Agenda Date: 11/28/07
Agenda Item: 8E

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 - FINAL 2007 PROGRAMS AND BUDGET: REVISED UTILITY BUDGETS FOR THE 2007 COMFORT PARTNERS PROGRAM	)))))	DECISION AND ORDER DOCKET NO. EX04040276

(SERVICE LIST ATTACHED)

BY THE BOARD:

By Order dated August 1, 2007, in the above referenced Docket, the Board approved 2007 programs and budgets for New Jersey's Clean Energy Program. The Board also approved the compliance filings submitted by the various entities that manage programs including the utilities that continue to manage the Comfort Partners Low-Income Program.

By letter dated October 16, 2007, Public Service Electric and Gas Company (PSE&G) requested that the Board increase the previously approved budget for the Comfort Partners Program. The letter was submitted by PSE&G and on behalf of Atlantic City Electric Company, Jersey Central Power and Light Company, Rockland Electric Company, Elizabethtown Gas Company, New Jersey Natural Gas Company and South Jersey Gas Company.

The August 1, 2007 Order cited above approved a 2007 budget of $20,175,000 for the utilities Comfort Partners Program. The utilities stated in their recent letter that since the time of their original filing, several utilities have experienced an increase in the number of jobs that were originally intended to be completed in 2007, and an unexpected increase in the number and cost of heating system replacements.

The utilities request that in order to continue operating the Comfort Partners Program through the end of the year, to satisfy customer requests, and use their resources to full capacity, that the Board increase the 2007 budget for the Comfort Partners Program from $20,175,000 to $22,739,500. The letter includes a detailed budget broken down by each utility and by the Board approved cost categories.

The Comfort Partners Program delivers benefits to the states neediest customers. The program installs measures in the homes of low-income customers that reduce energy usage and costs at no cost to the customer.

The Board notes that over the past several years the Comfort Partners Program has not met its annual production goals. The Board has encouraged the utilities to take steps to increase production such that they can fully utilize the programs budget. In 2007 the utilities have successfully increased the number of homes they are capable of serving which is a result encouraged by the Board.

Staff recently prepared a report that shows actual spending for New Jersey's Clean Energy Program through the end of July and estimated spending through the end of 2007. The report shows that estimated spending for energy efficiency through the end of 2007 will equal $105 million, which is approximately $54 million below the energy efficiency budget of $159 million.

Spending for most energy efficiency programs is well below 2007 program budgets approved by the Board, based on a program budget year from January 1 to December 31, 2007,. Staff attributes this to the fact that program activity and marketing was slow in 2007 as the programs transitioned from utility management to management by Honeywell and TRC, the Market Managers selected by the Board to deliver the programs. Based on the above, Staff recommends that the utilities request to increase the 2007 budget for the Comfort Partners Program be approved by the Board.

Most of the energy efficiency programs are estimated to have 2007 expenses well below the 2007 budget approved by the Board. Staff has estimated that expenses for the Residential HVAC Program will be $4.8 million below the Board approved budget and recommends that the additional funding for the Comfort Partners Program be transferred from the HVAC budget.

The Board has reviewed the utilities request to increase the 2007 budget for the Comfort Partners Program. The Board believes the Comfort Partners Program provides substantial benefits to the State's neediest customers. Given that most programs are expected to incur expenses well below the Board approved budgets, approving the utilities request to increase the 2007 budget for the Comfort Partners Program will not have any adverse impacts on the other energy efficiency programs.

Therefore, the Board **HEREBY APPROVES** the utilities request to increase the 2007 budget for the Comfort Partners Program from $20,175,000 to $22,739,500. The Board concurs with Staff's recommendation that the additional funding be transferred from the HVAC Program as set out in Table 1 below:

Table 1: Revised 2007 Budgets

Program	Board Approved 2007 Budget	Line Item Transfer	Revised 2007 Budget
Residential HVAC	$17,759,000	($2,564,500)	$15,194,500
Comfort Partners	$20,175,000	$2,564,500	$22,739,500

The Board also approves the utility specific program budgets included in the October 12, 2007 letter attached to this Order.

DATED: 11\29\07

BOARD OF PUBLIC UTILITIES
BY:

JEANNE M. FOX
PRESIDENT

FREDERICK F. BUTLER
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

CHRISTINE V. BATOR
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

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

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PSEG
Services Corporation

October 16, 2007

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 0710

Re: Comfort Partners Program Funding Increase for 2007
BPU Docket No. EX04040276

Dear Secretary Izzo:

Please accept this letter filing (original and ten copies) on behalf of the undersigned gas and electric utilities requesting an increase in the Comfort Partners Program funding level for 2007. The Comfort Partners Program is the residential low-income energy efficiency program managed by the gas and electric utilities.

On March 8, 2007, PSE&G submitted, on behalf of the seven natural gas and electric utilities, a compliance filing and budget for the Residential Low- Income Program. The original budget for the utilities amounted to $20,175,000. That compliance filing is attached to this letter. The Board approved the March 8, 2007 compliance filing on August 1, 2007 in *In the Matter of Comprehensive Energy Efficiency and Renewable Energy Resource Analysis For 2005-2008: 2007 Programs and Budgets*: Compliance Filings; Docket No. EX04040276.

Since the time of the original filing, several utilities have experienced an increase in both the number of jobs that were originally intended to be completed in 2007, along with an unexpected increase in the number and cost of heating system replacements. One of the benefits of the Comfort Partners Program is to check for health and safety measures. As a result of those inspections, the Program has had to replace faulty heating systems, and has experienced associated costs to bring unsafe heating installations up to code. In many instances, the old heating systems were in such poor condition that it would not be prudent to continue to maintain them.

According to one of our major contractors, in order to meet the goals of the program for the electric companies, accompanying work needs to be done which will drive the program to exceed current gas company unit and dollar budgets. Moreover, the program has the capacity to perform additional services that will exceed the original unit goal of 14,207 to 15,225, an increase of 1018 units. In order to accommodate that level of increase, several utilities will need budget increases to cover the cost of participant enrollment, consumer marketing materials, management time, and weatherization costs.

Therefore, in order to continue operating the Comfort Partners program through the end of the year, to satisfy customer requests, and use our resources to full capacity in 2007, the undersigned request that the original budget of $20,175,000 be increased to $22,739,500. Attached to this letter filing are the original 2007 approved budgets and a new proposed 2007 budget for each company.

Thank you for your consideration of this request,

Respectfully submitted

Gregory Eisenstark
Attorney for Public Service Electric and Gas Company, and on behalf of Atlantic City Electric Company, Elizabethtown Gas Company, Jersey Central Power and Light Company, New Jersey Natural Gas Company, South Jersey Gas Company, and Rockland Electric Company

cc: Michael Winka, Director, OCE
Stefanie A. Brand, Director, Div. of Rate Counsel
Michael Ambrosio

New Jersey's Clean Energy Program
2007 Program Descriptions and Budget

Residential Low Income Program

&

Utility Support for the
New Jersey Clean Power Choice Program

Original Compliance Filing
March 8, 2007

Residential Low Income Program

"New Jersey Comfort Partners "

Description

The Residential Low Income Program known as Comfort Partners, managed by Atlantic City Electric, JCP&L, New Jersey Natural Gas, Elizabethtown Gas, PSE&G, Rockland Electric Company, and South Jersey Gas, is designed to improve energy affordability for low-income households through energy conservation. To achieve this objective, several market barriers must be overcome. Key among these are: (1) lack of information on either how to improve efficiency or the benefits of efficiency; (2) low income customers do not have the capital necessary to upgrade efficiency or even, in many cases, keep up with regular bills; (3) low income customers are the least likely target of market-based residential service providers due to perceptions of less capital, credit risk and/or high transaction costs; and (4) split incentives between renters and landlords. The Program addresses these barriers through:

- Direct installation of all cost-effective energy efficiency measures.
- Comprehensive, personalized customer energy education and counseling.
  Installation of health and safety measures as appropriate.

Target Market and Eligibility

The Program is targeted at participants in the Universal Service Fund. By definition this target population is characterized by high-energy burdens based on their income. Program participation will be prioritized by energy use with the highest energy users being served first.

The Program is available to any household with income at or below 175% of the federal poverty guidelines. Customers who receive Federal Supplemental Security Income (SSI), Home Energy Assistance (HEAP), Lifeline, Pharmaceutical Assistance to the Aged and Disabled (PAAD), Temporary Assistance to Needy Families (TANF), or Section 8 Housing also may be eligible.

A participant must be a customer of record with a separately metered electric or gas account, and live in a building with 1-4 units. Customers who heat with fuel oil will be referred to the Department of Community Affairs' Weatherization Assistance Program for services.

Offerings and Customer Incentives

Among the measures to be considered for each home are efficient lighting products; hot water conservation measures (tank wraps, pipe wrap, tank temperature turn-down, and energy saving showerheads and aerators); replacement of inefficient refrigerators and freezers; energy saving thermostats; insulation up-grades (attic, wall, basement, etc.); blower-door guided air sealing; duct sealing and repair; heating/cooling equipment maintenance, repair and/or replacement; and other "custom" measures.

Failed or failing heating systems can be replaced for health and safety reasons, on a case-by-case basis. Requests for replacement of oil-fired equipment will be referred to the DCA

Weatherization Assistance Program (WAP), so that each client is served by only one program services provider.

Incentives

All cost-effective efficiency measures will be installed in each home. Cost-effectiveness will be assessed on a measure and site-specific basis. All efficiency measures and energy education services will be provided free of charge. The selection of measures designed to reduce heating and cooling will be guided by a spending calculation based on past energy consumption which is a guide for contractors and is not an absolute or prescriptive target or cap. If the site needs are greater than or less than the calculated spending guideline, the contractor will confer with the appropriate utility after documenting reasons for going beyond the spending guideline. The utility will decide to what extent additional work can be performed.

Refrigerator or freezer replacement will be based on on-site monitoring of the energy use of the existing unit. Consumption thresholds for cost effective replacement vary according to size class. Any refrigerator or freezer with measured consumption above the threshold values is eligible for free replacement with a new energy-efficient model. These values and procedures will be updated periodically to reflect changes in refrigerator costs and/or efficiency.

The cost effective installation of energy-efficient lighting products will be based upon the wattage and the estimated average daily burn time for the existing lamp.

Domestic hot water and other custom measures also will be installed according to program guidelines for determining measure cost effectiveness.

Delivery Methods

Electric and gas utilities with overlapping service territories will jointly deliver efficiency, health and safety and education services so that customers receive both gas and electric efficiency measures simultaneously. Selection of program delivery contractors and program delivery costs will be shared between the participating gas and electric utilities. Three-year implementation contracts were competitively bid and negotiated in 2005.

The utilities are using the JCP&L web-based CP System as the statewide platform to track all program participants, measures and energy savings. The system is used by all utilities, BPU Clean Energy staff, multiple program delivery vendors and inspection vendors. Maintenance and enhancements to the system will be paid by JCP&L and are incorporated in the budget in Appendix B.

Quality Assurance Provisions

A minimum of 10% of randomly selected treated homes will be subject to verification and inspection by an independent contractor(s) hired by the utilities.

Budgets

A detailed budget for this program for 2007 is attached in Appendix B. Allocation of costs in different cost categories may appear to be inconsistent among the utilities; for example, PSE&G covers the cost of printing, and JCP&L covers the cost for CP System administration, etc.

Goals and Energy Savings

Goals

Electric Service customers – 7,760
Gas Service customers – 6,447

Energy Savings

Following approval of the above goals, energy savings will be calculated consistent with the goals.

Minimum Requirements for Program Administration

Not Applicable.

Comfort Partners/Weatherization Assistance Program Partnership

The "Weatherization Assistance Program and Clean Energy Program Partnership Proposal" was approved by the Clean Energy Council and was implemented in 2005. A Memorandum of Agreement was developed between the BPU and the Department of Community Affairs, which will allow the Weatherization Assistance Program to perform the installation of electric baseload measures and replacement of heating systems in the homes of clients the program serves. Funding for this will come from the NJ Clean Energy Program.

New Jersey Clean Power Choice Program
Utility Support

Description

The proposed New Jersey Clean Power Choice Program will offer retail electric customers the option of selecting an energy product or products with higher levels of renewable energy than is required by the Renewable Portfolio Standards.

The program will be delivered through a collaborative utility and clean power marketer program hosted by the four investor owned electric utilities. The 'host' utilities will provide a delivery platform to enable enrollment and billing, with oversight by the Office of Clean Energy. The program will be offered as an add-on subscription of clean power supplied by a qualified third-party Clean Power marketer without interruption to customer's basic electric service. The Office of Clean Energy will play a lead role in marketing the program to customers in cooperation with electric and gas utilities and Clean Power marketers.

The 2007 budget for this program in Appendix B is intended to reimburse utilities for expenses necessary to:

Make or maintain the Information Technology changes needed to support a line item on customer bills

- Develop and maintain systems to support EDI transactions with Clean Power Marketers
- Facilitate customer sign ups through bill stuffers or other marketing mechanisms

Appendix A:
SALES AND MARKETING PLAN

Low Income (Comfort Partners) Program

Statewide Marketing Activities		Estimated Cost
Telemarketing of program	**Description:** Telemarketing of program **Targeted Audience:** Customers identified as high-energy use USF participants, low-income residential customers on utility databases and other lists. **Expected Date of Implementation:** Telemarketing will be conducted on a continual basis to meet production goals. Increased effort has been required due to USF participant high rejection rate. **Vendor Participants:** Honeywell, CMC, EIC and utilities responding to incoming telephone customer inquiries.	$200,000
Comfort Partners marketing and collateral materials	**Description:** These materials are used at various customer-focused events, directly with customers during service delivery and included in direct mail campaigns. Estimated cost includes updating and reproducing the existing brochures and forms in both English and Spanish. Materials include: brochure, folders, applications, landlord agreements, partnership agreements, action plan savings strategy, weatherization release form, income guidelines, energy saving tips sheets, envelopes, etc. **Targeted Audience:** Low-income residential customers **Expected Date of Implementation:** Second quarter 2007 **Vendor Participants:** TraynorKirk/CGI North America	$97,000
Direct Mail Campaigns	**Description:** In addition to the contractor telemarketing, JCP&L and contractors will direct mail a cover letter, Comfort Partners application and landlord agreements to USF recipients to improve response rates. **Targeted Audience:** High-use USF recipients on the utilities databases. **Expected Date of Implementation:** Ongoing throughout 2007. **Vendor Participant:** Honeywell, EIC, CMC, and In house for JCP&L	$17,000

Fact Sheet on Winter Shut-off	**Description:** Include in the Fact Sheet on Winter Shut-off a paragraph describing Comfort Partners with an 800# contact number. **Targeted Audience:** Residential customers receiving a shut-off notice **Expected Date of Implementation:** During the 2007 heating season **Vendor Participant:** In house for utilities	$ 0

Appendix B

2007 Program Budgets

COMFORT PARTNERS	Total	Admin & Prog Developmt	Sales, Marketing, Call Center, Website	Training	Rebates, Other Direct Incentives	Rebate Processing, Inspections & QA	Evaluation & Research	Performance Incentives
ACE	$ 990,000	$ 90,000	$ 9,000	$ 10,000	$ 810,000	$ 67,000	$ 4,000	
JCP&L	$ 3,520,918	$ 270,000	$ 135,000	$ 40,000	$ 2,710,918	$ 350,000	$ 15,000	$ -
PSE&G- Electric	$ 6,410,924	$ 235,521	$ 66,723	$ 32,229	$ 5,718,347	$ 353,104	$ 5,000	
RECO	$ 7,500				$ 7,250	$ 250		
NJN	$ 2,108,695	$ 120,174	$ 26,679	$ 24,772	$ 1,868,463	$ 63,607	$ 5,000	
Elizabethtown	$ 1,100,000	$ 75,177	$ 20,836	$ 15,650	$ 892,276	$ 91,061	$ 5,000	
PSE&G-Gas	$ 5,213,804	$ 193,378	$ 54,437	$ 26,295	$ 4,646,606	$ 288,088	$ 5,000	
SJG	$ 823,159	$ 81,166	$ 11,606	$ 6,201	$ 687,355	$ 35,831	$ 1,000	
TOTAL	$ 20,175,000	$ 1,065,416	$ 324,281	$ 155,147	$ 17,341,215	$ 1,248,941	$ 40,000	$ -

CLEAN POWER CHOICE*	Total	Admin & Prog Developmt	Sales, Marketing, Call Center, Website	Training	Rebates, Other Direct Incentives	Rebate Processing, Inspections & QA	Evaluation & Research	Performance Incentives
ACE	$ 74,000	$ 7,000	$ 67,000	$ -	$ -	$ -	$ -	
JCP&L	$ 82,000	$ 2,000	$ 80,000	$ -	$ -	$ -	$ -	$ -
PSE&G- Electric	$ 100,000	$ 5,000	$ 95,000	$ -	$ -	$ -	$ -	
RECO	$ 46,000	$ 36,000	$ 10,000	$ -		$ -	$ -	
NJN	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Elizabethtown	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	$ 302,000	$ 50,000	$ 252,000	$ -	$ -	$	$	$

* CPC Budgets include two bill inserts only.

Comfort Partners 2007 Budget Revised

	Proposed Goal	Total	Admin & Prog Developmt	Sales, marketing call center, website	Training	Rebates, other direct incentives	Rebate Processing, Inspections & QA	Evaluation & Research	Performance Incentives
ACE	600	$ 990,000	$ 90,000	$ 9,000	$ 10,000	$ 810,000	$ 67,000	$ 4,000	
JCP&L	2000	$ 3,520,918	$ 270,000	$ 135,000	$ 40,000	$ 2,710,918	$ 350,000	$ 15,000	$ -
PSE&G- Electric	5346	$ 6,887,424	$ 237,021	$ 66,723	$ 32,229	$ 6,193,347	$ 353,104	$ 5,000	
RECO	15	$ 7,500							
NJN	1320	$ 2,541,695	$ 120,174	$ 33,679	$ 25,772	$ 2,293,463	$ 63,607	$ 5,000	
Elizabethtown	860	$ 1,350,000	$ 75,177	$ 35,836	$ 15,650	$ 1,122,276	$ 96,061	$ 5,000	
PSE&G-Gas	4532	$ 6,338,804	$ 193,378	$ 54,437	$ 26,295	$ 5,771,606	$ 288,088	$ 5,000	
SJG	552	$ 1,103,159	$ 151,166	$ 11,606	$ 6,201	$ 897,355	$ 35,831	$ 1,000	
TOTAL	15225	$ 22,739,500	$ 1,136,916	$ 346,281	$ 156,147	$ 19,798,965	$ 1,253,691	$ 40,000	$ -

Comfort Partners 2007 Budget 3-5-07

	Proposed Goal	–	Admin & Prog Developmt	Sales, marketing, call center, website	Training	Rebates, other direct incentives	Rebate Processing, Inspections & QA		Performance Incentives
ACE	600	$ 990,000	$ 90,000	$ 9,000	$ 10,000	$ 810,000	$ 67,000	$ 4,000	
JCP&L	2000	$ 3,620,918	$ 270,000	$ 135,000	$ 40,000	$ 2,710,918	$ 350,000	$ 15,000	$ -
PSE&G- Electric	5145	$ 6,410,924	$ 235,521	$ 66,723	$ 32,229	$ 5,718,347	$ 353,104	$ 5,000	
RECO	15	$ 7,500				$ 7,250	$ 250		
NJNG	1200	$ 2,108,695	$ 120,174	$ 26,679	$ 24,772	$ 1,868,463	$ 63,607	$ 5,000	
Elizabethtown	735	$ 1,100,000	$ 75,177	$ 20,836	$ 15,650	$ 892,276	$ 91,061	$ 5,000	
	4032	$ 5,213,804	$ 193,378	$ 54,437	$ 26,295	$ 4,646,606	$ 288,088	$ 5,000	
	480	$ 823,159	$ 81,166	$ 11,606	$ 6,201	$ 687,355	$ 35,831	$ 1,000	
TOTAL	14207	$ 20,175,000	$ 1,065,416	$ 324,281	$ 155,147	$ 17,341,215	$ 1,248,941	$ 40,000	$ -

Comfort Partners 2007 Budget 3-5-07

	Proposed Goal	Total	Admin & Prog Developmt	Sales, marketing, call center, website	Training	Rebates, other direct incentives	Rebate Processing, inspections & QA	Evaluation & Research	Performance Incentives
ACE	600	$ 990,000	$ 90,000	$ 9,000	$ 10,000	$ 810,000	$ 67,000	$ 4,000	
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PSE&G- Electric	5145	$ 6,410,924	$ 235,521	$ 66,723	$ 32,229	$ 5,718,347	$ 353,104	$ 5,000	
RECO	15	$ 7,500				$ 7,250	$ 250		
NJNG	1200	$ 2,108,695	$ 120,174	$ 26,679	$ 24,772	$ 1,868,463	$ 63,607	$ 5,000	
Elizabethtown	735	$ 1,100,000	$ 75,177	$ 20,836	$ 15,650	$ 892,276	$ 91,061	$ 5,000	
PSE&G-Gas	4032	$ 5,213,804	$ 193,378	$ 54,437	$ 26,295	$ 4,646,606	$ 288,088	$ 5,000	
SJG	480	$ 823,159	$ 81,166	$ 11,606	$ 6,201	$ 687,355	$ 35,831	$ 1,000	
TOTAL	14207	$ 20,175,000	$ 1,065,416	$ 324,281	$ 155,147	$ 17,341,215	$ 1,248,941	$ 40,000	$ -

	Proposed Goal								
ACE	600								
JCP&L	2000								
PSE&G- Electric	5145								
RECO	15								
Total Electric	7760								
NJNG	1200								
Elizabethtown	735								
PSE&G-Gas	4032								
SJG	480								
Total Gas	6447								

Total of Both 14207