



Agenda Date: 11/7/08
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 2005 -2008: REVISED DETAILED 2008)
PROGRAMS AND BUDGETS

ORDER

DOCKET NO. EX04040276

(SERVICE LIST ATTACHED)

BY THE BOARD:

This Order adjusts the 2008 Budgets and Programs for the Clean Energy Program as approved by the Board in its Order dated March 31, 2008 and to account for the Revised 2008 Budget and Programs for the Clean Energy Programs as approved by the Board on September 30, 2008 and the contract modifications for Honeywell and TRC recently approved by Treasury and the Board. This Order also reallocates funds within the Comfort Partners Program at the request of the electric and gas utilities which administer that program and modifies the Office of Clean Energy (OCE) Oversight budget at the request of the OCE.

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 or the Act) was signed into law. The Act established requirements to advance energy efficiency and renewable energy in New Jersey through the Societal Benefits Charge (SBC), at 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 of energy programs, currently referred to as the comprehensive energy efficiency (EE) and renewable energy (RE) resource analysis. After notice, opportunity for public comment, public hearing, and consultation with the New Jersey Department of Environmental Protection (NJDEP), 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 (now called New Jersey's Clean Energy Program) that provide environmental benefits above and beyond those provided by standard offer or similar programs in effect as of February 9, 1999.

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, 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 Summary Order dated January 2, 2008 and Order dated March 31, 2008, Docket No. EX04040276, the Board approved 2008 programs and budgets for New Jersey's Clean Energy Program (CEP) ("Initial 2008 Budget Orders"). These Orders approved the compliance filings of Honeywell, the residential and renewable energy program Market Manager, TRC, the C&I program Market Manager, and the Utilities which deliver the Comfort Partners low income program. The compliance filings included the detailed budgets, which break down program budgets by the various reporting categories such as administration, marketing and rebates, of the programs managed by Honeywell, TRC, and the Utilities.

The 2008 budgets were established based on new funding available in 2008 plus estimated carry over from 2007. By Order dated September 30, 2008, Docket No. EX0404276, the Board approved revised 2008 CEP program budgets (hereinafter referred to as the "Revised 2008 Budget Order" or "September 30th Order") which adjusted the initial 2008 budgets to true up any difference between estimated and actual 2007 expenses, and also added additional new funding that became available subsequent to development of the initial 2008 budgets.

In addition, the Board and Treasury recently approved several contract modifications for Honeywell and TRC. These contract modifications impact on both the CEP programs and budgets. Moreover, the fact that the contract modifications were not approved by Treasury until the third and fourth quarters of the 2008 CEP program year requires further adjustments to account for delayed implementation for new and revised programs contained in the contract modifications.

The combination of the Revised 2008 Budget and the contract modifications necessitate further revisions to the Board approved detailed budgets for Honeywell and TRC. This action is necessary to ensure that the detailed budgets are consistent with the statewide budgets approved by the Board and with the revised contract prices. The Board has also received a request from the Utilities to modify the budget for the Comfort Partners program and from the OCE to modify the OCE Oversight budget. Accordingly, this Order (hereinafter "Revised Detailed 2008 Budgets") the Board will consider numerous proposed changes to the detailed budgets of Honeywell, TRC, the Utilities and the OCE that were approved by the Board in its Initial 2008 Budget Orders and Revised 2008 Budget Order.

Residential Programs

The Board's Revised 2008 Budget Order increased the budgets for each of the residential energy efficiency programs managed by Honeywell. The Board and Treasury also approved several contract amendments that affect the Residential Program budgets as follows:

1. HVAC Program: The Board approved three new contract lines for start up of a new QIV, Maintenance, and Duct Sealing program. Each of the three new contract lines is a one-time charge of \$50,930. Honeywell proposed to increase the administration component of the HVAC program budget by \$153,000 (three times \$50,930, rounded up) to include these charges. The Board also approved a new contract line for processing applications received through these new program components. Honeywell proposed that the Rebate Processing, Inspections and Other Quality Control component of the HVAC program budget be increased by \$126,000 to include these charges.

The Board's September 30th Order increased the 2008 budget for the HVAC program by approximately \$1.1 million. Honeywell recommended that \$153,000 of the additional funding be allocated to the administration component of the budget and \$126,000 to the Rebate Processing, Inspections and Other Quality Control component of the budget for the charges discussed above, and that the remainder of the additional funding be allocated to the Rebate, Grants and other Direct Incentives component of the budget.

2. Residential New Construction (RNC): The Board approved a new contract line for micro-load home program development that totals \$41,000. Honeywell proposed increasing the administration component of the RNC program budget by \$41,000 to include these charges.

The Board's September 30th Order increased the 2008 budget for the RNC program by approximately \$1.5 million. Honeywell recommended that \$41,000 of the additional funding be allocated to the administration component of the budget for the charges discussed above and that the remainder of the additional funding be allocated to the rebate component of the budget.

3. Energy Star Products and Home Performance with Energy Star: The Board's September 30th increased the overall budget for the Energy Star Products and Home Performance with Energy Star programs by \$941,974 and \$573,019 respectively. Honeywell has indicated that the Board approved budget for each budget category for these two programs is sufficient to cover anticipated 2008 expenses. Therefore, the Office of Clean Energy (OCE) recommends that the full amount of the increase for these two programs be allocated to the rebate component of each program budget.

The OCE has reviewed the changes to the budgets proposed by Honeywell and believes they are reasonable and necessary to align the detailed budgets with the overall statewide budgets approved by the Board in its Initial 2008 Budget Orders and Revised 2008 Budget Order. The proposed changes also incorporate the recently approved contract modifications. Accordingly, Staff recommends approval of the revised detailed budgets set out in the table below captioned "Residential Energy Efficiency Programs: Revisions to Detailed Budgets".

The following tables show the detailed budgets approved by the Board in its Initial 2008 Budget Orders and the proposed revisions to the detailed budgets discussed above. The revised detailed budget equals the revised statewide program budget approved by the Board in its September 30th Order:

Residential Programs: Board Approved Detailed Budgets

Program	Total	Administration and Program Development	Sales, Call Centers, Marketing and Website	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Performance Incentives	Evaluation and Related Research
Residential HVAC - Electric & Gas	\$17,369,836	\$1,449,660	\$1,145,695	\$406,740	\$11,254,365	\$2,908,757	\$204,619	\$0
Residential New Construction	\$35,628,846	\$725,592	\$852,197	\$38,700	\$23,387,447	\$10,377,062	\$247,848	\$0
ENERGY STAR Products	\$19,200,026	\$1,282,998	\$2,657,995	\$18,000	\$14,590,849	\$448,160	\$202,025	\$0
Home Performance with Energy Star	\$9,255,981	\$1,784,856	\$4,171,691	\$0	\$2,885,340	\$210,340	\$203,755	\$0
Total Residential EE Programs	\$81,454,689	\$5,243,106	\$8,827,577	\$463,440	\$52,118,001	\$13,944,319	\$858,246	\$0

Residential Energy Efficiency Programs: Revisions to Detailed Budgets

Program	Total	Administration and Program Development	Sales, Call Centers, Marketing and Website	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Performance Incentives	Evaluation and Related Research
Residential HVAC - Electric & Gas	\$18,476,000	\$1,602,660	\$1,145,695	\$406,740	\$12,081,529	\$3,034,757	\$204,619	\$0
Residential New Construction	\$37,141,000	\$766,592	\$852,197	\$38,700	\$24,858,601	\$10,377,062	\$247,848	\$0
ENERGY STAR Products	\$20,142,000	\$1,282,998	\$2,657,995	\$18,000	\$15,532,823	\$448,160	\$202,025	\$0
Home Performance with Energy Star	\$9,829,000	\$1,784,856	\$4,171,691	\$0	\$3,458,359	\$210,340	\$203,755	\$0
Total Residential EE Programs	\$85,588,000	\$5,437,106	\$8,827,577	\$463,440	\$55,931,312	\$14,070,319	\$858,246	\$0

Renewable Energy Programs

The Board's Revised 2008 Budget Order increased the budget for the CORE program which is managed by Honeywell. The Board approved budget for the Clean Power Choice (CPC) and REC Certificates programs were not modified.

Honeywell developed the proposed 2008 detailed budgets contained in its 2008 Compliance Filing based on the assumption that the contract amendments needed to implement the programs would have been approved by Treasury and the Board by January 2008. However, the contract modifications were not approved by Treasury until October 6, 2008. Accordingly, the Board approved budget need to be further revised in order to be aligned with the approved contract prices that were in place from January 1, 2008 until the recent approval of the Honeywell contract amendments.

In addition, the Board and Treasury approved several contract modifications that impact the detailed budgets as follows:

1. CORE: The Board's September 30th Order increased the budget for the CORE program from \$143,989,173 to \$195,049,000 or by over \$51 million. Honeywell proposes to increase the rebate component of the CORE program budget from \$140,587,000 to \$191,451,306 which reflects the full amount of the increase to the budget with the exception of \$97,760 discussed below.

The Board approved two new contract lines related to assumption of management of the Clean Power Estimator. Honeywell proposes to increase the administration component of the CORE program budget by \$25,000 to include these charges and to decrease the Performance Incentive component of the budget by \$25,000 to offset the increase in the administration budget.

The recently approved contract modifications increased the CORE program Sales, Call Centers, Marketing and Web Site budget by \$97,760 or from \$57,440 to \$155,200. This increase was more than offset by a decrease to the Sales, Call Centers, Marketing and Web Site budgets of the CPC and REC programs. Honeywell proposes utilize \$97,760 of the increase in the CORE program budget approved in the September 30th Order to increase this budget category to \$155,200 to reflect the contract modifications. As noted above, the remainder of the \$51 million increase in the CORE program budget is proposed to be made available for additional rebates.

2. REC: The Board approved a new contract line for REC market assessment and reporting. Honeywell proposed to increase the administration component of the REC program budget by \$20,000 to include these charges.

Honeywell proposes to decrease the Sales, Call Centers, Marketing and Web Site component of the REC budget by \$127,455 or from \$157,387 to \$29,932 to reflect the recently approved contract modification. Honeywell proposed that \$20,000 of this decrease be reallocated to the administration budget component to offset the increase associated with the new contract line and that \$107,455 of this decrease be reallocated to the Rebate Processing, Inspections and Other Quality Control component of the budget such that the overall budget for the REC program remains unchanged. The Rebate Processing, Inspections and Other Quality Control component of the REC budget was also modified to reflect that the detailed budget approved by the Board is in dollars while the overall budget approved by the Board was rounded up to thousands of dollars.

3. CPC: The contract modifications reduced the Sales, Call Centers, Marketing and Web Site budget of the CPC program by \$2,033. OCE proposes that the Administration budget component of this program be increased by an equal amount to offset the reduction to the Sales, Call Centers, Marketing and Web Site budget such that the overall budget for the CPC program remains unchanged.

OCE has reviewed Honeywell's proposed changes to the Renewable Energy Programs detailed budgets and believes the changes are necessary to align Board approved budgets with Board approved contract prices. Honeywell has indicated that all of the other budget components are sufficient to meet anticipated 2008 expenses. OCE notes that Honeywell's budget for the CPC and REC programs do not reflect the full statewide budget approved by the Board since components of these programs are also managed by the OCE and utilities. Staff recommends approval of the revised detailed budgets as set forth in the table captioned Renewable Energy Programs: Revisions to Detailed Budgets.

The following tables show the detailed budgets approved by the Board in its Initial 2008 Budget Orders and the proposed revisions to the budgets recommended above. The revised detailed budget equals the revised statewide program budget approved by the Board in its September 30th Order:

Renewable Energy Programs: Board Approved Detailed Budgets

Program	Total	Administration and Program Development	Sales, Call Centers, Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality	Performance Incentives	Evaluation and Related Research
Customer On Site Renewable (CORE)	\$143,989,173	\$1,331,416	\$57,440	\$193,200	\$140,587,000	\$1,373,900	\$446,218	\$0
Clean Power Choice	\$668,087	\$425,805	\$189,115	\$0	\$0	\$0	\$53,167	\$0
Renewable Energy Credit Program	\$1,138,659	\$207,115	\$157,387	\$0	\$0	\$476,274	\$55,565	\$242,319
Total	\$145,795,920	\$1,964,336	\$403,942	\$193,200	\$140,587,000	\$1,850,174	\$554,950	\$242,319

Renewable Energy Programs: Revisions to Detailed Budgets

Program	Total	Administration and Program Development	Sales, Call Centers, Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality	Performance Incentives	Evaluation and Related Research
Customer On Site Renewable (CORE)	\$195,049,000	\$1,356,416	\$155,200	\$193,200	\$191,451,306	\$1,471,660	\$421,218	\$0
Clean Power Choice	\$668,087	\$427,838	\$187,082	\$0	\$0	\$0	\$53,167	\$0
Renewable Energy Credit Program	\$1,139,000	\$227,115	\$29,932	\$0	\$0	\$584,069	\$55,565	\$242,319
Total	\$196,856,087	\$2,011,369	\$372,214	\$193,200	\$191,451,306	\$2,055,729	\$529,950	\$242,319

C&I Programs

The Board's Revised 2008 Budget Order increased the budget for the CHP and Municipal Audit programs and decreased the budgets for the Pay-for-Performance, Direct Install and C&I Retrofit programs. TRC is proposing a number of changes to the detailed budgets to reflect these and other changes discussed below.

The Board's Revised 2008 Budget Order approved a \$25,000 increase to the administration budget component of the Retrofit program. The Board and Treasury recently approved a contract amendment for TRC that included \$175,000 in fees for updating TRC's MIS system. Also, the original detailed budget for this program component was \$2,000 below the contract price due to rounding errors. TRC is proposing to increase the C&I Retrofit program administration budget by \$202,000 to reflect these three changes.

The Board's Revised 2008 Budget Order transferred an additional \$5.814 million to the CHP program. This amount was reduced by \$508,000 in negative 2007 carry over for a net increase of \$5.306 million for the CHP program. TRC proposes that all of the additional \$5.306 million be made available for additional rebates. TRC is proposing to increase the budget for "rebate processing, inspections and other quality control" by \$17,000 or from \$111,000 to \$128,000 to reflect the costs of processing additional CHP applications that will be considered for approval with the additional program funding approved by the Board. This increase is offset by a decrease of \$17,000 to the "Sales, call centers, marketing and web site" component of the budget discussed below.

TRC's developed its 2008 budgets based on the assumption that proposed contract amendments would be approved by January 2008. Due to delays in approval of the contract amendments, TRC was unable to increase its marketing efforts to the level anticipated when the budgets were developed. Therefore, TRC is proposing to decrease the budget for "Sales, call centers, marketing and web site" from \$679,000 to \$615,000. Specifically, the "Sales, call centers, marketing and web site" budget component of the following C&I programs was modified as follows: New School Construction and Retrofit was increased by \$5,000; CHP was reduced by \$17,000; Municipal Audit was reduced by \$2,000; Direct Install was reduced by \$46,000; and Pay-for-Performance was reduced by \$5,000. The revised budgets for this budget component reflect the prices in the recently approved contract amendments.

With the exception of the proposed increases to the administration and rebate processing budgets, and decrease to the marketing budget discussed above, all of the other changes to the detailed budgets reflect increases/decreases to the Rebate, Grants and other Direct Incentives budget component as needed to align the detailed budget with the total revised 2008 budget approved by the Board. The OCE has reviewed the proposed changes to the detailed budget requested by TRC and believes they are reasonable and necessary to align the budget with the recent contract amendments approved by Treasury and the Board and the Revised 2008 Budget Order. Staff recommends the changes to the C&I programs as set forth in the Table below captioned C&I Programs: Revisions to Detailed Budgets.

C&I Programs: Board Approved Detailed Budgets

Program	Total	Administration and Program Development	Sales, Call Centers, Marketing and Website	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Performance Incentives	Evaluation and Related Research
C&I New Construction	\$4,782	\$76	\$55	\$0	\$4,190	\$338	\$123	\$0
	\$27,225	\$316	\$360	\$0	\$24,504	\$1,921	\$123	\$0
	\$3,727	\$126	\$43	\$0	\$2,650	\$754	\$154	\$0
	\$10,608	\$32	\$87	\$0	\$10,378	\$111	\$0	\$0
	\$1,000	\$22	\$20	\$0	\$786	\$162	\$10	\$0
	\$4,000	\$324	\$46	\$10	\$3,462	\$118	\$40	\$0
	\$6,000	\$244	\$69	\$35	\$5,531	\$61	\$60	\$0
	\$400	\$38	\$0	\$172	\$162			\$28
	\$57,741	\$1,178	\$679	\$217	\$51,663	\$3,465	\$510	\$28

C&I Programs: Revisions to Detailed Budgets

Program	Total	Administration and Program Development	Sales, Call Centers, Marketing and Website	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Performance Incentives	Evaluation and Related Research
C&I New Construction	\$4,503	\$76	\$55	\$0	\$3,911	\$338	\$123	\$0
C&I Retrofit	\$22,596	\$518	\$360	\$0	\$19,674	\$1,921	\$123	\$0
New School Construction & Retrofit	\$3,727	\$126	\$48	\$0	\$2,645	\$754	\$154	\$0
Combined Heat and Power	\$15,914	\$32	\$70	\$0	\$15,684	\$128	\$0	\$0
Municipal Audit	\$2,324	\$22	\$18	\$0	\$2,112	\$162	\$10	\$0
Direct Install	\$3,000	\$324	\$0	\$10	\$2,508	\$118	\$40	\$0
Pay for Performance	\$5,000	\$244	\$64	\$35	\$4,536	\$61	\$60	\$0
TEACH	\$400	\$38	\$0	\$172	\$162	\$0	\$0	\$28
Total: C&I Programs	\$57,464	\$1,380	\$615	\$217	\$51,232	\$3,482	\$510	\$28

Comfort Partners

The Board approved budget for the Comfort Partners program includes a detailed budget for each of the seven utilities that deliver the program. By letter dated September 30, 2008 Elizabethtown Gas Company requested that its Board approved budget be increased by \$250,000 or from \$1.4 million to \$1.65 million. Elizabethtown Gas indicated that the average cost per unit has increased from \$1,450 to \$1,715 and that it would be unable to meet its goal of treating 850 homes in 2008 without an increase in its budget.

By letter dated October 22, 2008, South Jersey Gas Company, which acts as the convener for the seven utilities for this program, recommended that \$250,000 be reallocated from the Comfort Partners budget of Public Service Electric and Gas Company (PSE&G) to Elizabethtown Gas. PSE&G has indicated that it has sufficient remaining budget for all jobs anticipated to be completed in 2008 and therefore the reallocation of \$250,000 to Elizabethtown Gas will not negatively impact its program.

OCE has reviewed the request to reallocate \$250,000 from the Comfort Partners budget of PSE&G to Elizabethtown Gas Company. OCE believes the request is reasonable and will allow Elizabethtown Gas to continue serving low-income customers without negatively impacting PSE&G. Therefore, OCE recommends that the "Rebate and Other Direct Incentive" component of Elizabethtown Gas Company's Board approved 2008 budget be increased by \$250,000 or from \$1,132,927 to \$1,382,927 and PSE&G's (Gas) budget for this same budget category be decreased by \$250,000 or from \$6,082,864 to \$5,832,864. The other budget components previously approved by the Board will remain unchanged. This will result in no overall change in the statewide budget approved by the Board for this program.

OCE Oversight

The Energy Minute campaign is a radio campaign which provides customers with energy savings tips and recommendations. The OCE believes that this campaign has helped

customers identify ways to conserve energy and proposed the Energy campaign into the first quarter of 2009. The September 30th Order included \$2.28 million Energy Savings Campaigns and \$560,000 for Website within the OCE Oversight budget.

OCE recommends that \$70,000 be transferred from the Website budget to the Energy Savings Campaign budget to allow for the extension of the Energy Minute campaign into the first quarter of 2009. Sufficient funds remain in the Website budget to cover all anticipated 2008 expenses. This recommendation results in the Website budget being reduced from \$560,000 to \$490,000, and the Energy Savings Campaign budget being increased from \$2.28 million to \$2.35 million.

Discussion and Findings

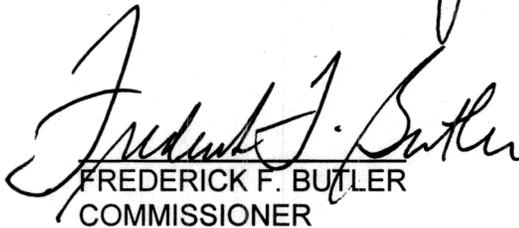
The Board anticipated the need for further revisions to its September 30th Order. That Order stated that "The Board further notes that the revised total budgets approved above may differ from the detailed budgets included in the compliance filings submitted by Honeywell, TRC, OCE and the utilities. To the extent that any of the program managers believe they will exceed the revised budgets set out above, or any component of the detailed budgets set out in the compliance filings approved by the Board, the program managers shall file with the Board for consideration any proposed adjustments to the budgets." This Order addresses the proposed adjustments to the Revised 2008 Budget.

The Board has reviewed the changes to the detailed budgets proposed by Honeywell, TRC, the Utilities and OCE and concurs with OCE's recommendations discussed above. The Board believes the proposed changes to the detailed budgets are reasonable and necessary to align the budgets with the recent contract amendments approved by Treasury, to reflect delays in the approval of the contract amendments, to reflect the revised 2008 budgets approved by the Board, and to reflect other changes that have occurred since the Board approved the initial 2008 budgets. Therefore, the Board **HEREBY APPROVES** revised detailed budgets for Honeywell and TRC as set out in the tables above titled "Revisions to Detailed Budgets." The Board also **APPROVES** the transfer of \$250,000 from PSE&G's (Gas) budget for the Comfort Partners program to Elizabethtown Gas Company's budget for this program. The Board further **APPROVES** the transfer of \$70,000 for the Website budget to the Energy Savings Campaign budget, as recommended by OCE above.

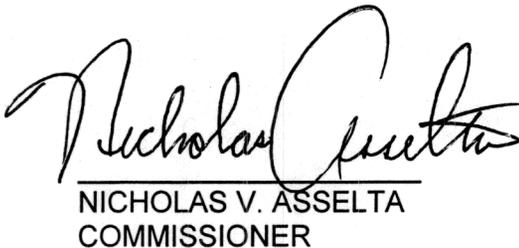
DATE: 12/8/08

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SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

