the EECBG Rebate Program approved by the Board in Docket Nos. EO07030203 & EO09050365, subject to final approval from the United States Department of Energy ("USDOE").

In addition, the OCE and TRC believe that the C&I program structure stated in the September 29, 2009 filing requires modification. For instance, the previously approved program structure set out above includes retrofit projects in three different programs: C&I Retrofit; New School Construction and Retrofit; and Pay-for-Performance (Pay-for-Performance New Construction was embedded in the C&I New Construction program). In addition, since schools receive the same incentives as other C&I customers, they do not require a separate program. Participation by schools can be tracked within the existing programs. Finally, the OCE believes the Pay-for-Performance program, which takes the whole building approach, will be a cornerstone of the NJCEP going forward and does not believe the Pay-for-Performance New Construction program should be embedded in the C&I Construction program. Thus, the OCE recommended and TRC agreed to reorganize these programs as follows:

- C&I New Construction
- Pay-for-Performance New Construction
- C&I Retrofit
- Pay-for-Performance Retrofit

The proposed 2010 budgets included in TRC's revised 2010 compliance filing, dated December 9, 2009, align with this program structure.

The Office of Clean Energy Filing

The OCE's final 2010 program and budget filing, dated December 15, 2009, includes program descriptions and budgets for the OCE Oversight budget as well as details for the EE and RE programs managed or co-managed by the OCE. The major initiatives included in the OCE's 2010 compliance filing are summarized below.

The OCE EE Programs

The OCE's 2010 Energy Efficiency Programs include Special Studies, the Community Partners Initiative, and the developing HMFA EE Mortgage Program. In 2009, the Board issued a solicitation and awarded grants to three entities that will provide green jobs training. The 2010 Special Studies budget includes $777,801 for grants to these three entities. Also in 2009, the Board approved a budget of $400,000 for a contract with Sustainable Jersey and, in its 2010 filing; the OCE recommends an additional $245,000 to extend that contract through the end of 2010. This additional funding will also support the development of a website portal that would assist municipalities in identifying NJCEP, ARRA, and other available resources. The OCE's 2010 filing includes funding for a program that will provide mortgages for the installation of EE measures. This new program is currently being developed by the HMFA and a detailed program description will be considered by the Board at a later date.

The OCE RE Programs

The OCE's 2010 Renewable Energy Programs include the CleanPower Choice Program; the Renewable Energy Program: Grid Connected; the Offshore Wind Program; and the developing HMFA Solar Loan Program.

- *CleanPower Choice Program*

The OCE proposes to reduce the level of NJCEP support provided to the CleanPower Choice Program in 2010. The OCE will rely more on the efforts of the Clean Power Marketers to market the program. As such, the OCE proposes to eliminate utility CleanPower Choice bill stuffers in 2010. As noted above, the six utilities will support the CleanPower Choice program by maintaining the IT changes needed to support a line item on customer's bills and systems to support EDI transactions with Clean Power Marketers. The Utilities' compliance filing budget includes funding for these CleanPower Choice support services.

In 2009, Honeywell provided support for the CleanPower Choice Program. As noted above, the OCE is proposing to reduce the level of NJCEP support for the CleanPower Choice Program in 2010 and to rely more on Clean Power Marketers to market and support the program. As part of this change the OCE recommends eliminating the CleanPower Choice Program support services provided by Honeywell in 2010. Therefore, Honeywell's 2010 compliance filing did not include any support for the CleanPower Choice Program.

Continuation of the CleanPower Choice Program will require ongoing support, albeit at a reduced level, primarily in the area of reporting and renewable energy certificate ("REC") verification. Since AEG is currently providing reporting and quality assurance services to the NJCEP, the OCE believes that it will be more efficient and less costly to have AEG provide these services in support of the CleanPower Choice Program. Therefore, the OCE recommends authorizing AEG to provide CleanPower Choice Program support services in 2010. Both Honeywell and AEG will submit the proposed contract modifications required to implement this change to the Board for consideration.

- *Renewable Energy Program: Grid Connected*

In 2009, the Board released a solicitation to provide incentives to large (greater than one megawatt) grid connected renewable energy systems. Proposals are due on January 8, 2010 and Board Staff will review proposals and prepare recommendations by March 31, 2010 for consideration by the Board. The 2010 budget for this program includes funding for projects anticipated to be awarded incentives by the Board pursuant to the 2009 solicitation as well as funding for an additional solicitation in 2010.

- *Off Shore Wind Program*

The Off Shore Wind Program will provide rebates to entities that install off shore meteorological wind towers. The purpose of this rebate program is to support the development of the off shore wind facilities that are needed to achieve the Energy Master Plan goal of 1,000 MW of off shore wind by 2012. The 2010 budget includes $12 million for rebate commitments made in 2009 that will be paid upon completion of the installation of the meteorological wind towers.

In addition, the 2010 Off Shore Wind program budget includes funding for an off shore wind study to be performed by Rutgers Institute of Marine and Coastal Sciences. This study was previously approved by the Board.

- *HMFA Solar Loan Program*

The OCE's 2010 filing includes funding for a program that will offer loans to eligible customers that install photovoltaic systems. This new program is currently being developed by the HMFA. A detailed program description will be considered by the Board at a later date.

The EDA Edison Innovation Clean Energy Manufacturing Fund and Green Growth Fund

The Board has entered into a Memorandum of Understanding ("MOU") with EDA to implement the Clean Energy Manufacturing Fund ("CEMF"). The CEMF will provide incentives for innovative clean energy technologies, including both energy efficiency and renewable energy manufacturing businesses intended to stimulate the clean energy industry in New Jersey. The EDA has submitted a compliance filing explaining the CEMF program details. The EDA's compliance filing is included within the OCE's final compliance filing dated December 15, 2009.

The Edison Innovation Green Growth Fund program will offer assistance in the form of loans to clean technology companies that have achieved 'proof of concept' and have achieved successful, independent beta results and are seeking funding to grow and support their technology business. The program will be administered by the EDA pursuant to an MOU between EDA and the Board, which is currently under development. The EDA submitted a compliance filing explaining the Green Growth Fund program details. This compliance filing is included within the OCE's final compliance filing dated December 15, 2009.

The EDA will also administer a wrap-around program for the Commission on Science and Technology's ("CST") Edison Innovation Clean Energy Fund. This program provides supplemental financing of up to 20% of the grant approved by the CST for non-project specific costs such as rent and utilities, not to exceed $100,000, pursuant to an agreement between the CST, the EDA, and the Board that is currently under development. EDA has submitted a compliance filing which sets out the wrap-around program details. The EDA's compliance filing is included within the OCE's final compliance filing dated December 15, 2009.

The OCE will work with the EDA to revise its MOU with the Board. The OCE intends to expand the existing MOU, which covers CEMF, to include the new programs discussed above. The OCE will present this revised MOU to the Board for consideration at a later date.

The CST Edison Innovation Clean Energy Fund

The Board entered into an MOU with the CST dated September 17, 2008 to manage the Edison Innovation Clean Energy Fund. The fund will provide research and development grants to support renewable energy and energy efficiency companies entering or expanding clean energy technology products in New Jersey. CST has submitted a compliance filing which sets out program details. The CST's compliance filing is included within the OCE's final compliance filing dated December 15, 2009.

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

In 2007, the Board discontinued the Renewable Energy Business Venture Financing Program and the Renewable Energy Grants and Financing Program. However, the Board had issued incentive commitments for a number of projects prior to discontinuation of the programs. The proposed 2010 budget included in the OCE filing for these two programs reflects payments for these commitments if and when the projects are completed and demonstrate that all program requirements have been met.

OCE Oversight

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

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

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

The Administration and Overhead component of the OCE Oversight budget includes three sub-components. These three sub-components are:

1. OCE Staff and Overhead
2. Program Coordinator Services
3. Membership Dues

The substance of these sub-components is discussed in the OCE's compliance filing.

The Evaluation and Related Research component of the OCE budget includes funding for a number of evaluation related activities planned for 2010. These activities include the following:

- Rutgers CEEEP: evaluation support. This is a continuation of an existing contract to provide overall program evaluation management services and cost benefit analyses.
- Funding Reconciliation: The Board engaged MBC to perform a funding reconciliation for the years 2001 through 2005 which was completed in 2009. The Board engaged WS+B to perform a funding reconciliation for the years 2006 and 2007 which is expected to be completed in late 2009. The OCE is in the process of engaging an accounting firm to update the reconciliation for the years 2008 and 2009. The funding reconciliation budget includes sufficient funds to complete the 2006-2007 reconciliation as well as the estimated cost of the 2008-2009 reconciliation.

- O&M Scoping Study: The budget includes funding for a C&I Scoping Study which would determine the feasibility and viability of a potential new program focused on the energy efficient operation of existing commercial buildings.
- Online Academy: The budget includes funding for a proposed Online Academy Pilot project which would provide educational offerings to all participants in New Jersey's Clean Energy Program including design professionals, building owners, contractors and NJCEP program representatives. The New Jersey Institute of Technology ("NJIT") will develop the Online Academy and perform the O&M scoping study.
- Other Studies: This budget includes funding for the Regional Anemometer Program previously approved by the Board.
- Program Evaluation: The budget includes funding for 2010 evaluation activities included in the 2010 evaluation plan which is currently under development. Staff will develop proposals for the specific uses of these funds subject to Board approval.
- Financial Audits: The budget includes funding for financial audits of the Market Managers and utilities that manage or managed NJCEPs. Staff will develop proposals for the specific uses of these funds subject to Board approval.
- Green Jobs and Residential/Commercial Energy Building Code: the budget includes funding for additional green jobs training; evaluation and development with the DCA of new energy codes; training programs with DCA related to implementation of the new State residential building codes; and development of "How-to" guides for residential energy building upgrades. The OCE will develop detailed proposals for the specific uses of these funds subject to Board approval.
- University Clean Technology Demonstration Projects: The OCE proposes to develop a solicitation for funding for innovative clean technology demonstration projects developed by NJ colleges or universities. The OCE will develop detailed proposals for the specific uses of these funds subject to Board approval.

Regarding the Marketing and Communications component of the OCE Oversight budget, the OCE notes that, in 2010, all of the program marketing will be delivered by the Market Managers: Honeywell and TRC. This transition will result in a significantly reduced OCE marketing budget compared to past years. The following describes the components of the proposed OCE Marketing and Communications budget that will continue in 2010.

- Web Site: The OCE is considering engaging outside assistance to assess and upgrade the NJCEP web site. The OCE will submit a proposal to the Board for review and approval prior to committing any funds.
- Outreach and Education/Community Partner Grants: This budget is for Outreach and Education grants previously approved by the Board and also includes an additional $450,000 for a new solicitation for outreach and education grants. The OCE will submit a draft solicitation for outreach and education grants to the Board for review and approval prior to committing any funds.

<u>Comments of Public Stakeholders</u>

Comments were received from the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"); the City of Newark; the E Cubed Company; Innovative Concrete Systems; G4 Better Living; the National Association of Energy Service Companies; New Jersey Community Capital; the N.J. Department of Community Affairs; Community Energy, Inc.; the Center for Resource Solutions; and the SunPower Corporation. The following is a summary of the comments received on the draft 2010 compliance filings and responses from the OCE.

Rate Counsel

Rate Counsel submitted comments on five general areas: the NJCEP funding level, the TRC compliance filing, the Honeywell compliance filing, the HMFA's energy efficiency proposal, and the expansion of the REIP program.

NJCEP Funding Levels

Rate Counsel claims that, as a result of carryover from the prior year and the new amounts to be collected from ratepayers in 2010, the 2010 funding levels for energy efficiency and renewable energy NJCEP programs will far exceed the $269 million approved by the Board in the CRA III Order. Rate Counsel further alleges that the 2010 funding levels will be far greater than prior budgeted amounts. In light of the current economic climate, Rate Counsel urges the Board to consider the amount recovered from ratepayers at this juncture by either crediting ratepayers for what it terms "program over-collections" or by reducing the charge going forward.

Response: The OCE believes the issue raised by Rate Counsel merits further exploration in light of the additional funding available to the NJCEP as well as the current economic conditions. However, Rate Counsel's proposed remedy for what it perceives as excessive funding for the NJCEP is inappropriate at this time. The Legislature requires that the CRA process include notice, public comment, and public hearing before the Board determines the appropriate level of funding for EE and RE programs. N.J.S.A. 48:3-60(a)(3). In accord with EDECA, the funding levels approved in the CRA III Order for the years 2009-12, and thus the amounts which have been and will be collected from ratepayers through the SBC, represent the culmination of this extensive public process. Therefore, the OCE does not believe it is appropriate to recommend modification of the Board's determinations in this Order, which addresses the annual NJCEP budget based on the findings and conclusions of the CRA III Order, without notice, opportunity to comment, and public hearing.

In addition, it should be noted that there is approximately $168 million in existing commitments included in the 2010 budget that will need to be paid if these projects are completed. Further, the CRA funding levels were set to assist the State in meeting the goals of the Energy Master Plan ("EMP") released by Governor Corzine in October 2008. Additional funding for energy efficiency is needed if the State is going to reduce greenhouse gas emissions as called for in the Global Warming Response Act and through the actions specified in the EMP.

TRC Filing

Rate Counsel is generally supportive of TRC's compliance filing but submits five comments and questions.

First, the commenter would like to see a proposed disposition of the specific suggestions made for program improvement that were included in KEMA's recently completed evaluation of C&I programs.

Response: The OCE concurs with Rate Counsel and recommends that the Board direct it to coordinate with TRC to develop a proposed disposition of the recommendations for program improvement included in KEMA's final report. Upon completion, the OCE would submit recommendations for additional program changes to the EE Committee for consideration and to the Board as deemed appropriate.

Second, Rate Counsel proposes enhancements to sector-specific marketing based on its belief that participation in the C&I energy efficiency programs to date have been "disappointing." Rate Counsel proposes directing mailings followed by personal phone calls to advise customers of the enhanced incentives that are available to them.

Response: The OCE will forward Rate Counsel's comment to TRC's marketing team for further consideration.

Rate Counsel also notes that TRC proposes to eliminate the $300 incentive for gas furnaces with an Annual Fuel Utilization Efficiency ("AFUE") of 90% or more, while Honeywell proposes a $300 incentive for furnaces with an AFUE of 92% or more. The commenter suggests that TRC consider whether this approach might be beneficial in a non-residential market as well.

Response: Having received input from commenters, such as Rate Counsel, as well as input from the OCE, TRC's revised compliance filing included a rebate for non-residential customers identical to the rebate Honeywell offers to residential customers.

In addition, the commenter states that the description of the quality control procedures for the Direct Install program must include the on-site inspection strategy that will be employed and inspection frequency, recommending an initial frequency of at least 10% of all completed jobs.

Response: The compliance filing includes only a high level description of the quality control procedures. More detailed descriptions will be included in the program guidelines, which are currently under development for the Direct Install program. The OCE concurs with Rate Counsel's recommendation and will coordinate with TRC to ensure the final program guidelines include a minimum inspection rate.

Finally, Rate Counsel comments that it is supportive of the expansion of TEACH. However, if the independent evaluator included in the program description has not been retained, Rate Counsel believes the mechanism for evaluator selection should be included in the description.

Response: The OCE appreciates the commenter's support for the TEACH program. TRC's filing states that TRC will select the evaluation contractor through a competitive solicitation.

Honeywell Filing

Rate Counsel submitted the following comments and questions on Honeywell's compliance filing.

First, based on its review of CEEEP's cost benefit analysis of several energy efficiency filings made by the gas and electric utilities and of KEMA's evaluation of NJCEP programs, the commenter believes that the projected cost-effectiveness of the residential energy efficiency programs has been much lower than that of non-residential energy efficiency programs. The commenter would like to see recognition of what it perceives to be the cost-effectiveness challenges and some focused discussion of strategic responses.

Response: The OCE recognizes that the C&I EE programs are more cost effective than the residential EE programs. However, the OCE believes that residential customers should also have the opportunity to benefit from EE programs through the NJCEP. In addition, meeting the energy efficiency goal of the EMP requires that significant improvements to the State's existing building stock, including residential units, must occur. In the CRA III Order, the Board increased the level of funding allocated to C&I programs relative to the residential programs, in part, because C&I EE programs are more cost effective. Because the OCE concurs that cost-effectiveness is an important criterion worth considering, it recommends that the Board direct coordination among CEEEP, Honeywell, and the EE Committee to review the cost effectiveness of the residential EE programs and recommend modifications for Board consideration as appropriate.

Rate Counsel again notes the discrepancy between the $300 incentive offered by Honeywell for gas furnaces with an AFUE of 92% or higher and TRC's proposed elimination of the $300 incentive for furnaces with an AFUE of 90% or higher. Based on this discrepancy, the commenter asks Honeywell to consider whether the $300 is necessary in the residential market.

Response: The OCE clarifies that TRC did not propose to eliminate rebates for gas furnaces with an AFUE of 90% or higher. As discussed above, TRC's revised filing has proposed to increase the minimum efficiency for gas furnaces eligible for a rebate from 90% to 92%, which is consistent with the rebates proposed in the Honeywell filing. However, in light of this comment and others, the OCE seeks to coordinate with CEEEP, Honeywell, and the EE Committee to evaluate the continued need for these rebates.

Although generally supportive of the Energy Efficient Products program described in Honeywell's filing, Rate Counsel urges Honeywell to reconsider the assumptions underlying the proposed seasonal promotion of room air conditioners and to eliminate the incentive if cost-effectiveness is not established. Rate Counsel bases its concern on the availability of more efficient units and the fact that room air conditioners operate for fewer hours than central units.

Response: The OCE appreciates the commenter's support for the program and will coordinate with CEEEP, Honeywell, and the EE Committee to evaluate the continued need for these rebates.

Rate Counsel also recommends the elimination of Tier I incentives for the Residential New Construction ("RNC") program, based on its reading of the KEMA's impact evaluation of the RNC program. Rate Counsel interprets KEMA's evaluation to mean that the Tier I incentives operate only to bring new homes up to an efficiency level that is now common.

Response: The State of New Jersey has adopted new residential building codes that will essentially bring minimum efficiency standards to the RNC program Tier I levels. These new residential building codes will eliminate the need to provide incentives for these measures. Honeywell's filing indicated that it will develop proposed modifications to the structure of the RNC program given the new building codes. The OCE will coordinate with Honeywell to prepare recommendations for the Board's consideration. The OCE's recommendations regarding the elimination of Tier I incentives will be, in part, dictated by the timeframe for implementing the new residential building codes.

With respect to the Home Performance with Energy Star ("HPwES") program, Rate Counsel believes that the program is unlikely to utilize funding close to the $43 million proposed by Honeywell and that increasing market penetration should be the priority. Noting that Honeywell states that direct mailing has proven effective, Rate Counsel states that Honeywell has not specified a quantity of direct mail or a budget in its compliance filing.

Response: By Order dated August 7, 2009, the Board approved significant increases in the level of incentives offered through the HPwES program. Since these higher incentives have only been in place for a few months, the OCE believes it is difficult to predict the market response with any certainty. Honeywell, as well as all market managers, carefully monitor the program activity and expenses compared to the budgets and, in cooperation with the OCE, recommend program changes for consideration by the Board as appropriate. The OCE will continue to coordinate with Honeywell's marketing team to explore the efficacy of including direct mail in the programs marketing plan.

HMFA's developing programs

Regarding the developing HMFA programs, Rate Counsel notes that the agency submitted three options. Rate Counsel is supportive of one proposal, which it describes as involving the NJCEP in providing funds for home energy audits and grants to cover the cost of all recommended energy efficiency upgrades. It notes that the proposal does not clarify how these incentives would differ from those available through the HPwES program. Rate Counsel critiques another option on the ground that it would involve NJCEP becoming directly involved in the home mortgage business. Rate Counsel does not believe that HMFA's proposal for additional support for its CHOICE program for new homes would produce any incremental additional energy savings, because the program already requires that participating new homes be energy efficient.

Response: As noted elsewhere in this Order, the HMFA's programs are still in development and will not be considered by the Board at this time. The OCE is also in the process of negotiating an MOU with the HMFA. Rate Counsel's comments will be considered in developing these programs and negotiating the MOU between the agencies. Both matters will be brought to the Board for consideration at a later date.

The REIP program

Rate Counsel urges reconsideration and rejection of the expansion of the REIP capacity blocks from 10 MW to 20 MW. This change was approved by the Board in its October 19, 2009 Order, in Docket No. EO07030203. Rate Counsel recommends that the unspent dollars from wind and biomass budgets, which it believes would be used to fund this expansion, should be credited back to ratepayers. Rate Counsel contends that there is no need for further support of solar energy at this time. In support of this position, Rate Counsel points to figures it has compiled on the amount of solar capacity already installed (108 MW) and anticipated to be installed through 2013 (387 MW) with the support of ratepayer funded NJCEP and utility programs. Rate Counsel further contends that the number of applications received through the REIP program demonstrates that incentive levels are appropriately set. According to Rate Counsel, transferring unspent dollars to fund additional solar incentives at the end of the calendar year could actually contribute to a shortfall in solar installation by encouraging market participants to wait until the end of the year in the hope of increased incentives from the Board.

Response: The October 19, 2009 Order approved the expansion of the first capacity block of residential solar rebates from 10 MW to 20 MW. The Board based its decision on the current economic conditions; the state and federal job creation efforts; and the close match between rebate commitments and available funds. Based on the variable nature of these considerations the Board agreed to revisit capacity blocks for the REIP program when considering the 2010 budget and programs. However, it should be noted that the expansion of the solar capacity block was not funded with unspent wind and biomass budgets as Rate Counsel claims. The expansion of the solar capacity block was funded through the cancellation of previously committed CORE solar projects. As noted in the October 19, 2009 Order, the cancellation of these previously committed solar projects is sufficient to cover any additional cost associated with keeping residential solar rebates at the current levels. The OCE believes that this transfer of funding dedicated to solar projects in both programs was appropriate. The OCE does not agree with Rate Counsel's claim that additional solar incentives are unnecessary, because the current level of solar installed in the state is below the percentage set out in the Board's Renewable Portfolio Standard ("RPS") regulations. In addition, the Legislature is currently considering legislation that would increase the State's RPS goals beyond what is currently in the Board's regulations. Finally, based on the current level of development of non-solar REIP projects, the OCE believes sufficient funds exist in the REIP non-solar budgets for all projects anticipated to be submitted in 2010. Thus, the OCE does not recommend reconsideration or rejection of the expansion of the REIP capacity blocks.

Furthermore, the OCE disagrees with Rate Counsel's contention that the Board's ability to modify its Orders at any time, N.J.S.A. 48:2-40, or, in this case, the Board's approval of additional incentives at the same level as those previously available potentially encourages market participants to wait until the end of the year in the hope of increased incentives from the Board. Rate Counsel assumes that the OCE will continue to recommend the expansion of incentives for solar at the "end of the year." However, the Board's history has demonstrated a lowering and elimination of incentives for solar programs, such as the CORE rebate program, when ratepayer subsidy was no longer needed. EDECA grants the Board the authority to determine the level and total amount of such incentives. N.J.S.A. 48:3-60(a)(3). The considerations that influenced the Board's decision to expand the capacity block are still relevant and apply currently. Thus, the OCE maintains that REIP incentives for solar projects should remain at current levels and recommends that the Board continue to consider program changes in accord with the authority granted to it by the Legislature.

Finally, with regard to Rate Counsel's request for a credit of unspent funding, the OCE refers back to its response to Rate Counsel's comment regarding the NJCEP funding levels for 2010.

The City of Newark

The City of Newark ("Newark") provided general comments regarding the stakeholder process and specific comments regarding the Residential New Construction and HPwES programs; the Comfort Partners program; the Direct Install Program; the LGEA and EECBG Rebate Program; and Community Partners. Newark raises several questions regarding the EE and RE programs funded through the NJCEP. Finally, Newark makes suggestions regarding marketing and training.

Stakeholder Process

Newark states that the "last minute" or "lack of distribution of materials for meetings makes it exceedingly difficult to participate [and] comment."

Response: The OCE appreciates the commenter's concerns, but notes that monthly stakeholder meetings began to include discussion of the 2010 program plans and budgets starting in June 2009. Meeting notices, including the dates, times, and locations of meetings, were posted on the NJCEP website and sent to the committee listservs. All agenda and discussion materials were distributed to the committee listservs and meeting notes were posted on the website. The proposed programs and budgets were posted on the web site and circulated to the listservs in October 2009. In addition, the Board held a public meeting on October 13, 2009. Written comments were accepted until November 4, 2009.

Residential New Construction and Home Performance with Energy Star

Newark found the RNC budget disproportionately high relative to the HPwES budget, which the commenter found "odd" relative to its perception of current market considerations. In general, the commenter recommended more outreach on HPwES for existing homes. In addition, the commenter stated that the process by which HPwES "reaches contractors should be more transparent."

Response: The Residential New Construction budget includes funding for commitments made in 2008 and 2009 for homes that will be constructed in 2010 or 2011. It is not directly comparable to the HPwES budget, which is for homes completed and paid in 2010. Furthermore, Honeywell has proposed to significantly increase the HPwES program budget from $23.6 million in 2009 to $42.1 million in 2010 and to reduce the budget for the Residential New Construction program in 2010. However, Newark is served by the PSE&G existing home program, not the HPwES program. The OCE will coordinate with PSE&G and Newark to address the other issues raised in these comments.

Comfort Partners

Newark had numerous suggestions relative to the Comfort Partners program and stated that it would like to participate in discussions in overhauling Comfort Partners. First, the commenter questioned the sufficiency of the funding for this program, given what it perceived to be the driving of customers to Comfort Partners via Clean Power Community Partners and the utility programs. In addition, Newark would like to propose a pilot "whole neighborhood approach" that would layer Comfort Partners together with other programs to address discrete areas. In support of this proposal, Newark stated that localities with concentrations of eligible populations would benefit from being able to layer Comfort Partners with other local initiatives such as code compliance and rehab assistance, lead abatement, and/or neighborhood stabilization. In the Newark's view, this pilot would need to be implemented in a way that is easy on the client. As an interim step, Newark asks the Board to consider working more closely with localities to market Comfort Partners and to give rewards to municipalities for referrals. Lastly, Newark suggests that the Board consider scaling USF/LIHEAP with full assistance provided to Comfort Partner enrollees unless there are reasons prohibiting enrollment. Newark also urges improvement of marketing and online tools to better inform the public about such programs.

Response: The OCE believes that the level of funding for the Comfort Partners program is reasonable relative to other programs and the large influx of federal dollars available for the DCA Weatherization Assistance Program, which offers services similar to those provided by the Comfort Partners program. The OCE believes the neighborhood approach is a concept worth pursuing and directs the commenter to the available federal programs through the USDOE that will award funding for innovative approaches to service neighborhoods. As for the commenter's suggestions regarding USF, Staff is currently exploring requiring Universal Service Fund ("USF") customers to participate in the Comfort Partners program. However, such a requirement would require a modification of the USF program in the context of the on-going USF proceeding. It is not appropriate to make such modifications in this Order.

Direct Install and Commercial & Industrial Programs

Newark contends that the utility multifamily housing program should not be restricted to HMFA clients, because HMFA clients already have other funding lines "and there is a paucity of programs for other multi-family dwellings." Instead, Newark recommends a program to assist multi-family, affordable housing property managers and developers as well as special needs and senior housing broader than that which is delivered by HMFA.

Response: In 2009, the NJCEP was expanded to include program components that specifically target all multi-family housing, not just customers served by HMFA. In addition, the OCE notes that PSE&G recently implemented a new program that targets multi-family homes in Newark and other cities.

Newark comments that "NJCEP and Utility Driven Direct Install should enroll in EPA Portfolio Manager and Energy Star." Newark also includes Pay for Performance in this recommendation.

Response: The OCE supports the use of EPA Portfolio Manager and notes that it is currently utilized by TRC as part of the Pay-for-Performance, TEACH, Sector Specific and Local Government Energy Audit programs. EPA Portfolio Manager requires an assessment of billing histories which is beyond the scope of the Direct Install program.

Newark also requests "[c]larity as to how oil heat is addressed via whole house and [D]irect [I]nstall."

Response: The ARRA programs recently approved by the Board include funding to expand the Home Performance with Energy Star and Direct Install programs to customers that heat with oil or other fuels as well as customers served by municipal electric utilities.

EECBG Rebate Program and LGEA Program

Newark asks whether the EECBG Rebate Program is only available to local governments not eligible for direct formula grants from the federal government. Newark also questions why there is a $20K on EECBG Rebates and whether the $20K cap could be scaled relative to building portfolio size. Newark also asks whether the $100K cap on LGEA grants will be increased.

Response: Consistent with federal law, the EECBG Rebate Program is limited to local governments that are not eligible for direct formula grants from the federal government. In the State of New Jersey, 512 local governments were not eligible for direct formula funding from the federal government so the OCE recommended capping rebates at $20,000 to ensure a rebate for the greatest number of local governments. TRC's revised compliance filing, which was further clarified by letter dated December 10, 2009, describes this program with greater detail. Because Newark received a direct formula grant, it is ineligible for the EECBG Rebate Program. With regard to the LGEA program, the Board increased the cap from $100,000 to $300,000 by Order dated August 7, 2009 in this docket.

Renewable Energy Programs

Given the funding proposed for Offshore Wind, Newark proposes that, in the interest of equity, funding be made available for municipal RE feasibility studies on solar, small wind, CHP, and geothermal energy. Newark also questions the status of a biodiesel rebate for local governments and recommends financing for Class II renewable projects in Urban Enterprise Zones by the EDA. In addition, Newark supports the provision of technical assistance through REIP for solar bundling opportunities in localities and nonprofits.

Response: The 2010 filing submitted by Honeywell includes funding for feasibility studies for wind and biomass projects. This funding is available to any customer. The LGEA Program also includes an assessment of all renewable energy technologies and is available to cities such as Newark. However, the OCE cannot support the commenter's proposed program for the EDA or a biodiesel rebate. EDECA requires that SBC funds provide incentives for Class I renewable energy systems only, not Class II systems. N.J.S.A. 48:3-60(a)(3). Unless biodiesel is derived from a biomass that is cultivated and harvested in a sustainable manner and used to generate electricity it cannot receive a rebate from SBC funds. The OCE appreciates Newark's comment in support of REIP technical assistance.

Community Partners and Other Community Programs

Newark believes that the Community Partner grants (awards for outreach) should be increased. Community Partners should be eligible for funding for demonstration projects and assistance in attracting clean energy sector development. Newark questions why the Cool Cities program is not being expanded to include grants for Cool Roof campaigns. Newark also had a number of comments on the Sustainable Jersey proposal. In its view, components of the rewards system, such as the climate choice house, are prejudiced against lower income areas. Newark also believes that the reward for Home Performance should include referrals to the Utility Whole House Program where this program is being implemented. Newark also requests that the Board consider expanding the wind ordinance award to clean power choice sign-ons; in the commenter's view, the ordinance in its current form is not applicable to most communities. The commenter recommends making CFL distribution events a repeating award or award based on locally established targets, with a floor based on population. Newark recommends a reward for Comfort Partner sign on. Newark also states that a CleanPower Choice sign on credit should not be limited to residential customers, but should be expanded to include commercial customers and that a component should be added that recognizes municipal outreach to contractors, developers, and commercial sectors.

Response: The OCE notes that the proposed 2010 budget includes funding for additional outreach and education grants. These grants will be available qualified applicants and the City of Newark may wish to consider applying. The Community Partners program is intended primarily as a program to assist municipalities in understanding available opportunities to reduce energy usage and promote renewable energy. Staff disagrees that the program should be expanded to include funding for demonstration projects and attracting clean energy sector development. Alternatively, the proposed 2010 budgets include funding for the EDA's CEMF and Green Growth Funds as well as the CST's Edison Innovation Fund, which are each designed to fund demonstration projects and attract green businesses into the State. The OCE will coordinate with the EDA and the CST to ensure the City of Newark is aware of these program offerings.

With regard to the Cool Cities program, Staff notes that this program is managed by DEP and that no new funding is allocated to this program for 2010. The six Utilities' proposal for the 2010 Comfort Partners program will include a cool roofs component. With regard to the other suggested changes, Staff will coordinate with Honeywell and the City of Newark to explore the feasibility of the above comments within the Community Partners program.

Newark's comments also included marketing and training suggestions, which will be forwarded to the market managers for consideration.

E Cubed Company, Innovative Concrete Systems, and G4 Better Living

The comments of the E Cubed Company ("E Cubed"), Innovative Concrete Systems ("ICS") and G4 Better Living ("G4BL") concern a proposal for incentives for micro-combined heat and power ("micro-CHP") systems.

E Cubed urged the Board to include incentives to accelerate the use of micro-CHP to replace natural gas heating systems. The commenter describes micro-CHP as a highly efficient technology that can couple electricity production with meeting household thermal loads. The commenter also estimates that approximately 100,000 gas boilers and furnaces are replaced per year and states that, if each were to be replaced with a micro-CHP unit providing one to five kilowatts of capacity, the entire installed capacity of all PV installations to date would be equaled. E Cubed urges an incentive of $2.75/watt or higher for residential micro-CHP, with a higher incentive, such as a $0.50/watt adder, available for facilities that can meet peak needs. The commenter also urges a program large enough to support several hundred installations. In addition, the commenter proposes a Commercial and Industrial pay-for-performance advanced CHP program that would permit installations, such as several small units, to serve common facility areas in multi-family residential situations. E Cubed does not propose a specific incentive level, but states that a higher incentive should be available for facilities that can meet peak needs.

ICS describes itself as a minority-owned business looking for green business opportunities in New Jersey. The commenter urges the Board to support micro-CHP in 2010. Referencing its understanding that more than 50 low-income homes utilize micro-CHP as a result of a state program in Massachusetts, the commenter supports this technology as providing opportunities for small businesses when solar power is not an option. The commenter states that such systems can be used to meet peak reliability needs and makes recommendations for both a residential and a C&I program. For a residential program, ICS proposes an incentive of $2.75 or higher, which it characterizes as similar to what solar received in its early stages. ICS recommends a higher incentive for facilities that can meet peak needs, such as the $0.50/watt adder discussed for a biopower CHP combination, and a program sized to support at least several hundred installations. ICS further proposes that there be no minimum size for the C&I pay-for-performance advanced CHP program, so that the program could cover installations such as several small units serving common facility areas in multi-family residential situations. The commenter recommends a higher incentive such as the adder discussed above.

G4BL describes itself as a New Jersey community organization that promotes environmental awareness and economic access to "green" technology for individuals, businesses, and communities. G4BL supports the micro-CHP proposal submitted by E-Cubed as an alternative to solar energy when customer preference or physical restrictions make solar non-viable. The commenter references its understanding that more than 50 low-income homes are using micro-CHP in Massachusetts. In addition, the commenter sees this technology as providing a beneficial business opportunity for small/women/minority business enterprises. G4BL proposes that the Board approve micro-CHP deployment in 2010.

Response: The OCE appreciates the commenters' recommendations and involvement in this process. However, the OCE believes that it is important to note that micro-CHP is local generation of electricity using natural gas as a fuel source. Micro-CHP may produce energy savings when comparing the total energy use of the micro-CHP system to the energy that would otherwise be used to provide the thermal (heat and hot water) and electric energy needs of a home. The OCE does not believe that micro-CHP rebate levels should be compared to solar, because solar is a renewable energy technology and micro-CHP is not. Regarding recommendations for rebates to support residential micro-CHP in New Jersey, the OCE believes that further study of the cost and benefits is required prior to recommending incentives for this technology. Staff recommends that the commenters provide additional support for this technology to the OCE and the Market Managers for further consideration. Regarding C&I micro-CHP, the OCE believes the existing incentives provided by the Pay-for-Performance program are appropriate.

National Association of Energy Service Companies ("NAESCO")

The NAESCO describes itself as an association of about 65 organizations involved in the design, manufacture, financing and installation of RE and EE equipment, as well as the provision of renewable energy and energy efficiency services. NAESCO urges the Board to approve the proposed C&I incentives as well as the carry-over budgets from 2009. NAESCO supports a proposed incremental incentive for biopower CHP projects, which it believes might bridge the gap between the Pay-for-Performance program and the renewable program. NAESCO also believes that, given the incremental expenses which can be involved, a higher incentive of $1.00/watt would be preferable to the proposed $0.50/watt incentive. The commenter also believes that improved coordination between Pay-for-Performance and biopower will be necessary and recommends periodic reports on the joint effort to both the EE and RE stakeholder groups.

Response: The OCE appreciates NAESCO's support for the NJCEP program and agrees with the comments submitted. In response to comments such as these and input from the OCE, TRC submitted a revised filing on December 9, 2009. The revised filing submitted by TRC included a higher rebate for biopower CHP projects as recommended by NAESCO.

New Jersey Community Capital

New Jersey Community Capital submitted a proposal for funding at the October public meeting. Specifically, New Jersey Community Capital requested $7.5 million in NJCEP funds to create a loan fund to provide low cost financing to construct or rehabilitate energy efficient facilities.

Response: The OCE has reviewed the proposal and believes it requires additional analysis. The OCE recommends that New Jersey Community Capital work with Honeywell to determine whether the concept can or should be incorporated into existing programs. However, the OCE will not recommend funding this program at this time.

State Agencies

The Department of Community Affairs, Division of Codes and Standards, submitted a proposal for funding at the September EE Committee meeting and the October public meeting to support the training of local code inspectors related to implementation of new residential building codes. Several meeting participants expressed general support for the concept, but proposed alternative methods for providing the training. The EDA, the HMFA, and Sustainable Jersey each proposed funding for new programs at the September EE Committee meeting and the October public meeting. Specifically, EDA proposed funding for a new Green Growth Fund and a "wrap-around" program. The HMFA submitted a proposal for funding for energy efficient mortgages. Sustainable Jersey submitted a proposal to extend its support for the Community Partners Initiative.

Response: The OCE supports the concept and proposed building code training program recommended by the Division of Codes and Standards. However, the OCE believes additional research is required before making a recommendation for funding of this program. The OCE recommends coordination with the Division of Codes and Standards to develop this program for consideration by the Board. With regard to the EDA, HMFA, and Sustainable Jersey proposals, the OCE recommends funding for these proposals. The EDA and Sustainable Jersey program proposals are described more fully above and in the OCE's compliance filing. The HMFA programs are still under development and will be brought back to the Board for consideration at a later date.

Community Energy, Inc. and Center for Resource Solutions

Both Community Energy, Inc. ("CEI") and the Center for Resource Solutions ("CRS") submitted comments regarding the CleanPower Choice ("CPC") program.

CEI supports the overall program design of the New Jersey CPC program. According to CEI, implementing specific updates to program design can further encourage resident participation and market investment from Clean Power Marketers ("CPMs"). The commenter believes that the OCE should continue to fund the CPC program in 2010, because developers need the REC market for new renewable energy development and the CPC program augments the REC market, which provides renewable energy beyond portfolio requirements and is available to individuals and organizations that choose to voluntarily support it. Lastly, CPC offers a venue for individuals and organizations to choose clean energy even if they have no capability to generate renewable energy at their home or business.

CEI recommends retaining the current structure of CPC multiple-supplier design (Competitive Solicitation), because it promotes the concept of choice in the marketplace and encourages continued market involvement. According to CEI, product pricing and design should remain the decision of the CPMs to offer a competitive & valuable product to the New Jersey marketplace. CEI supports the option of either a Block or Percent of Use product, as both have unique benefits. CEI also supports a local product offering. CEI recommends retaining the requirement that resources come from PJM. Regarding eligible resources, CEI believes that a blending of wind and solar and low impact hydro is appropriate. CEI recommends that the Marketing Strategy for the New Jersey CPC program should consist of a mixture of traditional (bill insert and direct mail campaigns) & non-traditional (email campaigns, Community & grassroots marketing, social networking media) marketing tactics facilitated by clear & consistent communication between the BPU, Utilities, and Clean Power Marketers ("CPMs"). The commenter worries that a transfer to Green-e certification could create additional complications for the CPC program, because some projects (such as small hydro) are not eligible for Green-e certification. The commenter asks the CPC program to arrange Green-e certification for products that include small PJM hydro.

CRS submitted business information about its Green-e Energy renewable energy certification program and is interested in exploring further the possibility of providing certification and verification services for the CPC Program and possibly administering some elements of the program.

Response: The OCE agrees that the overall design of the CPC program should remain intact and appreciates the commenters' support for the program. However, the OCE recommends that the NJCEP support for the program be reduced in 2010 and that the CPMs take on a larger role in marketing the programs. Therefore, the OCE recommends discontinuation of utility bill stuffers in 2010 and includes that recommendation in the OCE compliance filing. The OCE is open to suggestions regarding changes to the product and pricing design and recommends including this discussion in the monthly CPC working group meetings so that other public stakeholders may have an opportunity to comment prior to the OCE making a recommendation to the Board. The OCE appreciates CRS submitting information for the 2010 budget process, but concurs with the CEI's statements regarding Green-e certification. The OCE does not recommend requiring Green-e certification at this time.

SunPower Corporation

SunPower Corporation ("SunPower") comments that the REIP program would be improved and streamlined if builders were allowed to apply on behalf of home buyers. SunPower believes that RNC should be classified as 'Residential' and qualify for the higher residential REIP rebates if the builder applies for the REIP incentive. SunPower explains that the ultimate beneficiaries of the REIP incentive are home-buyers and, by requiring buyers to be the applicants to REIP, the timing of the costs and reimbursement is not aligned.

In addition, SunPower notes that the 2010 Energy Efficiency Program Budget categorizes RNC projects as 'Residential', and builders are paid under the residential program. RNC projects are considered 'Residential' for EE, but 'Non-Residential' for REIP incentives. The commenter believes the two programs should be made consistent. SunPower requests clarification of 2010 REIP Program Plan, because it interprets the standard rebate to be reduced by $0.75/W simply due to the name on the application (builder vs. buyer). The commenter requests technical clarification of incentives for builders, because the program "filing categorizes residential new construction projects as qualifying under the residential solar incentive level and budget in number of places." SunPower also notes several developing matters that may create uncertainty for program participants.

SunPower questions whether inspection for the REIP program will happen concurrently with the HERS certification inspections under the RNC Program and by the same inspector. SunPower also believes the incentive should be mostly directed to builders and not home buyers, because it could increase home purchase price of energy star homes and decrease home buyer interest. The commenter worries the program may put added strain on home buyers and dissuade builders from participating in the program.

The commenter also requests clarification of RNC incentives. Specifically, the commenter asks: what is the total builder incentive for Tier 3 homes; are the incentives shown in Table 3 builder incentives; and, is the $5,000 bonus for completed Tier 3 projects in 2010 in addition to the incentives in Table 3 of the RNC program description.

Response: REIP rebates are structured in part based on estimates of system costs and tax and other incentives. Builders installing multiple systems should be able to achieve a lower cost than residential customers and are eligible for additional tax incentives not available to residential customers. Therefore, the OCE believes it is appropriate to classify new construction as non-residential and recommends that this classification be retained. Regarding inspections, REIP and HERS inspections may not happen concurrently and may be performed by two different inspectors, one trained to perform HERS inspections and one trained to perform solar inspections. With regard to the commenter's request for a more detailed understanding of the specific incentives, the OCE directs the commenter to the revised compliance filings and recommends coordination with the market manager.

Regarding the request for a more detailed understanding of the specific incentives, the OCE believes that the commenter references Honeywell's initial program description. The total builder incentive is a function of a home's HERS rating as set out in Table 3 of the Honeywell filing. The final filing submitted by Honeywell was modified to clarify that Table 3 set out incentives paid to builders. The $5,000 bonus for completing a project in 2010 is in addition to the incentives set out in Table 3.

Staff Recommendations

The OCE participated in the EE and RE committee meetings and provided input regarding proposed programs and budgets. The OCE reviewed the initial filings and the comments submitted by members of the CEC and its committees as well as other public stakeholders. The OCE coordinated with the Market Managers to discuss proposed changes to be incorporated into the revised 2010 compliance filings. The OCE has reviewed the compliance filings submitted by the six Utilities; the OCE (which includes the EDA and the CST programs as well as the proposed budgets for the developing HMFA programs); and the revised compliance filings submitted by TRC and Honeywell.

With regard to its program goals, the six Utilities "strongly recommend that in approving the Comfort Partners program, the Board also directs that participation in either the Comfort Partners or WAP be an eligibility requirement for receiving monthly USF benefits and [an eligibility requirement for the] Fresh Start arrears forgiveness program." The six Utilities believe that "[t]his requirement should not, however, preclude customer eligibility for USF benefits" if a landlord refuses services or there is a delay in the performance of work. "Until the USF requirement is approved," the six Utilities propose to "increase marketing efforts begun in 2009."

The OCE notes that the issue raised by the six Utilities has been discussed at USF stakeholder meetings and will continue to be evaluated by Board Staff. However, as stated in the 2009 Budget Order, such a requirement would require a modification of the USF program in the context of the on-going USF proceeding. It is not appropriate to make such modifications in this Order, which addresses 2010 programs and budgets for the NJCEP. Therefore, at this time, the OCE recommends approval of the six Utilities' filing without this additional requirement.

The OCE also notes that the six Utilities' compliance filing includes a commitment to "implement the requirements of the August 19, 2008 Board Order in Docket No. EA07110885." The six Utilities propose to do so by instituting a pilot program, tracking program cost, and filing program information with the Board. The OCE is aware that the pilot program noted in the Utilities' compliance filing has been implemented pursuant to the August 19, 2008 Order. That Order stated that the program was "a one-year pilot program, but it will not terminate automatically at the end of the one year period." Rather, the Board directed Staff to monitor the implementation of this pilot program, report on the program's progress, and "propose such modifications as may appear necessary and appropriate." Notably, the Board acknowledged "a potential for slamming type problems with marketing and enrollment practices of CPMs [Clean Power Marketers]." The Board stated that, upon further review, it "will make a determination as to whether to extend the anti-slamming provisions to CPMs and consider issuing a rule proposal in this regard." The Board also directed that this pilot program's procedure "shall be incorporated in rules following the end of the one-year period and the Board's consideration of the reports presented at that time." In recognition of the six Utilities' proposal to continue implementing this program, the OCE proposes to develop, with input from stakeholders, rule proposals for the Board's consideration in 2010.

With the foregoing modifications, the OCE believes that the compliance filings are reasonable and consistent with the Board's established policies. The OCE, therefore, recommends approval of these compliance filings, as modified.

Proposed Program Funding

As noted above, the 2010 budget process commenced with the preparation of a 7&5 Report (7 months of actual expenses and 5 months of estimated expenses) by AEG, the Program Coordinator. AEG requested that all program managers provide actual expenses through July 2009, estimated expenses for the remainder of the year, and estimated commitments that would exist as of December 31, 2009. AEG deducted estimated 2009 expenses from the final Board approved 2009 budgets to estimate 2009 carry over. AEG estimated $134.6 million in EE carry over, $147.7 million in RE carry over, and $2.9 million in OCE Oversight carry over. AEG estimated that approximately $168 million of the carry over would be committed as of the end of the year and needed to pay incentives when the committed projects were completed in 2010 or 2011.

The CRA III Order, which concluded the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2009 – 2012 NJCEP, set a funding level of $269 million for 2010. The CRA III Order stated that the detailed breakdown of the EE and RE funding for the years 2010-2012 proposed by Staff should be considered as guidance in developing the detailed program descriptions and budgets for the years 2009 through 2012. CRA III Order at 57. The following shows the detailed break down of the funding level for 2010, as stated in the CRA III Order.

1. Energy Efficiency Programs:
    a. Commercial and Industrial: $92.3 million
    b. Residential: $78.2 million
    c. Low Income: $30 million
    d. Clean Energy Technology Fund: $7.5 million

   Total EE: $208 million

2. Renewable Energy Programs:
    a. Wind: $25 million
    b. Biomass: $15 million
    c. Clean Energy Technology Fund: $7.5 million
    d. Small Solar < 50 kW: $13.5 million

   Total RE: $61 million

Previous Board Orders allow up to 10% of the new funding for administrative expenses. The Board and the OCE strive to keep administrative expenses as low as possible so that any unused administrative funding will become available for additional incentive payments to customers. Consistent with this approach, the OCE proposes the allocation of 4.5% of the funding levels set out above to the OCE Oversight budget for various tasks related to program administration and evaluation.[6]

The OCE's proposed allocation included in the CRA III Order included $7.5 million in funding from both the EE and the RE funding, or a total of $15 million, for the Clean Energy Technology Fund. The OCE proposes allocating $3 million of the Clean Energy Technology Fund to the Edison Innovation Clean Energy Fund administered by the CST and $12 million to the Edison Innovation Clean Energy Manufacturing Fund administered by the EDA. The Clean Energy Technology Fund is shown below as an RE program for administrative and accounting purposes only, with the EE funding for this program reallocated to the RE budgets. The OCE also proposes the reallocation of $5 million from the EE low income program to the new EDA Green Growth Fund. The OCE believes the proposed Green Growth Fund will help move new and innovative energy efficiency and renewable energy products into the marketplace and recommends that funding for this new program be reallocated in part from the Comfort Partners program given the large influx of $118 million for the DCA's WAP, which offers similar services as the Comfort Partners program.

The following tables show the funding levels proposed by Staff in the CRA III Order, less the funds reallocated to the OCE Oversight budget for administrative activities. The following tables also show the EE funds for the Clean Energy Technology Fund and Green Growth Fund reallocated to the RE budget as discussed above.

Proposed 2010 EE Funding from CRA Order					
Energy Efficiency	Total From OCE Straw Proposal	Line Item Transfer to OCE Oversight @	Other Line Item Transfers	Total Line Item Transfers	Remaining EE Funding
		4.5%			
C&I	$92,300,000.00	($4,153,500.00)	$0.00	($4,153,500.00)	$88,146,500.00
Residential	$78,200,000.00	($3,519,000.00)	$0.00	($3,519,000.00)	$74,681,000.00
Low Income	$30,000,000.00	($1,350,000.00)	($5,000,000.00)	($6,350,000.00)	$23,650,000.00
Clean Energy Tech Fund	$7,500,000.00	$0.00	($7,500,000.00)	($7,500,000.00)	$0.00
Total EE	**$208,000,000.00**	**($9,022,500.00)**	**($12,500,000.00)**	**($21,522,500.00)**	**$186,477,500.00**

Proposed 2010 RE Funding from CRA Order					
RE	Total From OCE Straw Proposal	Line Item Transfer to OCE Oversight @	Other Line Item Transfers	Total Line Item Transfers	Remaining RE Funding
		4.5%			
Wind	$25,000,000.00	($1,125,000.00)	$0.00	($1,125,000.00)	$23,875,000.00
Biomass	$15,000,000.00	($675,000.00)	$0.00	($675,000.00)	$14,325,000.00
Small Solar	$13,500,000.00	($607,500.00)	$0.00	($607,500.00)	$12,892,500.00
Sub-total wind, biomass and small solar	*$53,500,000.00*	*($2,407,500.00)*	*$0.00*	*($2,407,500.00)*	*$51,092,500.00*
EDA/CSTClean Energy Tech Fund and Green Growth Fund	$7,500,000.00	$0.00	$12,500,000.00	$12,500,000.00	$20,000,000.00
Sub total EDA/CST	*$7,500,000.00*	*$0.00*	*$12,500,000.00*	*$12,500,000.00*	*$20,000,000.00*
Total RE	**$61,000,000.00**	**($2,407,500.00)**	**$12,500,000.00**	**$10,092,500.00**	**$71,092,500.00**

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[6] The overall percentage allocated to the OCE Oversight is less than 4.5% of the new funding since the OCE Oversight funding was not deducted from the Board approved funding for the Clean Energy Technology Fund.

The tables above show a $9,022,500 allocation from the EE funding and a $2,407,500 allocation from the RE funding for a total of $11,430,000 for the OCE Oversight budget.

As discussed above, the NJCEP has provided the EDA with funding for the programs it manages. The EDA's programs earn interest on unexpended funds. The EDA has also issued loans and grants that are repaid over time. Any interest or loan repayments credited to the EDA account are funds available for new program activity. The EDA estimates that interest and loan repayments will total $640,651 in 2009. These new funds are available for the 2010 budgets and are reflected in the following table.

A summary of the various transfers discussed above and the new funding available is shown in the following table marked Proposed 2010 Program Funding. The table below shows a line item transfer of $21.522 million out of the EE budget, which consists of the $7.5 million reallocated to the RE budget for the Clean Energy Technology Fund, $5 million reallocated to the EDA Green Growth Fund, and $9.022 million reallocated to the OCE Oversight budget. In addition, the table below shows a line item transfer of $10.092 million into the RE budget, which consists of the transfer of $7.5 million from EE for the Clean Energy Technology Fund and $5 million for the Green Growth Fund less the $2.407 million of RE funds reallocated to the OCE Oversight budget. The result of these line item transfers and the inclusion of the $640,651 of anticipated new funding can be seen in the following table representing the proposed 2010 EE and RE program funding.

Proposed 2010 Program Funding

Budget Category	New 2010 Funding from CRA Order	Line Item Transfers	Revised New 2010 Funding	Estimated 2009 Carryover	Other Anticipated New Funding	2010 Funding	Estimated Commitments	2010 Funding Less Commitments
	(a)	(b)	(c)=(a)+(b)	(d)	(e)	(f)= (c)+(d)+(e)	(g)	(h)=(f)-(g)
Energy Efficiency	$208,000,000.00	($21,522,500.00)	$186,477,500.00	$134,647,383.98		$321,124,883.98	$53,001,621.00	$268,123,262.98
Renewable Energy	$61,000,000.00	$10,092,500.00	$71,092,500.00	$147,747,732.84	$640,651.00	$219,480,883.84	$114,644,209.00	$104,836,674.84
OCE Oversight	$0.00	$11,430,000.00	$11,430,000.00	$2,856,667.38		$14,286,667.38	$0.00	$14,286,667.38
Total	**$269,000,000.00**	**$0.00**	**$269,000,000.00**	**$285,251,784.19**	**$640,651.00**	**$554,892,435.19**	**$167,645,830.00**	**$387,246,605.19**

(a) = 2010 funding levels from September 30, 2008 CRA III Order
(b) = line item transfers added to or subtracted from new funding
(c) = new 2010 funding, plus line item transfers
(d) = estimated 2009 carry over from EE, RE and OCE Oversight budgets
(e) = other anticipated funding: EDA interest and loan repayments
(f) = revised new 2010 funding, plus estimated carry over, plus other anticipated new funding
(g) = estimated program commitments as of December 31, 2009
(h) = 2010 estimated funding levels, less program commitments, as of December 31, 2009

As previously noted, the OCE utilized the 7&5 report to develop a preliminary Staff straw budget proposal that was circulated to the EE and RE committees and used as a basis for commencing 2010 program and budget discussions. Updates were provided as available. The EE and RE committees met monthly from June through November 2009 to review and discuss proposed programs and budgets. The Market Managers developed proposed programs and budgets for discussion at the EE and RE committee meetings and the CEC meeting based on the goals and strategies set forth in the Energy Master Plan and the EE and RE policy objectives of the Board. The Market Managers considered the comments of committee members and the OCE in developing proposed budgets that were included in their filings. Subsequent to their filings, additional comments were provided by the OCE, taking into consideration the recommendations from the CEC public stakeholder process and consistent with the goals of the Energy Master Plan. The Market Managers then submitted revised filings including revised budgets.

Energy Efficiency Program Budget

In addition to the line item transfers between the EE, RE and the OCE Oversight budget categories discussed above, the OCE proposes a number of line item transfers within the EE budget category. These line item transfers are discussed below.

1. Transfer $2,511,335.08 to the developing HMFA EE Mortgage program. The funding is transferred from the following three programs that no longer require the amount of the proposed transfer as follows:
    a. $2,078,326.15 from the CHP budget of which $1,6078,326.15 is transferred to the developing HMFA EE Mortgage program and $400,000 is transferred to the Pay-for-Performance program. The CHP program was terminated in 2008 and the remaining budget, less this recommended transfer, is sufficient to pay all the existing commitments.
    b. $449,300.50 from the Special Studies budget. The remaining Special Studies budget is sufficient to pay all the existing commitments.
    c. $383,708.43 from the Cool Cities budget. The remaining Cool Cities budget is sufficient to pay all the existing commitments.
2. Transfer $1,175,778.76 from the Residential New Construction program budget to the HVAC program budget. The remaining funds in the Residential New Construction program budget are sufficient for both the commitments and the anticipated new program activity.

The following table shows the 2010 Energy Efficiency Program budgets recommended by the OCE. The OCE's recommendation incorporates the line item transfers discussed above. The proposed budgets are followed by a brief description of the programs.

2010 Energy Efficiency Program Budget

Energy Efficiency Programs							
	NJBPU	Estimated	Estimated	New	Line	Final	Committed
	Approved	2009	2009	2010	Item	2010	Expenses
Programs	2009 Budget	Expenses	Carry Over	Funding	Transfers	Budgets	
Residential EE Programs	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) + (d) + (e)	(g)
Residential HVAC - Electric & Gas	$13,532,500.80	$9,449,136.40	$4,083,364.40	$14,927,938.77	$1,175,778.76	$20,187,081.93	$0.00
Residential New Construction	$42,576,218.09	$9,946,558.21	$32,629,659.88	$0.00	($1,175,778.76)	$31,453,881.12	$19,249,000.00
Energy Efficient Products	$25,315,444.47	$14,420,222.60	$10,895,221.87	$17,758,386.21	$0.00	$28,653,608.08	$0.00
Home Performance with Energy Star	$23,652,926.69	$14,913,541.65	$8,739,385.03	$33,385,184.85	$0.00	$42,124,569.88	$0.00
Community Partners Initiative	$1,247,612.00	$897,612.00	$350,000.00	$2,047,494.01	$0.00	$2,397,494.01	$0.00
Residentail Marketing	$4,580,830.00	$3,978,326.49	$602,503.51	$4,073,331.24	$0.00	$4,675,834.75	$0.00
HMFA EE Mortgages	$0.00	$0.00	$0.00	$2,488,664.92	$2,511,335.08	$5,000,000.00	$0.00
Sub Total Residential	**$110,905,532.04**	**$53,605,397.36**	**$57,300,134.69**	**$74,681,000.00**	**$2,511,335.08**	**$134,492,469.77**	**$19,249,000.00**
Residential Low Income							
Comfort Partners	$36,309,764.38	$28,836,144.00	$7,473,620.38	$23,650,000.00	$0.00	$31,123,620.38	$0.00
Sub Total Low Income	**$36,309,764.38**	**$28,836,144.00**	**$7,473,620.38**	**$23,650,000.00**	**$0.00**	**$31,123,620.38**	**$0.00**
C&I EE Programs							
Commercial/Industrial Construction							
C&I New Construction	$10,691,720.49	$3,054,636.54	$7,637,083.95	$1,662,916.05	$0.00	$9,300,000.00	$3,000,000.00
C&I Retrofit	$22,020,298.02	$16,481,215.23	$5,539,082.79	$20,000,000.21	$0.00	$25,539,083.00	$5,500,000.00
Pay-for-Performance New Construction	$7,103,223.98	$1,548,106.72	$5,555,117.26	$6,882,098.59	$0.00	$12,437,215.85	$1,900,000.00
Pay-for-Performance	$23,245,128.08	$2,875,180.00	$20,369,948.08	$41,545,397.50	$400,000.00	$62,315,345.58	$7,000,000.00
CHP	$11,784,675.15	$1,476,927.00	$10,307,748.15	$0.00	($2,078,326.15)	$8,229,422.00	$8,229,422.00
Local Government Audit	$13,276,120.00	$4,563,677.75	$8,712,442.25	$6,274,999.75	$0.00	$14,987,442.00	$6,900,000.00
Direct Install	$10,295,999.00	$600,000.00	$9,695,999.00	$8,000,000.00	$0.00	$17,695,999.00	$0.00
TEACH	$795,600.00	$350,202.50	$445,397.50	$1,104,602.50	$0.00	$1,550,000.00	$445,398.00
Marketing	$1,555,000.00	$1,555,000.00	$0.00	$1,630,000.00	$0.00	$1,630,000.00	$0.00
Business Conference	$1,046,000.40	$1,046,000.40	$0.00	$1,046,485.40	$0.00	$1,046,485.40	$0.00
Sub Total C&I	**$101,813,765.12**	**$33,550,946.14**	**$68,262,818.98**	**$88,146,500.00**	**($1,678,326.15)**	**$154,730,992.83**	**$32,974,820.00**
Other EE Programs							
Special Studies	$1,327,101.50	$100,000.00	$1,227,101.50	$0.00	($449,300.50)	$777,801.00	$777,801.00
Cool Cities	$4,956,762.98	$4,573,054.55	$383,708.43	$0.00	($383,708.43)	$0.00	$0.00
Sub Total Other Energy Efficiency Programs	**$6,283,864.48**	**$4,673,054.55**	**$1,610,809.93**	**$0.00**	**($833,008.93)**	**$777,801.00**	**$777,801.00**
Total Energy Efficiency	**$255,312,926.02**	**$120,665,542.05**	**$134,647,383.98**	**$186,477,500.00**	**$0.00**	**$321,124,883.98**	**$53,001,621.00**

(a) = Board approved a second revised 2009 budget by Order dated November 10, 2009.
(b) = Estimated 2009 expenses from 7&5 report.
(c) = 2009 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
(d) = Level of new 2010 funding allocated to each program.
(e) = Transfer of funds from one program or budget category to another.
(f) = 2009 carryover plus new 2010 Funding plus/less line item transfers.
(g) = committed expenses estimated to be paid in 2010 or 2011

1. Residential HVAC – Electric and Gas: The Residential Gas and Electric HVAC Program provides rebates to customers that purchase high efficiency heating and cooling equipment such as furnaces and central air conditioners.
2. Residential New Construction: The Residential New Construction Program provides financial incentives to builders that construct new homes meeting the New Jersey Energy Star Homes standards which use less energy than homes built to meet the minimum requirements of existing codes.
3. Energy Efficient Products: The Energy Efficient Products Program provides financial incentives and support to retailers that sell energy efficient products, such as appliances or compact fluorescent light bulbs.

4. Home Performance with Energy Star: The Home Performance with Energy Star Program recruits and trains contractors that install energy efficiency measures in existing homes. The program includes incentives to customers for the installation of such measures and enhanced incentives for moderate income customers.
5. Community Partners Initiative: The Community Partners Initiative offers services to municipalities to assist in promoting energy efficiency and renewable energy. This program includes direct incentives to municipalities to implement EE measures.
6. Residential Marketing: The residential marketing budget is for all marketing activities related to promoting the residential programs.
7. HMFA EE Mortgage: The HMFA EE Mortgage program is a developing program which will be intended to provide mortgages to new home purchasers that install energy efficiency upgrades.
8. Residential Low Income: The Residential Low-Income Program provides for the installation of energy conservation measures at no cost to income-qualified customers.
9. C&I New Construction: The C&I New Construction Program provide rebates and other incentives to commercial and industrial customers that design and build energy efficient buildings.
10. C&I Retrofit: The C&I Retrofit Program provide rebates and other incentives to commercial and industrial customers that install high efficiency equipment in existing buildings.
11. Pay-for-Performance New Construction: The Pay-for-Performance New Construction program will provide incentives for new buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure
12. Pay-for-Performance: The Pay-for Performance program will provide incentives for existing buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
13. CHP: The combined heat and power ("CHP") program provides incentives for the installation of CHP systems. The program was discontinued as a self standing program in 2008 and incentives for CHP are now included as part of the Pay-for-Performance program. The 2010 CHP budget is for commitments made prior to discontinuing the program.
14. Local Government Audit: The Local Government Energy Audit program offers subsidized energy efficiency audits to municipalities and other government entities.
15. Direct Install: The Direct Install program provides incentives for the installation of energy efficiency measures in small commercial buildings,
16. TEACH: The TEACH program will work with school districts to develop energy curriculum and reduce energy usage in the schools.
17. C&I Marketing: The C&I marketing budget is for all marketing activities related to promoting the C&I programs.
18. Business Conference: The business conference budget is for expenses related to the annual NJ Clean Energy Conference and Leadership Awards.
19. Special Studies: The Special Studies budget is for special projects managed by OCE as approved by the Board.

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

Proposed 2010 Energy Efficiency Program Budget by Program Manager					
Energy Efficiency Programs					
	Honeywell	**TRC**	**Utilities**	**OCE, EDA, CST, DEP, HMFA**	**Total**
Programs					
Residential EE Programs					
Residential HVAC - Electric & Gas	$20,187,081.93				**$20,187,081.93**
Residential New Construction	$31,453,881.12				**$31,453,881.12**
Energy Efficient Products	$28,653,608.08				**$28,653,608.08**
Home Performance with Energy Star	$42,124,569.88				**$42,124,569.88**
Community Partners Initiative	$1,952,494.00			$445,000.01	**$2,397,494.01**
Residential Marketing	$4,675,834.75				**$4,675,834.75**
HMFA EE Mortgages				$5,000,000.00	**$5,000,000.00**
Sub Total Residential	**$129,047,469.76**	**$0.00**	**$0.00**	**$5,445,000.01**	**$134,492,469.77**
Residential Low Income					
Comfort Partners	**$0.00**	**$0.00**	**$31,123,620.38**	**$0.00**	**$31,123,620.38**
C&I EE Programs					
C&I New Construction		$9,300,000.00			**$9,300,000.00**
C&I Retrofit		$25,539,083.00			**$25,539,083.00**
Pay-for-Performance New Construction		$12,437,215.85			**$12,437,215.85**
Pay-for-Performance		$62,315,345.58			**$62,315,345.58**
CHP		$8,229,422.00			**$8,229,422.00**
Local Government Energy Audit		$14,987,442.00			**$14,987,442.00**
Direct Install		$17,695,999.00			**$17,695,999.00**
TEACH		$1,550,000.00			**$1,550,000.00**
C&I Marketing		$1,630,000.00			**$1,630,000.00**
Business Conference		$1,046,485.40			**$1,046,485.40**
Sub Total C&I	**$0.00**	**$154,730,992.83**	**$0.00**	**$0.00**	**$154,730,992.83**
Other EE Programs					
Special Studies				$777,801.00	**$777,801.00**
Sub Total Other Energy Efficiency Programs	**$0.00**	**$0.00**	**$0.00**	**$777,801.00**	**$777,801.00**
Total Energy Efficiency	**$129,047,469.76**	**$154,730,992.83**	**$31,123,620.38**	**$6,222,801.01**	**$321,124,883.98**

Renewable Energy Program Budget

In addition to the line item transfers between the EE, RE, and the OCE Oversight budget categories discussed above, the OCE also proposes a number of line item transfers within the RE budget category. These line item transfers are discussed below.

1. Transfer $4,990,931.62 from the Customer On-Site Renewable Energy ("CORE") program, which is closed to new applications. The funding is no longer required due to the cancellation of previous commitments.
2. Transfer $104,577 to the Offshore Wind budget for additional expenses related to a study proposed to be performed by the Rutgers Institute of Marine and Coastal Sciences.
3. Transfer $75,967 from the RE Grants and Financing program and $35,678.38 from the Business Venture Financing program. Both of these programs are closed to new applicants and the remaining budget is sufficient to pay the commitments made before the programs were terminated.
4. Transfer $5 million to the Green Growth Fund.

The MOU between the Board and EDA for the Clean Energy Manufacturing Fund ("CEMF") states that "EDA shall provide the OCE with written notice of the estimated interest, principal payments and collection proceeds, which will be deducted from the amount due for the following year." The EDA estimated that $640,651 in interest and principal payments will be collected in 2009. These funds were discussed above and are shown in the "Other Anticipated New Funding" column in the table below. Pursuant to the terms of the MOU between EDA and the Board, this amount should be deducted from the $12 million in new 2010 funds allocated to the EDA's CEMF program.

The OCE is in discussions with the EDA regarding a revision to the CEMF MOU. The OCE intends this revision to add the Green Growth Fund ("GGF") and wrap-around programs discussed above. The OCE recommends that the Board approve a single budget for the three EDA initiatives, CEMF, GGF, and the wrap-around program, to provide budget flexibility and administrative efficiency. In addition, the OCE recommends the allocation of the $640,651 in estimated interest and principal payments to the budget line for the three EDA initiatives rather than the deduction from the $12 million in 2010 CEMF funds. The OCE further recommends the allocation of the full $12 million in new 2010 funds for the CEMF. The final EDA 2010 budget will be adjusted for the difference between the $640,651 in estimated 2009 EDA interest and principal payments and actual 2009 interest and principal payments, once known, in a later order. The OCE will present a revised MOU with the EDA that expands the existing CEMF MOU to include the GGF and wrap-around programs to the Board for its consideration at a later date.

The OCE recommends the 2010 Renewable Energy Program budgets shown in the following table. The proposed budgets are followed by a brief description of the programs:

2010 Renewable Energy Program Budget

Renewable Energy Programs								
	NJBPU	Estimated	Estimated	New	Other	Line	Final	Committed
	Approved	2009	2009	2010	Anticipated	Item	2010	Expenses
Programs	2009 Budget	Expenses	Carry Over	Funding	New Funding	Transfers	Budgets	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)	(g) = (c)+(d)+(e)+(f)	(h)
Customer On-Site Renewable Energy	$126,605,581.76	$74,730,656.47	$51,874,925.29	$0.00	$0.00	($4,990,931.62)	$46,883,993.67	$46,000,000.00
Clean Power Choice	$629,501.00	$546,491.78	$83,009.22	$0.00	$0.00	$0.00	$83,009.22	$0.00
Offshore Wind	$13,765,676.00	$0.00	$13,765,676.00	$0.00	$0.00	$104,577.00	$13,870,253.00	$12,000,000.00
Renewable Energy Program: Grid Connected	$10,201,605.00	$0.00	$10,201,605.00	$6,000,000.00	$0.00	$0.00	$16,201,605.00	$10,201,605.00
Renewable Energy Incentive Program	$54,070,980.40	$15,069,791.21	$39,001,189.19	$44,504,358.76	$0.00	$0.00	$83,505,547.95	$31,297,000.00
DEP Ecological Baseline Study	$2,100,000.00	$2,100,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
RE Marketing	$680,319.00	$623,240.24	$57,078.76	$588,141.24	$0.00	$0.00	$645,220.00	$0.00
SUB-TOTAL Renewables	**$208,053,663.16**	**$93,070,179.70**	**$114,983,483.46**	**$51,092,500.00**	**$0.00**	**($4,886,354.62)**	**$161,189,628.84**	**$99,498,605.00**
EDA/CST/HMFA PROGRAMS								
EDA RE Project Grants and Financing	$4,085,967.00	$3,115,286.00	$970,681.00	$0.00	$0.00	($75,967.00)	$894,714.00	$894,714.00
EDA Renewable Energy Business Venture Financing/REED	$1,537,473.38	$628,905.00	$908,568.38	$0.00	$0.00	($37,678.38)	$870,890.00	$870,890.00
EDA Clean Energy Manufacturing and Green Growth Fund	$24,000,000.00	$3,480,000.00	$20,520,000.00	$17,000,000.00	$640,651.00	$5,000,000.00	$43,160,651.00	$13,380,000.00
CST Edison Innovation Clean Energy Fund	$6,000,000.00	$2,635,000.00	$3,365,000.00	$3,000,000.00	$0.00	$0.00	$6,365,000.00	$0.00
HMFA Solar Loan Program	$7,000,000.00	$0.00	$7,000,000.00	$0.00	$0.00	$0.00	$7,000,000.00	$0.00
SUB-TOTAL EDA/CST Programs	**$42,623,440.38**	**$9,859,191.00**	**$32,764,249.38**	**$20,000,000.00**	**$640,651.00**	**$4,886,354.62**	**$58,291,255.00**	**$15,145,604.00**
TOTAL Renewable Energy Programs	**$250,677,103.54**	**$102,929,370.70**	**$147,747,732.84**	**$71,092,500.00**	**$640,651.00**	**0.00**	**$219,480,883.84**	**$114,644,209.00**

(a) = Board approved second revised 2009 budgets from Order dated November 10, 2009.
(b) = Estimated 2009 expenses from 7&5 report.
(c) = 2009 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
(d) = Level of new 2010 funding allocated to each program.
(e) = EDA interest and loan repayments
(f) = Transfer of funds from one program or budget category to another.
(g) = 2009 carryover plus new 2010 Funding plus/less line item transfers.
(h) = committed expenses estimated to be paid in 2010 or 2011

1. Customer Sited Renewable Energy ("CORE"): The CORE Program provides rebates to customers that install RE systems to meet the electric loads of their homes or businesses. This program was discontinued in 2009. The 2010 budget will be utilized to pay rebate commitments made prior to program termination.
2. CleanPower Choice: The CleanPower Choice Program is a program that allows customers to voluntarily support the development of an RE industry by agreeing to pay slightly higher rates to purchase renewably generated electricity.
3. Offshore Wind: The Offshore Wind program will provide rebates for the installation of OSW meteorological towers and funding additional OSW studies.
4. Renewable Energy Program: Grid Connected. This program managed by the OCE provides incentives to large non-solar renewable energy projects, including wind and biomass.
5. Renewable Energy Incentive Program: This program provides incentives for customer-sited renewable energy systems, including solar, wind, and biomass. This program also provides services related to the establishment and trading of RECs and SRECs.
6. DEP Ecological Baseline Study: This project was completed and paid in full in 2009 and will be discontinued in 2010.
7. RE Marketing: Provides funds for the marketing of the renewable energy programs.
8. RE Project Grants and Financing: The Renewable Energy Project Grants and Financing Program has been terminated and replaced with the Renewable Energy: Grid Connected program. The 2010 budget is to pay for incentive commitments made prior to program termination.
9. Renewable Energy Business Venture Financing: The Renewable Energy Business Venture Financing Program has been terminated and replaced with the Edison Innovation Clean Energy Fund and the Edison Innovation Clean Energy Manufacturing Fund. The 2010 budget is to pay for incentive commitments made prior to program termination.
10. Edison Innovation Clean Energy Manufacturing Fund: The Edison Innovation Clean Energy Manufacturing Fund will be managed by EDA to provide incentives to attract and expand energy efficiency and renewable energy manufacturing facilities to New Jersey.
    a. Green Growth Fund: The Green Growth Fund will offer assistance in the form of loans to clean technology companies that have achieved 'proof of concept' and successful, independent beta results and are seeking funding to grow and support their technology business.
    b. The Wrap Around program will provide supplemental financing to grants approved by the CST.
11. Edison Innovation Clean Energy Fund: This program will be managed by the New Jersey Commission on Science and Technology to assist in the commercialization of energy efficiency and renewable energy technology businesses and companies.

12. HMFA Solar Loan Program: This developing program will be managed by the New Jersey Housing and Mortgage Finance Agency and is intended to provide loans to HMFA clients that install solar systems.

The following sets out the proposed allocation of the 2010 Renewable Energy program budget to each of the program managers:

Proposed 2010 Renewable Energy Program Budget by Program Manager

Renewable Energy Programs	Honeywell	OCE - EDA - HMFA	Utilities	Total
Programs				
Customer On-Site Renewable Energy	$46,883,993.67			**$46,883,993.67**
Clean Power Choice			$83,009.22	**$83,009.22**
Offshore Wind		$13,870,253.00		**$13,870,253.00**
Renewable Energy Program: Grid Connected (Formerly REDI)		$16,201,605.00		**$16,201,605.00**
Renewable Energy Incentive Program	$83,505,547.95			**$83,505,547.95**
DEP Ecological Baseline Study				**$0.00**
RE Marketing	$645,220.00			**$645,220.00**
SUB-TOTAL Renewables	**$131,034,761.62**	**$30,071,858.00**	**$83,009.22**	**$161,189,628.84**
EDA/CST/HMFA PROGRAMS				
RE Project Grants and Financing		$894,714.00		**$894,714.00**
EDA Renewable Energy Business Venture Financing/REED		$870,890.00		**$870,890.00**
EDA Clean Energy Manufacturing and Green Growth Fund		$43,160,651.00		**$43,160,651.00**
CST Edison Innovation Clean Energy Fund		$6,365,000.00		**$6,365,000.00**
HMFA Solar Loan Program		$7,000,000.00		**$7,000,000.00**
SUB-TOTAL EDA Programs	**$0.00**	**$58,291,255.00**	**$0.00**	**$58,291,255.00**
TOTAL Renewable Energy Programs	**$131,034,761.62**	**$88,363,113.00**	**$83,009.22**	**$219,480,883.84**

OCE Oversight Budget

In addition to the line item transfers between the EE, RE, and OCE Oversight budget categories discussed above, the OCE also proposes a number of line item transfers within the OCE Oversight budget category. These line item transfers are discussed below.

1. Transfer $164,320 from the impact evaluation budget. This project was completed and paid in full in 2009 and the remaining budget is available for allocation to other budget lines.
2. Transfer $180,000 from the Other Studies budget. The Other Studies budget is for expenses related to the anemometer grants previously awarded by the Board. The remaining funding is sufficient to pay all the outstanding commitments.
3. Transfer $653 from the Northeast Energy Efficiency Partnership Scoping Study budget. This project was completed and paid in full in 2009 and the remaining budget is available for allocation to other budget lines.
4. Transfer $344,973 to the OCE Staff and Overhead budget, which equals the amount transferred from 1 through 3 above.

The following sets out the 2010 OCE Oversight budget recommended by the OCE:

2010 OCE Oversight Budget

	NJBPU Approved 2009 Budget	Estimated 2009 Expenses	Estimated 2009 Carry Over	New 2010 Funding	Line Item Transfers	Final 2010 Budgets
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) + (d) + (e)
Administration and Overhead						
OCE Staff and Overhead	$2,413,000.00	$1,804,439.91	$608,560.09	$1,222,401.17	$344,973.00	$2,175,934.26
Program Coordinator	$2,072,014.75	$2,072,014.75	$0.00	$2,400,000.00		$2,400,000.00
Memberships-Dues						
Northeast Energy Efficiency Partnership Sponsorship including EMV Regional Protocol Forum	$600,000.00	$531,308.00	$68,692.00	$500,000.00		$568,692.00
Clean Energy States Alliance	$172,057.00	$172,057.00	$0.00	$175,000.00		$175,000.00
Consortium for Energy Efficiency	$135,183.00	$126,366.00	$8,817.00	$125,000.00		$133,817.00
National Association of State Energy Officials and ACORE	$15,000.00	$15,000.00	$0.00	$15,000.00		$15,000.00
National Association of Regulatory Utility Commissioners	$5,000.00	$5,000.00	$0.00	$5,000.00		$5,000.00
USGBC/Other Memberships	$30,000.00	$30,000.00	$0.00	$30,000.00		$30,000.00
Sub-Total: Administration and Overhead	**$5,442,254.75**	**$4,756,185.66**	**$686,069.09**	**$4,472,401.17**	**$344,973.00**	**$5,503,443.26**
Evaluation and Related Research						
Rutgers-CEEEP	$500,000.00	$442,515.63	$57,484.37	$450,000.00		$507,484.37
Impact Evaluation	$513,240.00	$348,920.00	$164,320.00	$0.00	($164,320.00)	$0.00
Funding Reconciliation	$50,000.00	$29,650.00	$20,350.00	$80,000.00		$100,350.00
O&M Scoping Study/Online Academy	$450,000.00	$150,000.00	$300,000.00	$0.00		$300,000.00
Other Studies	$400,000.00	$150,868.80	$249,131.20	$0.00	($180,000.00)	$69,131.20
Program Evaluation	$1,100,000.00	$200,000.00	$900,000.00	$1,970,000.00		$2,870,000.00
Northeast Energy Efficiency Partnership Scoping Study	$132,326.50	$131,673.50	$653.00	$0.00	($653.00)	$0.00
Financial Audits	$0.00	$0.00	$0.00	$1,000,000.00		$1,000,000.00
Green Jobs and Building Code Training	$0.00	$0.00	$0.00	$1,500,000.00		$1,500,000.00
University Clean Technology Demonstration Projects				$1,500,000.00		$1,500,000.00
Sub-Total: Evaluation and Related Research	**$3,145,566.50**	**$1,453,627.93**	**$1,691,938.57**	**$6,500,000.00**	**($344,973.00)**	**$7,846,965.57**
Marketing and Communications						
Energy Savings Campaigns	$75,303.87	$82,902.70	($7,598.83)	$7,598.83		$0.00
Web Site	$300,000.00	$32,413.09	$267,586.91	$0.00		$267,586.91
Outreach and Education/Community Partner Grants	$427,656.70	$208,985.06	$218,671.64	$450,000.00		$668,671.64
Sub-Total: Marketing and Communications	**$802,960.57**	**$324,300.85**	**$478,659.72**	**$457,598.83**	**$0.00**	**$936,258.55**
TOTAL: Administration	**$9,390,781.82**	**$6,534,114.44**	**$2,856,667.38**	**$11,430,000.00**	**$0.00**	**$14,286,667.38**
Final OCE Oversight Available Funding				**$11,430,000.00**		

(a) = Board approved second revised 2009 budgets from Order dated November 10, 2009.
(b) = Estimated 2009 expenses from 7&5 report.
(c) = 2009 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
(d) = Level of new 2010 funding allocated to each program.
(e) = Transfer of funds from one program or budget category to another.
(f) = 2009 carryover plus new 2010 Funding plus/less line item transfers.

As discussed above, the OCE Oversight budget includes three components:

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

Administration and Overhead includes the OCE Staff expenses and overhead, Program Coordinator services, membership fees for regional and national trade groups that support the programs and special studies proposed by the OCE. Although the OCE Oversight budget has been reduced to less than 4.5% from the allowable 10% in an effort to direct more funding to the NJCEP programs, the OCE Staff expenses and overhead are actually less that 1% of the total 2010 funding level. Despite this small amount of funding allocated to the OCE Staff expenses and overhead, the OCE notes that the NJCEP has enjoyed overwhelming and increasing success over the years.

The OCE Oversight budget includes two additional components. The evaluation and related research component includes funds for various program evaluation activities that assess the energy efficiency and renewable energy markets in New Jersey and recommend improvements to the programs. The marketing and communications component includes funds for maintaining the web site; expenses related to the previously approved Outreach and Education Grants; and funding for new Outreach and Education grants planned for 2010. The three components of the OCE Oversight budget are discussed in the OCE's compliance filing.

Performance Incentives

The Treasury contracts issued to Honeywell and TRC include provisions for each Market Manager to earn performance incentives for achieving certain goals as set out in the RFP. In 2008, Treasury indicated that the performance incentives may be revised by a no cost modification to the Market Manager contracts. The compliance filings submitted by Honeywell and TRC include budgets for 2010 performance incentives, but do not include the specific metrics for earning incentives which require Treasury approval. The OCE will transmit proposed 2010 performance incentives to Treasury for review. The OCE will submit the proposed performance incentives to the Board for review and approval at a future agenda meeting upon receipt of approval from Treasury.

Discussion and Findings

Consistent with the approved contracts with the Market Managers and the Program Coordinator, the OCE has coordinated with the Market Managers and the Program Coordinator regarding the programs and budgets set out in the compliance filings. The OCE, in conjunction with these contractors, held monthly public meetings with the EE and RE committees from June to November to receive comments and input into the development of the 2010 programs and budgets. In addition, a public meeting was held on October 13, 2009 to solicit additional input on the proposed program plans and budgets. Accordingly, the Board **HEREBY FINDS** that the process utilized in developing the 2010 programs and budgets was appropriate and provided stakeholders and interested members of the public the opportunity to comment.

The OCE has considered the extensive public stakeholder input received, as well as the comments of the Market Managers and Program Coordinator. The OCE believes the programs and budgets discussed above will deliver significant benefits to the State. Therefore, the OCE recommends approval of the 2010 program and budget filings consistent with the recommended modifications discussed above.

The OCE also notes that the programs and budgets have been developed consistent with the policy direction and goals stated in the Energy Master Plan and the goals and objectives established by the Board. These goals and policies were developed as part of the overall EE and RE evaluation managed by the CEEEP for the Board. The programs will continue and expand the benefits previously determined by CEEEP in its cost benefit analysis for the current New Jersey Clean Energy Program.

The Board has reviewed the OCE's recommendations regarding the 2010 program and budget filings submitted by the OCE (including the filings of the CST and the EDA and the proposed funding for the developing HMFA programs), Honeywell, TRC, and the six Utilities as well as comments submitted by other interested public stakeholders. The Board has raised questions and has concerns about the proposal to provide incentives for pool pumps and pool pump timers through the Energy Efficient Products Program managed by Honeywell. The Board seeks additional input from the OCE and the market manager regarding these proposed incentives before the Board will approve these incentives. The Board **HEREBY** **FINDS** the OCE's recommendations to be reasonable and consistent with the policies of the State, but has not considered those incentives in the Energy Efficient Products Program where the Board seeks additional information. Therefore, the Board **HEREBY** **APPROVES** the 2010 program and budget filings submitted by the OCE (including the filings of the CST and the EDA and the proposed funding for the developing HMFA programs) and the six Utilities as well as the revised program and budget filings submitted by Honeywell and TRC, as modified by incorporation of the changes recommended by the OCE as well as the Board's decision to withhold approval of those incentives in the Energy Efficient Products Program for pool pumps and pool pump timers where the Board seeks additional information. The Board **HEREBY** **DIRECTS** the OCE and the Market Manager to provide additional information on the proposed incentives for pool pumps and pool pump timers for further consideration by the Board at a later date.

Although the Board has approved the proposed funding for the developing HMFA programs, the Board will consider the specific details of the HMFA programs at a later date. Similarly, the Board has approved two new programs to be administered by the EDA consistent with the terms of an MOU, which will be presented to the Board for consideration at a later date. The Board will also consider the performance incentives proposed by Honeywell and TRC at a later date. Having approved the programs as modified above, the Board **HEREBY** **DIRECTS** the OCE to work with the Market Managers, with appropriate notice to the public, to finalize application forms and make other changes necessary to implement the changes ordered herein. The Board **FURTHER** **DIRECTS** the OCE to post the 2010 compliance filings, as modified and approved herein, on the NJCEP website along with a copy of this Order.

The Board has approved the six Utilities' filing, which includes a pilot program previously approved by the Board. In approving that pilot program, the Board noted several concerns for consumer protection and the potential for slamming. To address these concerns, the Board **FURTHER** **APPROVES** the OCE's recommendation to gather public input regarding the potential for slamming and the pilot program approved by Order dated August 19, 2008, in Docket No. EA07110885. The Board **HEREBY** **DIRECTS** the OCE to develop, with input from the public, rule proposals regarding these issues for the Board's consideration in 2010.

The Board has also reviewed the statewide budgets compiled by the OCE and the proposed line item transfers recommended by Staff. The Board **HEREBY** **FINDS** the proposed line item transfers to be reasonable and appropriate. Therefore, the Board **HEREBY** **APPROVES** the line item transfers and 2010 budgets in the tables above, which reflect the OCE's final recommendations.

The 2010 budgets approved herein are based on estimated expenses for 2009 and are subject to true up in a future Order once final 2009 expenses are known. For example, the OCE estimated that all expenses related to the impact evaluation performed by KEMA will be paid in 2009 and therefore proposed a 2010 budget of $0 for the impact evaluation. If payment of final invoices for the impact evaluation is delayed until 2010, the actual 2009 expenses will be below estimated expenses, which will result in additional carryover. To the extent that 2010 budgets approved herein are below 2010 expenses due to actual 2009 expenses being less than estimated 2009 expenses, Treasury is authorized to pay invoices for approved program expenses. The Board will adjust 2010 budgets as required in a separate Order.

Also, as noted above, the 2010 budgets approved herein are contingent on State appropriations. These budgets may be modified to reflect the Appropriations Act. Any 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.

Contract Modifications

Honeywell, TRC, and AEG will file proposed contract modifications needed to implement the 2010 program and budget modifications approved herein. These contract modifications will be transmitted to Treasury for review. The OCE is also negotiating 2010 performance incentives with both TRC and Honeywell, which will require contract modifications for Treasury's review. Upon receipt of approval from Treasury, the OCE will submit the proposed contract amendments to the Board for review and approval.

DATED: 12/17/09

BOARD OF PUBLIC UTILITIES
BY:

Jeanne M Fox
JEANNE M. FOX
PRESIDENT

Frederick F. Butler
FREDERICK F. BUTLER
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

Nicholas Asselta
NICHOLAS ASSELTA
COMMISSIONER

ELIZABETH RANDALL
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