



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) ORDER
ANALYSIS FOR 2009 -2012: 2009 PROGRAMS)
AND BUDGETS: COMPLIANCE FILINGS) DOCKET NO. EO07030203

(SERVICE LIST ATTACHED)

TABLE OF CONTENTS

BOARD OF PUBLIC UTILITIES	1
<i>Two Gateway Center</i>	1
NEWARK, NJ 07102	1
BACKGROUND AND PROCEDURAL HISTORY	3
UTILITIES	7
HONEYWELL	8
<i>Residential New Construction</i>	8
<i>Residential HVAC</i>	9
<i>Energy Efficient Products</i>	9
<i>Home Performance with Energy Star</i>	9
<i>Clean Energy Community Partners</i>	10
<i>Renewable Energy Program: Customer Sited</i>	10
<i>CleanPower Choice</i>	11
TRC	11
OFFICE OF CLEAN ENERGY COMPLIANCE FILING	13
OCE EE PROGRAMS	13
<i>Special Studies</i>	13
<i>DEP Cool Cities Program</i>	13
<i>Treasury: State of NJ Statewide EE Projects</i>	14
OCE RE PROGRAMS	14
<i>Renewable Energy Program: Grid Connected</i>	14
<i>Offshore Wind</i>	14
<i>Edison Innovation Clean Energy Manufacturing Fund</i>	14
<i>Edison Innovation Clean Energy Fund</i>	14
<i>Renewable Energy Program: Customer Sited</i>	15

<i>Renewable Energy Business Venture Financing Program, and</i>	15
<i>Renewable Energy Grants and Financing Program</i>	15
OCE OVERSIGHT	15
COMMENTS OF PUBLIC STAKEHOLDERS	16
HOME PERFORMANCE WITH ENERGY STAR	16
ENERGY EFFICIENCY – C&I.....	17
RENEWABLE ENERGY	17
RENEWABLE ENERGY REBATES	18
CLEANPOWER CHOICE	20
OFFSHORE WIND	21
STAFF RECOMMENDATIONS	23
PROPOSED BUDGETS.....	25
<i>Energy Efficiency Program Budget</i>	28
<i>Renewable Energy Program Budget</i>	32
OCE OVERSIGHT BUDGET.....	36
PERFORMANCE INCENTIVES.....	37
DISCUSSION AND FINDINGS	37

BY THE BOARD:

This Order memorializes actions taken at the Board's December 16, 2008 Agenda meeting. At that meeting, following an extensive public stakeholder process, which began in June 2008 and included the monthly meetings of the energy efficiency and renewable energy committees of the Clean Energy Counsel (CEC)¹, as well as careful consideration of the comments solicited and received during that process, the Board voted to approve programs and budgets for the 2009 New Jersey Clean Energy Program. The Board's actions, as further described below, determine the specific programs, budgets and allocations of the 2009 New Jersey Clean Energy Program funding level previously approved by the Board as part of the 2009 through 2012 Comprehensive Resource Analysis for energy efficiency and renewable energy, together with estimated carry-over from the 2008 budget, monies received from Alternative Compliance Payments (ACP) and Solar Alternative Compliance Payments (SACP), additional interest payments from the Clean Energy Trust Fund, and line item transfers.

In summary, this Order approves programs and budgets for \$245,000,000 in new funding, as previously approved by the Board, with \$230,124,832 in carryover funding, \$4,782,556 in ACP and SACP and additional interest payments, with estimated current commitment payments of \$172,822,000, for a 2009 New Jersey Clean Energy Program funding, less commitments, of \$307,085,388. Of this total 2009 funding of \$479,907,388, \$250,377,767 is for Energy Efficiency programs; \$219,980,498 is for Renewable Energy programs; and \$9,549,123, or less than 2% of the total 2009 Funding, is for OCE Oversight. This is the first budget order for the New Jersey Clean Energy Program to reflect the newly published New Jersey Energy Master Plan. Among the program changes memorialized in this Order are significant improvements to the Residential HVAC, Energy Efficient Products, New Construction (New Jersey Energy Star Homes) and Home Performance with Energy Star programs including expanding and increasing the products with enhanced measures and incentives; increased funding for commercial and industrial (C&I) energy efficiency programs for SmartStart; Direct Install for small business; Local Government Audits; Pay for Performance for larger businesses, including

¹ CEC refers to the Clean Energy Council, which is open to any member of the public and functions as a public stakeholder group.

significant increases in the caps for all C&I EE programs to assist in achieving the 20% energy reduction goal; an increase in funding to support Community Based Energy Efficiency programs and linking these programs to other government and not for profit programs such as the League of Municipalities Sustainable Jersey programs; funding support for Green Jobs training; continued support to expand existing as well as attract new RE and EE manufacturing companies and jobs; support for the implementation of a rebate program for Offshore wind meteorological towers to support the Energy Master Plan goal for 1,000 megawatts (MW) of Offshore wind in 2012 and 3,000 MW by 2020; the termination of the Customer On-Site Renewable Energy program; approval of a new rebate program for customer-sited renewable energy; and a new program to fund grid connected larger scale renewables.

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 (DEP), within eight months of initiating the proceeding and every four years thereafter, the Board would determine the appropriate level of funding for EE and Class I RE programs (now called New Jersey's Clean Energy Program or CEP) that provide environmental benefits above and beyond those provided by standard offer or similar programs in effect as of February 9, 1999.

As required by the Act, 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 al. (March 9th Order). The March 9th Order set funding levels for the years 2001 through 2003, established the programs to be funded and budgets for those programs. By Order dated July 27, 2004, Docket No. EX03110945 et al., the Board set the funding level for 2004 and established the programs to be funded and 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, Docket No. EX04040276 (December 23, 2004 Order), 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 March 31, 2008, Docket Number EX04040276, (2008 Budget Order) the Board set forth the reasons for its determination to approve the 2008 Clean Energy Programs, Budgets and Compliance Filings discussed at its December 20, 2007 meeting and approved in the Board's Summary order dated January 2, 2008. In that Order, the Board approved the budgetary allocation of \$235,000,000 in new funding for 2008 consistent with the established funding level for 2008 established in its December 23, 2004 Order. The Board also approved \$10,600,000 in interest on the Clean Energy trust fund and Alternative Compliance Payment (ACP) and Solar Alternative Compliance Payment (SACP) revenues for a total revised 2008 budget of \$245,600,000.

In conjunction with the Department of Treasury, Staff prepared, and the Board authorized, requests for proposals (RFPs) for Market Manager and Program Coordinator services. The RFP for Market Manager services was released in August 2005 and a revised RFP for Program Coordinator services was released in January 2007. 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, CEEEP² and CEC³. 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.”

Section 3.0 of the Program Coordinator RFP provides that the [Program Coordinator] shall manage, monitor and ensure the performance of the Market Managers and other entities that receive funds through the New Jersey Clean Energy Programs [.]

On October 19, 2006, Honeywell International, Inc. (Honeywell)⁴ was awarded a contract to manage the residential energy efficiency programs and renewable energy programs. On November 5, 2008 Treasury approved Honeywell contract modifications necessary to implement the 2008 Clean Energy programs approved by the Board in its March 31, 2008 Order. On December 12, 2008, Treasury approved a one year extension of the Honeywell contract from January 20, 2009 to January 19, 2010 and on December 17, 2008 the Board approved the one year extension. On October 19, 2006, TRC Energy Services (TRC)⁵ was awarded a contract to manage the commercial and industrial (C&I) energy efficiency programs. On August 26, 2008, Treasury approved TRC contract modifications necessary to implement the 2008 Clean Energy programs as approved by the Board in its March 31, 2008 Order. On November 25, 2008, Treasury approved a one year extension of the TRC contract from January 20, 2009 to January 19, 2010 and on December 8, 2008, the Board approved the one year extension. On July 11, 2007, Applied Energy Group (AEG)⁶ was awarded a contract to provide program coordinator services. 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 and on October 15, 2007, AEG, the Program Coordinator, completed its transition and commenced operation.

By Order dated April 27, 2007, Docket No. EO07030203, the Board directed the Office of Clean Energy (OCE) 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 – 2012. By Order dated September 30, 2008, Docket No. EO07030203 (CRA III Order), the Board concluded its 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 allocated 2009 funding levels of

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

³ CEC refers to the Clean Energy Council, which is open to any member of the public and functions as a public stakeholder group.

⁴ Honeywell refers to Honeywell International, Inc. as the entity that was awarded Treasury contract # 67052 and has the meaning set forth in such contract.

⁵ TRC refers to TRC Energy Services as the entity that was awarded Treasury contract # 67053 and has the meaning set forth in such contract.

⁶ AEG refers to Applied Energy Group as the entity that was awarded Treasury contract # 68922 and has the meaning set forth in such contract.

\$176.5 million for EE and \$68.5 million for RE and also allocated funding to major program sectors such as residential, commercial and industrial, renewable energy, and other programs, as discussed further below.

In 2007, the process for developing proposed programs and budgets was revised to take into account that the majority of the programs are now delivered 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 considering, for incorporation into the program, changes recommended by public stakeholders.⁷

The Board engaged Rutgers' Center for Energy, Economic and Environmental Policy (CEEPP) to manage the evaluation of the NJCEP. CEEPP evaluation activities included preparation of a program cost benefit analysis, updating a market potential study 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 ongoing Impact Evaluation that is being prepared by KEMA, a technical consulting company. All of the evaluation reports were posted on the NJCEP web site and circulated to committee members. The evaluation reports helped inform the development of proposed 2009 programs and budgets.

In developing the 2009 Clean Energy Programs and Budgets, the following process was utilized. Monthly public stakeholder meetings of the EE and RE committees, chaired by Staff, began to include discussion of the 2009 program plans and budgets starting in June 2008. Discussions ensued at the meetings held on June 17th, July 8th, July 15th, August 26th, September 16th, October 14th, and November 12th. Meeting notices including dates, times and location were posted on the NJ Clean Energy Program's website and sent to the committee list serves. All agenda and discussion materials were distributed to the committee list serves and meeting notes were posted on the NJCEP website at: <http://njcleanenergy.com/main/event-listings/clean-energy-council-committees/clean-energy-council-committee-meetings-notes>. At each of these meetings, Honeywell and/or TRC discussed proposed changes to the programs and budgets and Staff 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 Staff to submit proposed 2009 programs and budgets for consideration by the Board. As set out in the Board's CRA III Order and in the 2008 Budget 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. Marketing plans
7. Detailed budgets that include, at a minimum, a breakdown of costs by the following budget categories:
 - a. Administration and program development

⁷The CEC EE and RE committees are open to any member of the public and function as public stakeholder groups.

- 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

CEEEP is coordinating the development of revised protocols for measuring energy savings or generation or proposed new protocols for any new programs or program components. OCE has informed the Board that it anticipates that revised protocols will be submitted to the Board for its consideration shortly.

Proposed 2009 programs and budgets were submitted by:

- 1. Honeywell
- 2. TRC
- 3. Atlantic City Electric Company, Jersey Central Power & Light Company, Elizabethtown Gas Company, New Jersey Natural Gas Company, Public Service Electric and Gas Company (PSE&G), Rockland Electric Company and South Jersey Gas Company (collectively, the Utilities)
- 4. The OCE, including programs jointly managed with New Jersey Economic Development Authority (EDA), the Commission on Science and Technology, and the DEP

TRC has submitted suggested contract amendments required to implement the proposed programs and Honeywell is expected to file proposed contract amendments soon. OCE will submit the proposed contract amendments to the Board for its consideration upon approval of the proposed contract amendments by Treasury.

On or about October 15, 2008, the 2009 New Jersey Clean Energy Program Plan Filings submitted by Honeywell and TRC were circulated to the EE and RE committees and posted on the Clean Energy Program website, along with notice of the October 24, 2008 meeting of the CEC and a request for written comments on the plan filings by October 24, 2008. The filings were further discussed at the October 24th meeting of the CEC along with written comments. The Board also requested additional comments on two specific issues concerning incentives for Offshore wind and solar rebate levels which are also discussed further below. A Request for Public Comment on the federal Investment Tax Credit was posted on the NJCEP website on October 30, 2008, with comments accepted through November 21, 2008. A Request for Comments on the 2009 Offshore Wind Rebate Program was posted on the NJCEP website on November 24, 2008, with comments accepted through December 5, 2008. In this Order, the Board reviews and considers each of the filings that was submitted, comments from stakeholders and interested members of the public, along with OCE's recommendations.

On October 22, 2008, New Jersey's Energy Master Plan was released. The Energy Master Plan sets the following specific goals for EE and RE for the State:

- Reduce the use of energy at least 20% by 2020
- Decrease peak demand by 5,700 MW by 2020
- Increase the Renewable Energy Portfolio Standard (RPS) to 30% by 2020 with specific requirements of 900 MW of biomass, 3,000 MW of Offshore wind, 200 MW of onshore wind and 2,120 GWh of solar
- Foster the development of 1,500 MW of new combined heat and power cogeneration capacity in New Jersey by 2020

2009 Program and Budget Filings

The following discusses each of the 2009 Program and Budget filings submitted to the Board:

Utilities

By letter dated December 1, 2008, PSE&G submitted, on behalf of the seven natural gas and electric utilities, a compliance filing for the Residential Low-income Program (Comfort Partners) and utility support for the CleanPower Choice Program. The residential Low-income Program did not transition to the Market Managers and continues to be managed by the Utilities.

The Utilities have proposed three major changes to the Comfort Partners program. First, the Utilities proposed lowering the eligibility requirement from 175 to 225 percent of federal poverty guidelines which would make additional customers eligible to participate in the program. Customers who are eligible for Lifeline and Pharmaceutical Assistance to the Aged and Disabled (PAAD) are automatically eligible for Comfort Partners. Lifeline, PAAD, and the Home Energy Assistance Program (HEAP) all now have income eligibility that goes up to 225 percent of federal poverty guidelines, so this proposed change is intended to align Comfort Partners with these other assistance programs. According to the Utilities, increasing the eligibility threshold will also help fill the pipeline of customers so that the Utilities can achieve goals and effectively spend the proposed increase in funding.

The second proposed change is driven by the fact that the proposed 2009 budget for the utility portion of the Low Income program would increase by almost 40 percent, or from approximately \$26.3 million in 2008 to \$36.6 million in 2009. The Utilities have indicated that there is a shortage of qualified, trained crews that would be needed to increase production to a level needed to fully expend the proposed 2009 budget. The Utilities propose to pursue "Green Jobs" partnerships with organizations such as the Department of Labor and Workforce Development and local job training agencies. The Utilities have proposed to utilize a portion of the budget for training and equipping additional work crews for Comfort Partners work. Comfort Partners contractors will be encouraged to hire trained candidates from these programs.

The Utilities explain that the third proposed change is the proposal to require customers that receive Universal Service Fund assistance to participate in the Comfort Partners program, with certain exceptions. The intent of this proposed change is that rather than continually providing customers with funds to offset utility costs, customers should take steps to reduce usage by allowing the Comfort Partners program to install energy saving measures in homes. The cost of these energy savings measures is completely funded by the NJCEP Comfort Partners program. This will reduce the need for Universal Service Fund money by reducing energy usage and costs.

By Order dated December 16, 2008, Docket No. EO08060426, the Board approved a Joint Position regarding PSE&G's Carbon Abatement Program. Paragraph 9 of the Joint Position, which concerns the Residential Home Energy Tune-Up Sub-Program, states that "[a]t PSE&G's option, income verification for this sub-program may be provided through the Comfort Partners program, and such costs shall be charged against the Comfort Partners program budget subject to the Board's approval of inclusion of this expense in the 2009 Clean Energy Program and Budget and budgets for subsequent years for the Comfort Partners program and further subject to state appropriations law." Per the Joint Position, PSE&G's proposed 2009 Comfort Partners budget includes \$87,800 for income verification for the Residential Home Energy Tune-Up Sub-Program.

The CleanPower Choice Program will continue to be managed by Staff with support from the renewable energy Market Manager and the Utilities. The Utilities will support the CleanPower Choice program marketing through the delivery of bill stuffers, will maintain the Information Technology (IT) changes needed to support a line item on customers' bills and will develop and maintain systems to support Electronic Data Interchange EDI transactions with Clean Power Marketers.

Honeywell

By letter dated October 6, 2008, Honeywell submitted proposed 2009 programs and budgets for the programs it manages and for the components of the programs managed by the OCE that it supports. Honeywell proposes to continue delivering the following existing programs:

- Residential New Construction (RNC)
- Residential Heating Ventilation and Air Conditioning (HVAC)
- Energy Efficient Products
- Home Performance with ENERGY STAR

And to deliver the following proposed new programs:

- Clean Energy Community Partners Initiative, and
- Renewable Energy Program: Customer Sited

Honeywell's filing provides all of the required program details regarding the above programs. The filing also includes a marketing plan and budget and details regarding performance incentives that can be earned by Honeywell for achieving certain program goals in accordance with its contract.

Honeywell's filing also includes support for the Clean Power Choice program which is managed by Staff.

Based on comments received from stakeholders, discussions at the EE and RE committee meetings discussed above, and input from the OCE, Honeywell made several minor adjustments to the proposed budgets and program descriptions and submitted a revised filing by letter dated November 21, 2008. The following provides a summary of the program changes proposed by Honeywell in its revised 2009 program and budget filing:

Residential New Construction

This program is designed to increase the energy efficiency and environmental performance of residential new construction in New Jersey. The Board approved numerous changes to the RNC program in 2008 that will be implemented in 2009. Honeywell had initially proposed to reduce incentives paid to builders in 2009 relative to 2008 incentive levels. However, in its revised 2009 filing, Honeywell proposed that, due to the well-publicized difficulties faced by the building industry, any reduction in incentives paid to builders should be delayed until the housing industry recovers from its current slump. Therefore, Honeywell's revised filing proposed maintaining Tier I incentives at their current levels and to increase the Tier II incentives.

Honeywell is also proposing to commence a transition to an open market for Home Energy Ratings of residential new construction beginning in January 2010. Preparation for this

transition will commence in 2009 with the development of quality control and oversight procedures needed to qualify, manage and monitor independent verification providers.

Residential HVAC

This program promotes the purchase of efficient home heating, cooling and water heating equipment, and quality installation of such equipment. The Board approved a number of changes to the Residential HVAC program that were planned for 2008 but not implemented due to delays in approval of the contract modifications. Honeywell will implement these changes in 2009 including the quality installation verification component (QIV), the central air conditioning and heat pump maintenance initiative and the duct sealing pilot.

Honeywell proposed a program to pilot incentives for solar water heating with a rebate of \$1,200 for solar hot water heating systems which is estimated to offset approximately 20% of the incremental costs associated with this measure.

Energy Efficient Products

This program promotes the sale and purchase of ENERGY STAR qualified and other energy efficient products including lighting, appliances and consumer electronics. Honeywell proposes to continue the major program components including maintaining the retailer base, providing incentives for Energy Star qualified lighting and appliances and continued focus on the Change-A-Light campaign. Honeywell entered into contracts with several entities as part of the 2008 Change-A-Light campaign that will continue to provide services into 2009.

Honeywell will investigate free on-line energy audit tools that could potentially replace the current on-line audit tool saving the program approximately \$400,000 per year. However, since two utilities are currently implementing programs that utilize the existing free on-line energy audit tool, Honeywell is coordinating to plan for a smooth transition to a new on-line energy audit tool should a decision be made to cease using the existing tool.

Honeywell proposed two new major initiatives to be included as part of this program commencing in 2009. The first is the appliance early retirement program which will introduce a market based effort to promote and facilitate the early retirement of inefficient second refrigerators and freezers. The second is a CFL recycling program which will provide a strong preference to awarding CFL mark down incentives to proposals that include a recycling option.

Home Performance with Energy Star

This program helps qualified contractors offer comprehensive energy efficiency improvement packages for existing homes based on sound building science principles that produce predictable savings and improve energy efficiency, comfort, safety and durability. Honeywell has proposed major changes to the Home Performance with Energy Star program that are designed to significantly increase customer participation. The proposed changes include reducing the cost to the customer for the initial energy audit from \$250 to \$125 and including the installation of up to 10 CFLs at no additional cost. If the initial audit finds no health and safety issues and determines that air sealing would be an effective energy efficiency measure, the program will offer free air sealing services valued at approximately \$1,000 to the customer. The program will continue existing incentives for additional measures recommended by the audit. Existing incentives include either a 10% rebate or low interest financing for non-income eligible

customers and a 50% rebate and low interest financing for income eligible customers who are customers between 175%⁸ and 300% of federal poverty guidelines.

Clean Energy Community Partners

This program offers New Jersey communities a forum to participate in a statewide clean energy campaign: to educate and help enroll residents, businesses and municipalities in New Jersey's Clean Energy Program; and to take advantage of valuable technical assistance and financial incentives. The program also supports community efforts to set clean energy goals, develop outreach plans and educate residents about the economic and environmental benefits of clean energy and simple climate change solutions. As approved by the Board, the program was initiated by the OCE in 2007. OCE recommended that management of the program be transitioned to Honeywell in 2009 and the services to be provided by Honeywell related to the delivery of this program are included in its filing. Honeywell will support community efforts to set clean energy goals, develop outreach plans, and educate residents about the benefits of clean energy and climate change solutions.

Renewable Energy Program: Customer Sited

This proposed program would offer incentives and market services to New Jersey electric and gas utility customers investing in renewable electricity generation to offset energy consumption using solar photovoltaic, wind and sustainable biomass resources. It also adds services to accelerate development of wind and biopower projects in New Jersey. The Customer On-Site Renewable Energy (CORE) program has provided customers with incentives to install renewable energy systems since 2001. The Board approved a 2008 CORE program budget of \$195.049 million. Honeywell proposed to continue issuing rebate approval letters to both residential and non-residential projects in the CORE program queue in 2009 until the entire 2008 CORE program budget is committed or 60 days from the date of the Order approving 2009 programs and budgets, whichever comes first. Honeywell proposes to terminate the CORE program either 60 days from the date of the Board's Order approving 2009 program and budgets or as soon as the entire 2008 CORE program budget is committed.

Once the CORE program is terminated, the CORE budget will be utilized only for paying rebate commitments that were issued prior to program termination. All of the administrative costs associated with processing final rebate applications and inspecting projects will be paid out of the proposed new Renewable Energy Program: Customer Sited program budget.

The proposed Renewable Energy Program: Customer Sited program was designed to ensure that there are no queues going forward. Honeywell proposed time based and capacity based rebate incentive blocks that will terminate once all of the funding in the incentive block is committed. Applications submitted after a block is fully subscribed will be returned to the customer who will have the option to reapply once the subsequent incentive block is made available. The time based incentive blocks will be offered at least three times per year to reduce the time between offers if a block is quickly subscribed. The incentives are also automatically adjusted up or down depending on how quickly or how slowly the block is filled. The proposed Renewable Energy Program: Customer Sited program continues to provide incentives aimed at stimulating the on shore wind and biomass markets.

⁸ As noted above, the Utilities have proposed lowering the eligibility requirement for participation in the Comfort Partners program from 175% to 225% of federal poverty guidelines. As discussed further below, OCE recommends that if this proposal is adopted by the Board that the eligibility guidelines for the Home Performance with Energy Star program also be modified such that income eligible customers would be those between 225% and 300% of federal poverty guidelines.

Honeywell proposed a two tier rebate structure for residential solar projects. The first standard tier starts at \$1.75 per watt for solar projects that have a Home Performance with Energy Star audit, or participate in the Residential New Construction program. All other residential solar projects will be eligible for rebates that are \$0.20 per watt lower than the standard tier. Honeywell proposed a single tier rebate of \$1.00 per watt for all non-residential solar projects.

Honeywell proposed automatic adjustments to the rebate levels that depend on how quickly or slowly a block is filled. If rebate blocks fill quickly, rebates are automatically adjusted downward and if rebate blocks fill slowly, the rebates are increased. The specific details for raising or lowering rebates are described in the filing.

Honeywell's filing included proposed rebates for projects in the CORE queue that do not receive rebate approval letters utilizing 2008 funding. Honeywell proposed that these customers be offered an opportunity to participate in the new program prior to that opportunity being made available to the general public, at a rebate level of \$2.00 per watt. Honeywell proposed rebates of \$2.00 per watt for customers that have applied to the CORE program and are unable to receive a rebate approval with 2008 CORE funding.

CleanPower Choice

This program provides an option for New Jersey Basic Generation Service (BGS) and commercial customers to participate in a statewide program to promote voluntary purchase of renewable energy. The CleanPower Choice program is managed by the OCE with support from Honeywell. The program provides customers with an option to voluntarily participate in renewable energy markets. Honeywell will support the program by providing customer support and call center services, data collection, analysis and reporting and marketing support. As noted above, the Utilities also provide marketing support to this program through bill stuffers.

TRC

TRC submitted a 2009 program and budget filing dated October 3, 2008 for the programs it manages. TRC proposes to continue delivering the following existing programs:

- C&I Construction Program-Energy Efficient Construction: "NJ SmartStart Buildings"
 - o C&I New Construction
 - o C&I Retrofit
 - o New School Construction and Retrofit
- Teaching Energy Awareness with Children's Help (TEACH)
- Local Government Energy Audit

In addition, the following programs were approved by the Board for implementation in 2008 but were not implemented due to delays in approval of the contract modifications. TRC is on track to commence delivery of these programs in early 2009:

- Pay-for-Performance
- Direct Install

TRC's filing provides all of the required program details regarding the above programs. The filing also includes a marketing plan and budget and details regarding performance incentives that can be earned by TRC for achieving certain program goals in accordance with its contract.

Based on comments received from stakeholders, discussions at the EE Committee meetings discussed above, and input from the OCE, TRC made several minor adjustments to the proposed budgets and program descriptions and submitted a revised filing by letter dated November 19, 2008. The following provides a summary of the program changes proposed by TRC in its revised 2009 program and budget filing:

1. Increase the incentive cap from \$200,000 to \$500,000 per customer, per utility service (electric and natural gas), per calendar year. This incentive cap relates to the SmartStart Program including: Retrofit, New Construction, and New School Construction and Retrofit. The incentive cap for Pay-for-Performance is proposed to be set at \$1 million per customer, per utility service, per year, plus additional incentives of up to \$1 million if the customer installs a CHP system. The definition of a "customer" remains unchanged. A customer is represented by a utility account.
2. Offer a \$30 incentive if a customer retrofits from a T-12 to a T-8 fixture, delamps and adds a reflector. Currently a \$20 incentive is offered for T-8 to T-8 replacement with permanent delamping and the addition of reflectors.
3. Reduce incentives for a pulse-start metal halide > 150 watts from \$45 to \$25 per fixture. A reduction in the 2009 incentive level for this item is proposed based on TRC's assessment of the marketplace and is in line with Summit Blue's recommendations as well as incentives offered by other public benefits agencies and utilities.
4. Eliminate the incentive for LED Traffic Signals. Federal standards now require the manufacture of traffic signals to be LED compliant, eliminating the need to incentivize this item.
5. Eliminate the stand-alone Combined Heat & Power (CHP) Program. TRC has proposed the elimination of a stand-alone Combined Heat & Power Program and recommends that the elements of this program be folded into the new Pay-for-Performance Program. The goal is to make CHP part of a comprehensive, whole building approach to energy efficiency in existing commercial and industrial buildings. Pay-for-Performance projects that incorporate CHP will be eligible for an additional \$1 million incentive. The annual solicitation will be eliminated, and customers will be able to participate in this program year round, funding permitted. Many of the elements of the existing CHP Program will remain in effect; however, there may be additional requirements which will be outlined upon completion of design of the Pay-for-Performance program.
6. Modification of the pre-approval process for the Smart Start program, including the elimination of the registration form. All terms and conditions will be located on the application forms. The program will accept equipment purchases (not installations) up to 12 months prior to submittal of an application. It will be noted on all applications and the website that equipment purchased prior to receipt of an approval letter is done at the customer's /applicant's risk. Pre-inspection requirements will remain in effect, where applicable.
7. Change the requirement for performance lighting from 20% to 5% above ASHRAE 90.1-2004. In 2008, the program adopted ASHRAE 90.1-2004 as the commercial/industrial HVAC and lighting code. Previously the code was based on ASHRAE 90.1-1999. The 2004 code, on average, reduced the allowable watts per square foot by about 30%. For example, under the 1999 Code office space was allowed 1.3 watts/square foot. Under the new 2004 Code, office space is allowed 1.0 watt/square foot.
8. As part of the Board's contract with Grafica to provide marketing support services, Grafica assisted with the planning and execution of the NJCEP Conference and

Leadership Awards. As discussed further below, in 2009 Grafica will cease the provision of most services previously provided with the exception of web site support services. OCE recommended that TRC provide services related to the planning and execution of the 2009 NJCEP Conference and Leadership Awards and TRC's filing included services related thereto.

Office of Clean Energy Compliance Filing

The OCE 2009 program and budget filing includes program descriptions and budgets for the OCE Oversight budget including: administration, memberships and program evaluation. It also includes details for the following EE and RE programs managed or co-managed by the OCE:

- Special Studies
- The DEP Cool Cities program
- State of NJ Statewide EE Projects
- Renewable Energy Program: Grid Connected
- Offshore Wind
- Edison Innovation Clean Energy Manufacturing Fund, administered with EDA
- Renewable Energy Program: Customer Sited (Clean Power Markets component only)
- Edison Innovation Clean Energy Fund, administered with the New Jersey Commission on Science and Technology (CST)
- Renewable Energy Business Venture Financing Program, administered with EDA pursuant to MOU
- Renewable Energy Grants and Financing Program, administered with EDA pursuant to MOU

The following summarizes the major initiatives included in the in the OCE compliance filing:

OCE EE Programs

Special Studies

The Special Studies budget includes potential projects to be managed by the OCE. For 2009, OCE is exploring utilizing a portion of these funds for job training activities. These would provide for entry level training in the new green jobs market for energy efficiency and renewable energy jobs, including an opportunity for the trainee to test for various recognized certification programs, leading to opportunities to provide the services for which the New Jersey Clean Energy Program provides incentives as set forth in this Order.

The New Jersey League of Municipalities (League) has implemented a "Sustainable NJ" program which provides support and incentives for municipalities to become more sustainable and energy efficient. OCE also proposes utilizing a portion of the Special Studies budget to provide additional incentives to municipalities that will support the League's Sustainable NJ efforts. These incentives will be in addition to the incentives provided through the Clean Energy Community Partners program delivered by Honeywell and other program incentives currently available to municipalities. OCE will submit specific proposals to the Board for review and approval prior to the commitment of any funds from the Special Studies budget.

DEP Cool Cities Program

The DEP and Staff are developing a proposed Memorandum of Agreement (MOA) for consideration by the Board that sets out details regarding 2009 funding, reporting and program

delivery for the continuation of the Cool Cities Program. The Cool Cities Program supports the purchase and planting of trees used to reduce the urban heat island effect. DEP submitted a 2009 compliance filing that continues the existing Cool Cities program as implemented in 2008. The overall administrative cost for the Cool Cities program will be set in the MOA at an amount not to exceed 10 percent of the total CEP funding of the Cool Cities program.

Treasury: State of NJ Statewide EE Projects

Pursuant to the Appropriations Act for the State fiscal year ending June 30, 2009, \$10,000,000 was appropriated and payable from the Clean Energy Fund as an Interdepartmental capital appropriation for energy efficiency projects in State facilities including but not limited to up to: \$6,000,000 for heating, ventilation and air conditioning systems at various Human Services institutions. The 2009 appropriation language did not identify the use of the additional \$4,000,000. The Appropriations Act further provided that project allocations may be adjusted based on consultation with the Department of Treasury's Office of Energy Savings, subject to the approval of the Director of the Division of Budget and Accounting.

OCE RE Programs

Renewable Energy Program: Grid Connected

The OCE is in the process of developing a solicitation to provide incentives to large, greater than 1 megawatt (MW), grid connected renewable energy systems. The solicitation will be submitted to the Board for review and approval prior to release.

Offshore Wind

The proposed Offshore Wind Meteorological Tower rebate program will provide rebates to eligible entities that install offshore meteorological wind towers in 2009. The purpose of the rebate program is to support the development of offshore wind facilities that are needed to achieve the Energy Master Plan goal of at least 1,000 MW of off shore wind by 2012.

Edison Innovation Clean Energy Manufacturing Fund

The Board has entered into an MOA with EDA to administer 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. EDA has submitted a compliance filing which sets out program details that is included within the OCE compliance filing.

Because it appears that the EDA cannot charge applicants a fee for reviewing CEMF applications, which is the typical method EDA uses to cover administrative expenses, the EDA has requested a reconsideration of the administrative fee allowed for in its MOA with the Board. It is anticipated that a revised MOA with an alternative fee structure will be presented to the Board.

Edison Innovation Clean Energy Fund

The Board entered into an MOA with the CST dated September 17, 2008 to administer 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, that is included within the OCE compliance filing.

Renewable Energy Program: Customer Sited

The OCE component of the Renewable Energy Program: Customer Sited program budget is to continue the contract with Clean Power Markets to manage the Renewable Energy Credit (REC) and Solar Renewable Energy Credit (SREC) trading platforms until this function is fully transitioned to PJM Generational Attributes Tracking System (GATS), which is anticipated to be on or before September 30, 2009.

Renewable Energy Business Venture Financing Program, and Renewable Energy Grants and Financing Program

In 2008 the Board terminated the Renewable Energy Business Venture Financing Program and the Renewable Energy Grants and Financing Program. The proposed 2009 budget for these two programs is required to pay commitments made prior to termination of the programs.

OCE Oversight

Staff will manage all of the items included in the OCE Oversight budget including administration and overhead, evaluation and related research, and marketing and communications. OCE's filing includes details regarding each of these efforts.

Staff is proposing to carry over the 2008 funding from the "Other Studies" component of the OCE Oversight budget for the grant program titled "New Jersey Regional Anemometer Program". This program was included in the 2008 budgets as set forth in the Board's March 31, 2008 Order and OCE recommends continuation of the program in 2009. The purpose of the program is to enlist the assistance of New Jersey universities and colleges in building New Jersey's capacity for providing wind resource assessment services through:

1. the purchase and provision of anemometers (wind measuring instrumentation) and related services to colleges and universities, and
2. the service, maintenance, and redeployment of anemometers through colleges and universities with existing anemometers

Two new initiatives were approved by the Board in the 2008 OCE Oversight budget (but not implemented due to delays in contracting): The O&M Scoping Study, which will evaluate potential energy savings that can result from improved operation and maintenance practices, and the Online Academy Pilot, which will provide educational offerings to program participants including design professionals, building owners, contractors and program Staff. Staff is in the process of negotiating a contract with the New Jersey Institute of Technology to deliver these two new initiatives. The Board also approved the funding for a Job Training Pilot in the budget for 2008. The pilot will coordinate with state colleges and community colleges to train students and entry-level employees for careers that support the programs. OCE proposes that the 2008 approved budgets for these initiatives carry forward into 2009.

The 2008 OCE Oversight budget approved by the Board included \$4.37 million for marketing and communications activities. These activities were managed primarily by the Board's advertising contractor, Grafica.

Grafica implemented the Board's "umbrella" marketing campaign aimed at branding the "New Jersey Clean Energy Program" name and marketing the generic benefits of energy efficiency

and renewable energy. Due to the success of the campaign, and the fact that the Market Managers are now fully operational and marketing their programs, OCE believes the “umbrella” marketing campaign can be terminated in 2009. The proposed 2009 OCE Marketing and Communications budget is approximately \$2.67 million lower than the 2008 budget. The 2009 budget includes funding for maintaining the web site and for paying certain marketing expenses that were committed to in 2008 but will be paid in 2009. The contract with Grafica was recently extended through mid-2009 for the limited purpose of continuation of services related to support of the web site.

Comments of Public Stakeholders

Comments were received from: The New Jersey Department of the Public Advocate, Division of Rate Counsel (Rate Counsel); Corbin Solar Solutions; Four Point Heating/Cooling and Solar; Ecological Systems; Sea Bright Solar; The Gemstone Group; the Mid Atlantic Solar Energy Industry Association (MSEIA); Vanguard Energy Partners; The Solar Center, Inc.; Solar Solutions of EVCO Mechanical Corporation; CMC Energy Services (CMC); John T. and Jennifer Oliver; Mr. Craig; Clean Ocean Action and American Littoral Society (collectively, COA); Fisherman’s Energy; New Jersey Business and Industry Association (NJBIA); Trinity Solar; Occidental Development; Tyler Enterprises; and the New Jersey Audubon Society - Department of Conservation and Stewardship (NJAS).

Below are summaries of the comments by program type, along with responses of the OCE, which were then utilized in its recommendations discussed later in the Order.

Home Performance with Energy Star

CMC supported Honeywell’s conclusion that the Home Performance with Energy Star Program needs a significant restructuring and conceptually supported many of the programmatic changes proposed by Honeywell. However, CMC did not believe the changes proposed by Honeywell were sufficient for achieving the goals set out in the State Energy Master Plan and suggested the following modifications to the 2009 plan:

1. Increase learning and reduce risk by developing alternative approaches now that can be implemented at the beginning of 2009, such as CMC’s proposal to narrow the customer target to new buyers of existing homes;
2. Provide benchmarks or performance metrics that can be tracked across the year to insure progress in meeting the energy savings and contractor development goals;
3. Identify and evaluate ways to provide incentives for installing measures at a sustainable cost, which is considerably less than \$1000 per home;
4. Provide measures for planning and evaluating the cost effectiveness of all budget categories and items; and,
5. Develop quantitative measures for planning and evaluating the effectiveness of the marketing plan (commonly referred to as a “dashboard”).

Response: OCE is continually looking for ways to improve program implementation. Benchmarks and performance metrics are included in Honeywell’s filing, and ongoing evaluation activities identify areas to improve program results. OCE notes that the proposed 2009 Home Performance with Energy Star program incorporates substantial modifications aimed at improving program performance. A key element of the Whole Building approach, as discussed in the EMP, is to benchmark the building and to implement the improvements suggested by the

energy audit. OCE will continue to work with CMC and other interested stakeholders through the EE Committee to identify additional opportunities to improve program performance.

Energy Efficiency – C&I

In general terms, the NJBIA recommends allocating a larger percentage of CEP funds to the C&I sector and improving the coordination of programs and funding among State agencies to advance the EMP goals. In support of increased funding, the commenter argues that business contributes the majority of SBC funds, that the Clean Energy budget for C&I has not been entirely spent in the past several years, and that the return on energy efficiency investments in C&I is eleven dollars to one versus only four to one for the residential sector. The NJBIA also makes a number of specific suggestions on the proposed programs, of which the most significant are: the removal of all caps on the amount of rebates and incentives for C&I accounts; the implementation of an audit program for this sector; and an evaluation of outreach and education practices.

Response – Staff notes that in analyzing these budget control and management issues, the Clean Energy Program must be viewed as a whole, composed of both Energy Efficiency and Renewable Energy programs. When the RE programs, including the SREC financing programs, are evaluated with the EE programs, the benefit to all customer classes is approximately equal to the input of these funds. Rather than removing the caps completely, Staff is recommending expanding the C&I SmartStart cap from \$200,000 per service per year to \$500,000 per service per entity per year, as found in the TRC compliance filing. In addition, the Pay for Performance is proposed to be expanded to include a new construction component as well as an existing building retrofit program. Both programs have recommended \$1,000,000 caps per service per entity. The Direct Install program is designed as an 80% incremental rebate and financing for the remaining 20%. Staff believes these caps will allow C&I customers to utilize these programs to reduce their usage of energy. In addition, the proposed budget increases the funding to the C&I sector so that it is receiving a larger percentage than in previous budgets. However, in order to achieve the goals of the Energy Master Plan, programs that improve the efficient use of energy in all building types is necessary.

Renewable Energy

Rate Counsel recommended that the Board attempt to reconcile the renewable energy budget estimates included in the 2009 proposal with those offered to the Board for approval in the CRA proceeding that set funding levels for the years 2009-2012.

Response: The Board approved funding levels by technology in the CRA proceeding, including solar, wind and biomass. The proposed budgets were established taking into consideration the status of the development of the marketplace for each technology and allocated funds to various programs based, in part, on estimates of the number of projects by each technology that can be reasonably expected to be developed in 2009. OCE intends to track incentives paid to projects by technology and to propose budgets in future years that align with the funding levels by technology set out in the Board's CRA Order. Moreover, Staff intends to release a RE Grid Supply Solicitation as approved by the Board in the OCE compliance filing early in 2009; based on the response to that solicitation, which will determine the volume of MW to be funded for each technology, Staff will reconcile the RE budgets later in 2009, following the true-up of the NJCEP budget once additional ACP revenue and interest on CEP funds are received.

Renewable Energy Rebates

Rate Counsel stated its disappointment with what it characterized as “the market managers’ summary dismissal” of the approach to performance based rebates for solar systems and recommended that stakeholders begin the process of exploring ongoing alternatives to rebates to provide incentives for wind and biomass.

First, Staff notes that the Board has directed a transition in how solar incentives are delivered in New Jersey.⁹ To ensure sustained, orderly development of New Jersey’s solar industry at the least cost to ratepayers, the Board provides less reliance on rebates and more contribution to solar projects through the renewable portfolio standard. Specifically, the creation of a solar renewable energy certificate is inherently performance-based. The rebates will provide prospectively less of the total ratepayer contribution in 2009. In addition, Staff continues to explore alternative models for delivering incentives to the renewable energy market, including other performance-based incentives, as part of the ongoing stakeholder discussions in the RE committee meetings. Additional performance-based incentives have been developed as part of the wind rebate program and the solar financing program and will be developed for solar rebates in the future. Additional incentives are not incorporated into these rebates at this time because of the number of changes currently being incorporated into the solar programs. It was determined by Staff and the Market Manager, after public stakeholder input at the RE committee and from the RE listserve, to explore this issue further in 2009.

Several comments were received on the proposed reduction of residential rebates in response to the extended and increased federal investment tax credit (ITC). Many of the comments dealt with the impact of reductions on customers already in receipt of a rebate commitment letter or waiting in queue for a commitment, which may be reached by 2008 funds. Those comments will be considered in a separate docket specifically addressing the impact of changes in federal tax legislation for solar energy installations.¹⁰

Those comments received on the effect of the change in the ITC on applications submitted in 2009 are set out here. With regard to new applications, there was a general consensus that rebates should be lowered. Vanguard Energy Partners, EVCO Mechanical Corporation, and Sea Bright Solar recommended that the rebates be lowered but did not recommend a specific rebate level. The Solar Center recommended that rebates be reduced to \$2.25 per watt. The commenter further proposed linking rebate levels for individual applicants to the volume of MWs installed under the program as a whole, such that the rebate level for each new applicant would decrease after 5 MW had been installed, decrease again after 10 MW had been installed, and so forth until all residential applicants received \$1.00/watt after 125 MW had been installed. MSEIA, Corbin Solar Solutions, Trinity Solar, and Four Point Heating/Cooling and Solar concurred with Honeywell’s proposed rebate level and recommended that rebates be reduced to \$1.75 per watt for this class of customers. MSEIA recommended a reduction to \$1.50 per watt for customers who did not install energy efficiency measures. Rate Counsel recommended reducing the rebate level to \$1.25 per watt, which it believes coupled with a 30% ITC should keep solar residential projects close to the same internal rate of return they receive now.

⁹ I/M/O the Renewable Portfolio Standard – Alternative Compliance Payments and Solar Alternative Compliance Payments: Decision and Order Regarding Solar Generation, Dkt No. EO06100744 (December 6, 2007).

¹⁰ I/M/O the Impact of Federal Tax Legislation on Customer On-site Renewable Energy (CORE) Program Rebate Levels: Order Modifying Residential Solar Rebate Levels, Dkt. No. EO04121550 (December 31, 2008) (ITC Proceeding).

Response: OCE concurs with the commenters that a reduction in rebate level is appropriate. OCE believes the 2009 rebate levels proposed by Honeywell are reasonable, taking into consideration the significant increase in the ITC for residential customers, while bearing in mind that a tax credit does not provide a customer with an upfront payment or provide compensation that the customer can assign to its installer when negotiating the terms of its contract. Rebate levels are linked to the use of energy efficiency in the Market Manager's compliance filing; the proposed standard level will be reduced by twenty cents per watt for those projects that do not utilize the Home Performance with Energy Star audit or, in the case of new construction, the RNC program. OCE believes that a greater reduction than that proposed by the Market Manager risks having a chilling effect upon the solar industry during difficult economic conditions. With regard to the Solar Center's proposal that rebate levels be reduced after a fixed number of MW had been installed, OCE notes that the proposed rebate program utilizes a block structure, under which applications will be accepted until a fixed number of MW has been applied for, after which time no applications will be accepted until the next block of MW is made available.

Ecological Systems stated that the CORE program was likely to end the year with a budget surplus in excess of \$80 million and that in order to achieve the Renewable Portfolio Standard (RPS), these funds should be rolled over into upfront rebate blocks for 2009. As envisioned by the commenter, these blocks would be structured so that after a certain number of MWs have been applied for, the rebate level would automatically shift to the next block of funding. The commenter further recommended setting rebate levels based on expected funding over the next 8 years and setting these levels to allow the State to exceed the 2020 RPS.

See response to the Solar Center. With respect to what the commenter characterizes as a surplus, Staff notes that the CORE program Market Manager Report posted on the NJCEP website indicates uncommitted funds of \$17.6 million in the CORE budget as of November 30, 2008. These funds will receive commitments in early 2009. Comments on expected funding over the next 8 years are beyond the scope of this Order and beyond the scope of the CRA III Order which sets funding levels through 2012.

Several emails were received from solar installers arguing against reducing rebates on the grounds that homeowners would be deterred from installing generation facilities and the resulting impact on their businesses would be disastrous. Another installer recommended raising the capacity cap for residential rebates to 20 kW. One emailed comment urged the reinstatement of the 70% rebate level and another two comments requested the reinstatement of the 50% level.

Response: As noted above, the OCE concurs with the majority of commenters that a reduction in rebate is indicated given the increased ITC and the resultant increase in total incentives to customers. Moreover, Staff notes that the volume of applications received by the CORE program has in the past occasioned reductions of rebate level in an effort to bring the volume of applications received into alignment with available funding. Due to budget constraints, and the deliberately increased value contributed by the RPS through the SRECs, continuation of the 50% rebate level or reinstatement of the 70% level is neither feasible nor desirable. The Market Manager is endeavoring to account for customer response in its 2009 compliance filing. The proposed Renewable Energy Program: Customer Sited would adjust for the responsiveness of application volume to rebate level by automatically raising or lowering rebate level within a block based on the volume of applications received, as summarized above and detailed in Honeywell's compliance filing.

With respect to the kilowatt cap on eligibility for residential rebates, the Board considered this issue at its December 17, 2008 Agenda meeting.¹¹ The Board has reaffirmed its position regarding the rebate capacity limits, given the level of support already supplied by the rebate with the existing cap and the intention to limit the level of rebate available to residential customers so that limited rebate dollars could be made available to additional customers.

Trinity Solar and the Solar Alliance stated that any application received after December 20, 2007 should have been returned to the applicant and should not be placed in a queue or offered an opportunity to participate in the program on a preferred basis. The commenters argued that to offer such an opportunity violates the Board's Order that the CORE program cease accepting applications for private sector projects and disadvantages the homeowners who followed the rules.¹² The Solar Alliance objects to Staff's proposed treatment of applications on the supplemental queue not reached by the 2008 CORE budget. In addition, the commenter appears to object to this class of customer receiving "2009 funding at the rebate levels in effect at the time they applied."

Response – The applications in the supplemental queue were received prior to the suspension of the acceptance of rebate applications in the CORE program. The supplemental queue CORE applications were not fully processed, since it was not clear whether funds would be available. No applications for a CORE rebate were processed after the CORE suspension date as set forth in the referenced Order. Moreover, the commenter's concern regarding the proposed rebate level reflects a misapprehension of the proposal; as set forth above, the proposal would permit these customers to receive funding at a level significantly lower than those in effect during 2008, though higher than customers applying to the program for the first time.

The Solar Center proposed a rebate of \$1.00/watt for small commercial systems, which it defined as systems between 10 kW and 50 kW. The proposed rebate program provides for such a rebate.

The Gemstone Company proposed a carve out of market share for leasing companies to receive rebates directly from the State in order to enable them to provide financing on terms that are attractive to the homeowner.

Response: While a diversity of solar contracting arrangements continues to be a goal for New Jersey's solar industry, it is not yet apparent to the OCE that companies offering solar leases require such a carve out while also enjoying economies in marketing, finance, construction, operations, taxes and accelerated depreciation. The OCE will continue to have discussions with the solar industry and other interested parties as part of the ongoing monthly Renewable Energy Committee meetings in regard to this and other issues related to solar in New Jersey.

CleanPower Choice

Rate Counsel submitted comments on proposed design changes to the program, recommending that the program require each Electric Distribution Company (EDC) to choose a single vendor. In support of this change, Rate Counsel stated that such an approach would give the vendor an incentive to invest in marketing, and that the utilities would be encouraged to brand the program as one of theirs. The commenter stated that this change must be coupled

¹¹ I/M/O Customer On-site Renewable Energy (CORE) Program: Order of Clarification, Dkt. No. EO04121550.

¹² I/M/O Request to Suspend the Acceptance and Processing of New Jersey's Solar Applications in New Jersey's CORE Rebate Program, Docket No. EO07100773 (Dec. 20, 2007).

with termination of ratepayer support for the program, all incremental administrative and marketing costs being covered by the charge to participants. In addition, Rate Counsel recommended that ratepayers be offered the option of signing up for a “block” product, a fixed amount of renewable energy, so that they could forecast their costs exactly. Additionally, the commenter stated that the requirement that 50% of Class I renewable resources supported by vendors should be in-state drives up costs for participants and recommended that this requirement be reduced, possibly to 25%.

Rate Counsel also commented that both its recommended program and product design should be considered in forthcoming rulemaking. Rate Counsel also stated that ratepayers have invested sufficiently in the program and those current levels of CEP marketing support should not be increased and might be decreased as more reliance is placed on vendors. The commenter urged that no incentives be provided to EDCs for successfully marketing the CPC, as they do not receive incentives for marketing other CEP programs.

Response: Significant changes to the design of the CleanPower Choice program, including electronic customer look up, were recently implemented. These changes are aimed at improving program performance. To date, it has been judged premature to remove all ratepayer support for the program and rely entirely upon marketing by the vendors. However, OCE is continually looking for additional ideas on improving programs and will review Rate Counsel's recommendation further with the RE Committee. In addition, the anticipated rulemaking on this program will provide an opportunity for further consideration of the proposed changes.

Offshore Wind

Fishermen's Energy believes that although the \$12 million Offshore Wind rebate program is less money than previously proposed in the budget in 2009, the BPU is using the resources more creatively for greater impact and stimulus. Fishermen's Energy applauds the creativity of the Offshore Wind Meteorological Tower rebate program and states that getting the necessary data is the first step to attract investment to the Offshore wind sector, bringing New Jersey to the front of a new US industry and creating “green collar” jobs.

Response – Staff appreciates the support for the proposed rebate program and always looks for ways to improve the efficiency of the investment of ratepayers' funds.

COA criticizes the decision to allocate \$12 million to fund Offshore meteorological towers for three main reasons: 1) the decision making process did not allow sufficient stakeholder involvement and has not yet produced an adequate, fully detailed plan; 2) the funds available to foster Offshore wind are scarce and should be carefully allocated according to a more fully developed State plan to develop Offshore wind; and 3) meteorological towers will only address site-specific issues, properly the responsibility of individual wind facility developers, instead of addressing larger-scale regulatory and ecological issues that stand between the State's goals and the reality of siting 3000 MW of Offshore wind in the New Jersey coastline in an environmentally responsible manner. The commenter also points to specific technical issues from a 2006 study by the United States Department of Interior's (USDOI) Minerals Management Service (MMS) which it claims need to be addressed. COA also raised a number of specific technological questions that are related to New Jersey's OSW goals that primarily deal with infrastructure issues and what will happen if the ecological baseline study determines that some of the locations preferred by the wind industry are unavailable or inappropriate. COA recommends that the Board: a) postpone the budget allocation for this item until stakeholders are given appropriate opportunity to deliberate; b) fulfill the recommendations of the 2006 report produced by Governor Codey's Blue Ribbon Panel on Development of Wind Turbine Facilities in

Coastal Waters; and c) allocate an additional \$4.9 million to the DEP's Ecological Baseline Study, which should be extended by 12-18 months.

Response – The Energy Master Plan provides the State's policy on the development of Offshore wind rather than the cited Blue Ribbon Panel report. The development of the Energy Master Plan included numerous stakeholder meetings and public hearings to obtain input from interested parties. The final Energy Master Plan includes a goal to strive to surpass the current renewable portfolio standard goals with a goal of achieving 30% of the State's electricity needs from renewable sources by 2020. To achieve that goal, the Energy Master Plan includes an Action Item to have at least 3,000 MW of OSW installed by 2020, with at least 1,000 MW being installed by 2012. In order to meet the deadlines that the Governor announced and were specified in the Energy Master Plan, it was necessary to move quickly to establish this rebate program so that the installation of the meteorological towers could occur in 2009. This step is essential to meeting the 2012 target for having at least 1,000 MW of OSW facilities operational. Postponing this program by an additional 18 months of study, as proposed by the commenter, would delay construction of the meteorological towers until 2011, which would be too late to accomplish the Energy Master Plan goal of at least 1,000 MW of OSW installed by 2012.

The rebate program for the OSW meteorological towers is part of a reasoned, measured and deliberative process to add to the understanding of the OSW energy resource capacity off the New Jersey coast. Staff engaged stakeholders by holding an OSW stakeholder meeting on October 30, 2008, shortly after the Energy Master Plan was released. The Board solicited written comments on the OSW rebate program on November 24, 2008 with a due date of December 5, 2008. In addition, the budget for the OSW rebate program was discussed at the November Renewable Energy Committee meeting.

The OSW meteorological tower rebate program seeks to assist in collecting data that will support the development of OSW to meet the target of at least 1,000 MW. The BPU has discussed with DEP expanded funding of the Ecological Study and OCE will continue to work with DEP to develop recommendations for additional funding for expanded ecological studies after the results of the initial study are available. These recommendations will be presented to the Board for its consideration. BPU Staff will continue to work with DEP in an effort to insure that recommendations from the Ecological Study are incorporated into DEP's permitting process where appropriate.

The "2006 MMS study" referenced by COA is titled "Technology White Paper on Wind Energy Potential on the U.S. Continental Shelf" and does contain technical issues that will need to be addressed as OSW development proceeds. In addition, the technical questions raised by COA will also need to be addressed as the OSW projects continue to develop. These issues and questions do not need to have complete answers at this point in time. Staff believes that the permitting process at the federal and State levels will ensure that these issues and questions are fully considered prior to the issuance of any necessary permits. This includes whether the proposed OSW facility should be denied based on environmental concerns. The NJBPU and NJDEP have both worked with MMS in the finalization of their permit requirements and assisted in providing information as needed and requested in several public forums.

Moreover, rebate recipients will be required to construct their towers in an area included in the DEP Ecological Baseline Study Area as well as within the MMS designated New Jersey Interim Policy Lease Area. Rebate recipients will be required to provide DEP with access to the towers for purposes of data collection and will be required to provide environmental data to DEP. Rebate recipients will also be required to coordinate with DEP and MMS concerning ecological/environmental studies conducted from the meteorological towers to insure the studies meet the needs of DEP and MMS for wind farm permitting/leasing.

NJAS agrees with the points raised by COA on the DEP's Ecological Baseline Study and the need for the BPU to support an expanded study. NJAS is concerned that, to date, the baseline ecological study appears to be getting little in the way of meaningful data; it proposes that the BPU use a portion of the CEP funds to further the baseline ecological study work and to promote the appropriate development of Offshore energy facilities.

Response – See the above response to COA comments. Board Staff disagrees with NJAS's characterization of the data being collected thus far from the baseline ecological study, but suggests that NJAS discuss these concerns with DEP.

Occidental Development proposes to increase the budget for the Offshore Meteorological Tower Rebate program to at least \$20 million. In the commenter's view, this increase is necessary to help companies that participate in the rebate program and have made a nomination of interest for an OCS¹³ block but cannot get one until the MMS adopts "final rules" on block leases. The commenter gives early 2009 as the adoption date for these rules.

Response – Staff appreciates the commenter's views; unfortunately, given the need to fund other important energy efficiency and renewable energy program, Staff cannot recommend more than the \$12 million in the initial budget. Funding for OSW will be considered again in the 2010 budget process. With respect to the MMS rules on block leases, Staff notes that it developed the proposed rebate program on the basis of the interim criteria made public by MMS as of that date. In order to meet the OSW goals for 2012 in the Energy Master Plan, it was not feasible to delay the issuance of the rebate program criteria until the MMS had finalized its program.

Staff Recommendations

The OCE Staff participated in the EE and RE committee meetings and provided input regarding proposed programs and budgets. Staff reviewed the initial filings and the comments submitted by participants of the CEC and its committees, as well as other public stakeholders. Staff coordinated with the Market Managers to discuss proposed changes to be incorporated into the revised 2009 compliance filings. OCE Staff has reviewed the compliance filings submitted by the Utilities, the OCE, which includes DEP, EDA and CST programs, and the revised compliance filings submitted by TRC and Honeywell.

The OCE, based on its review of Honeywell's filing and consideration of comments from stakeholders and interested members of the public, recommends the following modifications to Honeywell's filing:

The Board approved a 2008 CORE program budget of \$195.049 million. Honeywell proposed to continue issuing rebate approval letters to both residential and non-residential projects in the CORE program queue in 2009 until the entire 2008 CORE program budget is committed or 60 days from the date of the Order approving 2009 programs and budgets, whichever occurs first. Honeywell also proposed to terminate the CORE program either 60 days from the date of the Board's Order approving 2009 program and budgets or as soon as all of the 2008 CORE program budget is committed, whichever occurs first.

¹³ Outer Continental Shelf

Subsequent to submittal of its compliance filing, Honeywell indicated to OCE that 60 days may not be sufficient to commit all of the 2008 funds. Honeywell requested that it be given 90 days to process applications that will utilize the remaining 2008 funds. The OCE believes this request is reasonable and recommends that Honeywell's filing be modified such that the CORE program will terminate either when all of the 2008 CORE funds are committed or 90 days from the date of this Order, whichever occurs first.

The OCE recommends approval of Honeywell's proposed Renewable Energy Program: Customer Sited with the modifications that follow. By Order dated June 24, 2008, Docket No. EX04040276, the Board ordered that "all CORE applicants that have received a commitment letter containing a completion deadline which falls within 2008, or those which receive a commitment letter within 2008, shall receive a three month extension of time, from nine months to twelve months, in which to complete their projects." The OCE recommends that this interim policy be made permanent such that all projects receiving a rebate approval letter either through the existing CORE program or the new 2009 Renewable Energy Program: Customer Sited be given 12 months from the date of the rebate approval letter to complete their project.

Honeywell's filing included proposed rebate levels for projects that have applied to the CORE program and are able to receive a rebate approval with 2008 funding and for an initial block for customers that have applied to the CORE program and did not receive a rebate approval letter with 2008 CORE funding. Rebate levels for the class of customers able to receive rebate approval with the 2008 funding will be considered by the Board in the ITC proceeding and will be resolved in that docket. With regard to Honeywell's proposal to create an initial block for customers who applied to the CORE program and did not receive a rebate approval letter with the 2008 CORE funding, the OCE recommends approval.

The 2009 CORE budget will be utilized only for paying rebates to projects that submitted an application in 2008 or earlier and received a rebate commitment letter. The OCE proposes that if any projects are cancelled subsequent to termination of the CORE program, that the rebate funds associated with cancelled projects be transferred to the rebate component of new Renewable Energy Program: Customer Sited program budget. This will allow the funds associated with cancelled projects to be immediately available for issuing additional rebate approvals under the new program. The OCE proposes that any funds transferred from the CORE budget to the Renewable Energy Program: Customer Sited program budget be allocated to the equivalent budget category as the cancelled project. That is, funds from a cancelled CORE solar residential project would transfer to the residential solar component of the Renewable Energy Program: Customer Sited program budget, funds from a cancelled wind project would transfer to the new wind budget.

Currently, there is no queue for certain components of the 2008 CORE program including SUNLIT, wind, and biomass. The OCE recommends that Honeywell be authorized to accept CORE rebate applications for projects in these CORE program budget categories through December 31, 2008. Starting on January 1, 2009, new projects can apply to the new Renewable Energy Program: Customer Sited program. OCE recommends that Honeywell be permitted to issue rebate approval letters to projects utilizing the 2008 CORE program budget up to 90 days from the date of this Order after which all uncommitted funds from the these components of the CORE budget would be transferred to the Renewable Energy Program: Customer Sited program budget. Uncommitted funds from the SUNLIT component of the CORE budget would be allocated to the new non-residential solar budget component, and uncommitted funds from the wind and biomass component of the CORE program budget would be allocated 50% to the new wind budget and 50% to the new biomass budget.

The Board is in the process of transitioning to PJM GATS for issuing and tracking all RECs and SRECs. The transition is scheduled to be completed in 2009. Clean Power Markets currently issues RECs for small behind the meter RE systems and is assisting with the transition to PJM GATS. The contract with Clean Power Markets was extended through September 2009. OCE recommends that \$500,000 of the budget for the Renewable Energy: Customer Sited Program be reallocated from Honeywell to OCE for expenses associated with the Clean Power Markets contract. Honeywell should submit a revised budget for the Renewable Energy: Customer Sited Program that totals \$46,797,167, which reflects the line item transfer.

As noted above, Honeywell's proposed 2009 program plan incorporates a number of the changes recommended by CMC. OCE will explore additional potential changes to the Home Performance with Energy Star program or other programs recommended by CMC through further discussions with the EE Committee, including the potential benefits of providing additional energy audit services.

With respect to the DEP component of OCE's filing, DEP requests that its compliance filing be modified. DEP requests authorization from the Board to spend some of its administrative funding from 2008 during the first quarter of 2009. DEP submitted invoices to Staff in accordance with the current MOA, but, due to delays in signing that document, was unable to conduct an adequate spring planting and deferred the majority of tree planting to the fall season. As a result, the majority of the tree planting inspections are not completed. DEP represents that if it is authorized to carryover the unused 2008 administrative funds that it will be able to complete such work. Staff recommends that the Board modify DEP's compliance filing to allow them to spend 2008 administrative monies during the first quarter of 2009 for these administrative tasks.

OCE, based on its review of the Utility Filing, recommends the following modification to the Utility filing:

The OCE supports consideration of the proposal to require customers that receive Universal Service Fund assistance to participate in the Comfort Partners program in the context of the Board's Universal Service Fund proceeding rather than in this Order which addresses 2009 Clean Energy programs and budgets.

OCE believes the Compliance Filings submitted by Honeywell and the Utilities, as modified, and the Compliance Filings submitted by TRC, and OCE (which includes EDA, CST, DEP), as submitted, are reasonable and consistent with Board policy and OCE recommends approval.

Proposed Budgets

The 2009 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 2008, estimated expenses for the remainder of the year, and estimated commitments that would exist as of December 31, 2008. AEG deducted estimated 2008 expenses from the final Board approved 2008 budgets to estimate 2008 carry over. AEG estimated \$86.738 million in EE carry-over, \$141.638 million in RE carry over and \$1.749 million in OCE Oversight carry-over. AEG estimated that \$172.822 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 2009 or 2010.

The Board's September 30, 2008 CRA III Order, which concluded the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2009 – 2012 Clean Energy

Program, set new funding levels for 2009. The Order set 2009 funding levels for specific program sectors as follows:

1. Energy Efficiency Programs:
 - a. Commercial and Industrial: \$62.4 million
 - b. Residential: \$66.6 million
 - c. Low Income: \$30 million
 - d. Clean Energy Technology Fund: \$7.5 million
 - e. State Facilities: \$10 million

Total EE: \$176.5 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: \$21 million

Total RE: \$68.5 million

Previous Board Orders allow that up to 10% of the new funding could be utilized for administrative expenses. The Board and Staff strive to keep administrative expenses as low as possible so that any unused administrative funding is available for additional incentive payments to customers. Consistent with this approach, Staff proposes that 4% of the funding levels set out above be allocated to the OCE Oversight budget for various tasks related to program administration and evaluation.¹⁴

The Board's September 30, 2008 Revised 2008 Programs and Budgets Order Docket No. EX04040276 (September 30th Order) included \$7.5 million in funding from both EE and RE, for a total of \$15 million, for the Clean Energy Technology Fund of which \$12 million is allocated to the Clean Energy Manufacturing Fund.

The Edison Innovation Clean Energy Manufacturing Fund is a single program that provides incentives to manufacturers of both EE and RE technologies. It is funded with both EE funds and RE funds. OCE is proposing to show the Clean Energy Technology Fund as an RE program for administrative and accounting purposes only, and to reallocate the EE funding for this program to the RE budgets. The following tables show the funding levels approved by the Board in the September 30th Order less the funds reallocated to the OCE Oversight budget for administrative activities and with the EE funds for the Clean Energy Technology Fund reallocated to the RE budget for administrative and accounting purposes:

¹⁴ The overall percentage allocated to OCE Oversight is less than 4% of the new funding since funding was not deducted from the Board approved funding for State Facilities or the Clean Energy Technology Fund.

Approved 2009 EE Funding from CRA III Order

Energy Efficiency (\$000)	Total From CRA III Order	Less OCE Oversight @	Remaining EE Funding
		4.0% ¹⁵	
C&I	\$62,400	\$1,496	\$59,904
Residential	\$66,600	\$2,664	\$63,936
Low Income	\$30,000	\$1,200	\$28,800
State Facilities	\$10,000	\$0	\$10,000
Total EE less EE funding for Clean Energy Tech Fund	\$169,000	\$5,360	\$162,640

Approved 2009 RE Funding from CRA III Order

Renewable Energy (\$000)	Total From CRA III Order	Less OCE Oversight @	Remaining EE Funding
		4.0%	
Wind	\$25,000	\$1,000	\$24,000
Biomass	\$15,000	\$600	\$14,400
Small Solar	\$21,000	\$840	\$20,160
Clean Energy Tech Fund RE	\$7,500	\$0	\$7,500
Clean Energy Tech Fund EE	\$7,500	\$0	\$7,500
Total RE including EE funding for Clean Energy Tech Fund	\$76,000	\$2,440	\$73,560

The tables above show an allocation to OCE Oversight of \$5.36 million from EE and \$2.44 million from RE for a total of \$7.8 million.

Treasury has provided the OCE with a list of payments into the CEP Trust Fund which shows that, as of November 14, 2008, \$4,736,171 in ACPs and SACPs were deposited into the Trust Fund in 2008 pursuant to the Board's Renewable Portfolio Standards regulations, N.J.A.C. 14:8. N.J.A.C. 14:8-2.10(e) requires that ACP monies submitted pursuant to the regulations be used to fund renewable energy projects through the CEP and that SACP monies submitted be used to fund solar energy projects through the CEP. ACP and SACP monies deposited into the Trust Fund in 2008 are therefore available for allocating to renewable energy program budgets. The OCE recommends that the \$4,736,171 in ACPs and SACPs deposited into the fund in 2008 be allocated to the 2009 renewable energy program budgets consistent with the requirement of N.J.A.C. 14:8-2.10(e).

The Board's September 30th Order revised initial 2008 budgets and included \$6,818,056.23 in interest that Treasury reported would be deposited into the Trust Fund. Subsequent to the

¹⁵ The OCE Oversight funding transferred from C&I is reduced by \$1 million to reflect the transfer of the business conference from the OCE Oversight budget to the TRC budget. The overall percentage allocated to OCE Oversight is less than 4% of the new funding since funding was not deducted from the Board approved funding for State Facilities or the Clean Energy Technology Fund.

issuance of the Order, Treasury reported to OCE that the actual amount of interest deposited into the Trust Fund was \$6,864,441.64, which is \$46,385.41 more than the amount included in the 2008 budgets. The OCE recommends that the additional interest payments be allocated to the renewable energy program budgets as was the initial interest payment. The table below shows other anticipated funding of \$4,782,556 which includes the \$46,385.41 in additional interest plus \$4,736,171 in ACPs and SACP's discussed above.

The table below also shows a line item transfer of \$12.86 million out of the EE budget which consists of the \$7.5 million reallocated to the RE budget for the Clean Energy Tech Fund and \$5.36 million reallocated to the OCE Oversight budget. The table below shows a line item transfer of \$5.06 million into the RE budget which consists of the transfer of \$7.5 million into RE from EE for the Clean Energy Tech Fund less \$2.44 million of RE funds reallocated to the OCE Oversight budget. The result of all of the above is summarized in the following table:

Proposed 2009 Program Funding									
	New 2009	Line Item	Line Item	Revised	Estimated	Other			2009 Funding
	Funding from	Transfers	Transfers	New 2009	2008	Anticipated	2009	Estimated	Less
(all \$000)	CRA Order	To	From	Funding	Carryover	New Funding	Funding	Commitments	Commitments
	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)	(f)	(g)=(d)+(e)+(f)	(h)	(i)=(g)-(h)
Energy Efficiency	\$176,500,000		(\$12,860,000)	\$163,640,000	\$86,737,767		\$250,377,767	\$53,536,000	\$196,841,767
Renewable Energy	\$68,500,000	\$5,060,000		\$73,560,000	\$141,637,942	\$4,782,556	\$219,980,498	\$119,286,000	\$100,694,498
OCE Oversight	\$0	\$7,800,000		\$7,800,000	\$1,749,123		\$9,549,123	\$0	\$9,549,123
Total	\$245,000,000	\$12,860,000	(\$12,860,000)	\$245,000,000	\$230,124,832	\$4,782,556	\$479,907,388	\$172,822,000	\$307,085,388

Note: 2009 funding is subject to appropriations for NJ State Fiscal Year commencing on July 1, 2009 and ending on June 30, 2010.

(a) = 2009 funding levels from September 30, 2008 CRA III Board Order.

(b) = Line item transfers added to new funding.

(c) = Line item transfers subtracted from new funding. Line Items transfers include transfer of \$7.5 M from EE to RE for Clean Energy Tech Fund plus transfers to OCE Oversight

(d) = New 2009 funding, plus line item transfers to, less line item transfers from

(e) = Estimated 2008 carry over from 7&5 report with EE Clean Energy Tech Fund carry over transferred from EE to RE.

(f) = 2008 ACP and SACP Payments as of November 14, 2008 plus additional interest payment

(g) = Revised new 2009 funding, plus estimated carry over, plus other anticipated new funding

(h) = Estimated program commitments as of December 31, 2008

(i) = 2009 estimated funding levels, less program commitments, as of December 31, 2008

Staff utilized the 7&5 report to develop a preliminary Staff straw budget proposal which was circulated to the EE and RE committees and used as a basis for commencing 2009 program and budget discussions. Updates were provided as available.

The EE and RE committees met monthly from June through November 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 Staff in developing proposed budgets that were included in their filings. Subsequent to their filings, additional comments were provided by Staff, taking into consideration the recommendations from the CEC public stakeholder process and consistent with the goals of the Energy Master Plan. The Market Managers submitted revised filings including revised budgets.

Energy Efficiency Program Budget

The OCE recommends a number of line item transfers within the proposed EE budget as follows:

1. Transfer \$300,000 out of the Weatherization Rehabilitation and Asset Preservation component of the Low-income program to zero out the 2009 budget for this discontinued program.
 - a. Transfer \$300,000 into the Community Based Energy Efficiency program to assist in providing communities and their residents and businesses in reducing energy usage. These funds will support the New Jersey League of Municipalities' community programs.
2. Transfer \$1,792,577 into the Comfort Partner program to align the 2009 budget with the budget submitted by the Utilities in their compliance filing. Some of the additional funds will be used for new program components such as Cool Roofs and for job training efforts designed to train, equip and hire additional installation crews.
3. Transfer \$1,858,612 out of the DCA Weatherization program budget to zero out the 2009 budget for this discontinued funding partnership given the recent increase in federal funds. The Board and DCA will continue to work together to coordinate EE programs for low-income customers.
4. Transfer \$55,312 into the Special Studies budget so that all of the proposed line item transfers within the EE budget net to zero.
5. Transfer \$50,213 into the Cool Cities program budget to align the 2009 with the budget submitted by DEP in its compliance filing.
6. Transfer \$39,490 out of the Utility Program Transition budget to zero out the 2009 budget since the transition is complete and no additional funds are required related to the transition.
7. Transfer \$16,493,000 out of the EE component Edison Innovation Clean Energy Manufacturing Fund into the RE budget. As noted above, this program is a combined EE and RE program which is listed in the RE budget for administrative and accounting purposes only.

The following table sets out the 2009 Energy Efficiency Program budgets recommended by the OCE including the line item transfers discussed above. The proposed budgets are followed by brief descriptions of the programs:

Proposed 2009 Energy Efficiency Program Budget

Energy Efficiency Programs	NJBPU	Estimated	Estimated	New	Line	Final	Committed
	Approved	2008	2008	2009	Item	2009	Expenses
Programs	2008 Budget	Expenses	Carry Over	Funding	Transfers	Budgets	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) + (d) + (e)	(g)
Residential EE Programs							
Residential HVAC - Electric & Gas	\$18,475,615	\$12,544,000	\$5,931,615	\$11,395,900		\$17,327,515	\$0
Residential New Construction	\$37,141,182	\$11,343,000	\$25,798,182	\$18,661,644		\$44,459,826	\$20,104,000
Energy Efficient Products	\$20,142,111	\$17,232,448	\$2,909,663	\$20,619,720		\$23,529,383	\$0
Home Performance with Energy Star	\$9,828,507	\$4,569,000	\$5,259,507	\$7,311,793		\$12,571,300	\$0
Community Based Efficiency Initiative	\$345,000	\$0	\$345,000	\$602,612	\$300,000	\$1,247,612	\$0
Residential Marketing	\$0	\$0	\$0	\$5,344,330		\$5,344,330	\$0
Sub Total Residential	\$85,932,415	\$45,688,448	\$40,243,967	\$63,936,000	\$300,000	\$104,479,966	\$20,104,000
Available New Funding Residential				\$63,936,000			
Residential Low Income							
Comfort Partners	\$26,372,915	\$20,365,492	\$6,007,423	\$28,800,000	\$1,792,577	\$36,600,000	\$0
DCA Weatherization	\$1,858,612	\$0	\$1,858,612	\$0	(\$1,858,612)	\$0	\$0
Weatherization Rehabilitation and Asset Preservation (WRAP)	\$300,000	\$0	\$300,000	\$0	(\$300,000)	\$0	\$0
Sub Total Low Income	\$28,531,527	\$20,365,492	\$8,166,035	\$28,800,000	(\$366,035)	\$36,600,000	\$0
Available New Funding Low Income				\$28,800,000			
C&I EE Programs							
Commercial/Industrial Construction							
C&I New Construction	\$4,503,119	\$2,237,000	\$2,266,119	\$7,732,881		\$9,999,000	\$2,266,000
C&I Retrofit	\$22,596,327	\$13,866,000	\$8,730,327	\$11,133,563		\$19,863,890	\$8,730,000
New School Construction & Retrofit	\$3,727,308	\$1,441,000	\$2,286,308	\$4,460,692		\$6,747,000	\$2,286,000
CHP	\$15,913,734	\$3,912,000	\$12,001,734	\$3,990,266		\$15,992,000	\$7,000,000
Local Government Audit	\$2,324,000	\$2,324,000	\$0	\$4,998,000		\$4,998,000	\$0
Direct Install	\$3,000,000	\$106,000	\$2,894,000	\$7,295,999		\$10,189,999	\$0
Pay-for-Performance	\$5,000,000	\$40,000	\$4,960,000	\$18,291,999		\$23,251,999	\$0
TEACH	\$400,000	\$200,000	\$200,000	\$399,600		\$599,600	\$0
Marketing	\$0	\$0	\$0	\$1,555,000		\$1,555,000	\$0
Business Conference	\$500,000	\$500,000	\$0	\$1,046,000		\$1,046,000	\$0
Sub Total C&I	\$57,964,488	\$24,626,000	\$33,338,488	\$60,904,000	\$0	\$94,242,488	\$20,282,000
Available New Funding C&I				\$60,904,000			
Other EE Programs							
Special Studies	\$1,000,000	\$0	\$1,000,000	\$0	\$55,312	\$1,055,312	\$0
Cool Cities	\$7,949,787	\$4,000,000	\$3,949,787	\$0	\$50,213	\$4,000,000	\$0
State of NJ Statewide EE Projects	\$10,000,000	\$10,000,000	\$0	\$10,000,000		\$10,000,000	\$0
Utility Program Transition/Support Costs	\$49,490	\$10,000	\$39,490	\$0	(\$39,490)	\$0	\$0
Edison Innovation Clean Energy							
Manufacturing Fund: EE	\$9,000,000	\$7,000	\$8,993,000	\$7,500,000	(\$16,493,000)	\$0	\$0
Sub Total Other Energy Efficiency Programs	\$27,999,277	\$14,017,000	\$13,982,277	\$17,500,000	(\$16,426,966)	\$15,055,312	\$0
Available New Funding State Facilities				\$10,000,000			
Total Energy Efficiency	\$200,427,707	\$104,696,940	\$95,730,767	\$171,140,000	(\$16,493,000)	\$250,377,767	\$40,386,000

Note 1: 2009 funding is subject to appropriations for NJ State Fiscal Year commencing on July 1, 2009 and ending on June 30, 2010.

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. The name was changed from Energy Star Products to reflect a broader array of eligible products.
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 Based Energy Efficiency Initiative: The Community Based Energy Efficiency 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. Note: Honeywell proposed to change the name of the Community Based Energy Initiative to the Clean Energy Community Partners Initiative.

6. Residential Marketing: The residential marketing budget is for all marketing activities related to promoting the residential programs.
7. Residential Low Income: The Residential Low-Income Program provides for the installation of energy conservation measures at no cost to income-qualified customers.
8. C&I Construction: The C&I Construction Program provide rebates and other incentives to commercial and industrial customers as well as schools that install high efficiency equipment in existing buildings (retrofit) or design and build energy efficient buildings.
9. CHP: The elements of the CHP program are proposed to be folded into the new Pay-for-Performance Program. The goal is to make CHP part of a comprehensive, whole building approach to energy efficiency in existing commercial and industrial buildings.
10. Local Government Audit: The Local Government Audit program offers subsidized energy efficiency audits to municipalities and other government entities.
11. Direct Install: The Direct Install program will provide incentives for the installation of energy efficiency measures in small commercial buildings.
12. Pay-for-Performance: The Pay-for Performance program will provide incentives based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
13. TEACH: The TEACH program will work with school districts to develop energy curriculum and reduce energy usage in the schools.
14. C&I Marketing: The C&I marketing budget is for all marketing activities related to promoting the C&I programs.
15. Special Studies: The Special Studies budget is for special projects, such as the annual Clean Energy conference, managed by OCE as approved by the Board.
16. Cool Cities: The Cool Cities Program funds tree planting in urban environments aimed at reducing the "heat island" effect encountered in such environments.
17. State of New Jersey Statewide Energy Efficiency Projects: Funding for State projects specified above included in the FY2009 State budget.
18. Utility Program Transition/Support Costs: The Utility Program Transition has been completed. No new funds have been allocated and the carry over from 2008 has been reallocated to other programs.
19. Edison Innovation Clean Energy Manufacturing Fund: EE: The Edison Innovation Clean Energy Manufacturing Fund will be administered by EDA to provide incentives to attract and expand energy efficiency and renewable energy manufacturing facilities to New Jersey. EE funding is reallocated to the RE budgets for administrative and accounting purposes.

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

Proposed 2009 Energy Efficiency Program Budget by Program Manager					
Energy Efficiency Programs					
	Honeywell	TRC	Utilities	OCE, EDA, Treasury, CST, DEP	Total
Programs					
Residential EE Programs					
Residential HVAC - Electric & Gas	\$17,327,515				\$17,327,515
Residential New Construction	\$44,459,826				\$44,459,826
Energy Efficient Products	\$23,529,383				\$23,529,383
Home Performance with Energy Star	\$12,571,301				\$12,571,301
Residential Low Income					\$0
Comfort Partners			\$36,600,000		\$36,600,000
Community Based Efficiency Initiative	\$1,247,612				\$1,247,612
Residential Marketing	\$5,344,330				\$5,344,330
Sub Total Residential	\$104,479,967	\$0	\$36,600,000	\$0	\$141,079,967
C&I EE Programs					
Commercial/Industrial Construction					
C&I New Construction		\$9,999,000			\$9,999,000
C&I Retrofit		\$19,863,890			\$19,863,890
New School Construction & Retrofit		\$6,747,000			\$6,747,000
CHP		\$15,992,000			\$15,992,000
Local Government Audit		\$4,998,000			\$4,998,000
Direct Install		\$10,189,999			\$10,189,999
Pay-for-Performance		\$23,251,999			\$23,251,999
TEACH		\$599,600			\$599,600
C&I Marketing		\$1,555,000			\$1,555,000
Business Conference		\$1,046,000			\$1,046,000
Sub Total C&I	\$0	\$94,242,487	\$0	\$0	\$94,242,487
Other EE Programs					
Special Studies				\$1,055,312	\$1,055,312
Cool Cities				\$4,000,000	\$4,000,000
State of NJ Statewide EE Projects				\$10,000,000	\$10,000,000
Utility Program Transition Costs				\$0	\$0
Sub Total Other Energy Efficiency Programs	\$0	\$0	\$0	\$15,055,312	\$15,055,312
Total Energy Efficiency	\$104,479,967	\$94,242,487	\$36,600,000	\$15,055,312	\$250,377,767

Note: 2009 funding is subject to appropriations for NJ State Fiscal Year commencing on July 1, 2009 and ending on June 30, 2010.

The above budget includes, as noted in the compliance filings, an administrative budget of 4.8% for the residential EE programs managed by Honeywell and 2.4% for the C&I EE programs managed by TRC.

Renewable Energy Program Budget

The Board's CRA III Order included 2009 funding levels for wind, biomass and solar as discussed above. OCE believes that the Board's renewable energy goals set out in its September 30, 2008 CRA III Order will be achieved with the proposed 2009 programs including: CORE; Renewable Energy: Customer Sited; Renewable Energy: Grid Connected; OSW; and RE Grants and Financing. OCE will track rebates paid to projects by technology and propose adjustments to the RE budgets as necessary to ensure each technology receives the level of funding proposed in the Board's CRA III Order.

The OCE recommends a number of line item transfers within the proposed RE budget as follows:

1. Transfer \$1,339,930 out of the CORE program budget. This amount represents unspent non-rebate funding from the 2008 CORE program budget. The remaining CORE budget will be utilized to pay rebate commitments only.
 - a. Transfer \$1,339,930 into the new Renewable Energy: Customer Sited program.
2. Transfer \$1,211,000 out of the REC Certificates/SREC Pilot program budget to zero out the 2009 budget for this discontinued program.
3. Transfer \$1,550,000 into the RE Grants and Financing program which is the amount needed to cover expenses associated with commitments made prior to termination of this program. This supports the development of large scale RE facilities including wind and sustainable biomass.
4. Transfer \$339,000 out of the RE Business Venture Financing program. The remaining budget is sufficient to cover expenses associated with commitments made prior to termination of this program. This program assisted in the commercialization and development of RE technology and manufacturing companies.

The following table sets out the 2009 Renewable Energy Program budgets recommended by the OCE including the line item transfers discussed above. The proposed budgets are followed by brief descriptions of the programs:

Proposed 2009 Renewable Energy Program Budget							
Renewable Energy Programs	NJBPU	Estimated	Estimated	New	Line	Final	Committed
	Approved	2008	2008	2009	Item	2009	Expenses
Programs	2008 Budget	Expenses	Carry Over	Funding	Transfers	Budgets	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) + (d) + (e)	(g)
Customer On-Site Renewable Energy	\$195,049,427	\$77,613,000	\$117,436,427	\$0	(\$1,339,930)	\$116,096,497	\$116,096,497
Clean Power Choice	\$981,506	\$886,400	\$95,106	\$534,395		\$629,501	\$0
RE Certificates/SREC Pilot	\$1,659,000	\$448,000	\$1,211,000	\$0	(\$1,211,000)	\$0	\$0
DEP Ecological Baseline Study	\$2,000,000	\$2,000,000	\$0	\$0		\$0	\$0
Offshore Wind	\$1,900,000	\$0	\$1,900,000	\$10,100,000		\$12,000,000	\$0
Renewable Energy Program: Grid Connected (Formerly REDI)	\$4,163,000	\$0	\$4,163,000	\$6,038,605		\$10,201,605	\$0
Renewable Energy Program: Customer Sited	\$0	\$0	\$0	\$45,957,237	\$1,339,930	\$47,297,167	\$0
Edison Innovation Clean Energy Fund	\$3,000,000	\$32,000	\$2,968,000	\$3,032,000		\$6,000,000	\$60,000
Marketing	\$0	\$0	\$0	\$680,319		\$680,319	\$0
SUB-TOTAL Renewables	\$208,752,933	\$80,979,400	\$127,773,533	\$66,342,556	(\$1,211,000)	\$192,905,089	\$116,156,497
Available New Funding: wind, biomass & small solar				\$58,560,000			
Other Anticipated New Funding				\$4,782,556			
Edison Innovation Clean Energy Fund				\$3,000,000			
Total New Funding				\$66,342,556			
EDA PROGRAMS							
RE Project Grants and Financing	\$4,072,033	\$3,024,000	\$1,048,033	\$0	\$1,550,000	\$2,598,033	\$2,550,000
Renewable Energy Business Venture Financing/REED	\$1,938,376	\$1,050,000	\$888,376	\$0	(\$339,000)	\$549,376	\$540,000
Edison Innovation Clean Energy Manufacturing Fund: Total	\$12,000,000	\$72,000	\$11,928,000	\$12,000,000	\$0	\$23,928,000	\$40,000
Edison Innovation Clean Energy Manufacturing Fund: RE	\$3,000,000	\$65,000	\$2,935,000	\$4,500,000	\$0	\$7,435,000	\$40,000
Edison Innovation Clean Energy Manufacturing Fund: EE	\$9,000,000	\$7,000	\$8,993,000	\$7,500,000	\$0	\$16,493,000	\$0
SUB-TOTAL EDA Programs	\$18,010,409	\$4,146,000	\$13,864,409	\$12,000,000	\$1,211,000	\$27,075,409	\$3,130,000
Available New Funding: EDA programs				\$12,000,000			
TOTAL Renewable Energy Programs	\$226,763,342	\$85,125,400	\$141,637,942	\$78,342,556	\$0	\$219,980,498	\$119,286,497

Note 1: 2009 funding is subject to appropriations for NJ State Fiscal Year commencing on July 1, 2009 and ending on June 30, 2010.

Note 2: OCE recommends that the budget for the Edison Innovation Clean Energy Manufacturing Fund be a single budget as shown in the Total row for this program in the table above. The RE and EE program components shown in the rows below the Total row for this program are included only for the purpose of identifying the sources of funding.

1. Customer On-Site 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 will be terminated in 2009. The 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. The Renewable Energy Certificate/SREC Pilot program will be terminated in 2009. These services will be incorporated into the new Renewable Energy Customer Sited program.
4. DEP Offshore Wind (OSW) Ecological Baseline Study: Funding for the DEP OSW Ecological Baseline Study was provided in 2008.
5. The Offshore Wind Meteorological Tower rebate program will provide rebates for the installation of OSW meteorological towers in 2009.
6. Renewable Energy Program: Grid Connected: This is a new program to be managed by OCE that will provide incentives to large non-solar renewable energy projects including wind and biomass. The program replaces the RE Grants and Financing Program.
7. Renewable Energy Program: Customer Sited: This is a new program that will provide incentives for customer sited renewable energy systems including solar, wind and biomass and provide services related to the establishment and trading of RECs and SRECs.
8. Edison Innovation Clean Energy Fund: This program will be administered by the New Jersey Commission on Science and Technology to assist in the commercialization of energy efficiency and renewable energy technology businesses and companies.
9. Marketing: Provides funds for the marketing of the renewable energy programs.
10. RE Project Grants and Financing: The Renewable Energy Project Grants and Financing Program have been replaced by the Renewable Energy: Grid Connected program. The 2009 budget is to pay for incentive commitments made prior to program termination.
11. 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 2009 budget is to pay for incentive commitments made prior to program termination.
12. Edison Innovation Clean Energy Manufacturing Fund: The Edison Innovation Clean Energy Manufacturing Fund will be administered by EDA to provide incentives to attract and expand energy efficiency and renewable energy manufacturing facilities to New Jersey.

The following sets out the proposed allocation of the 2009 Renewable Energy program budget to each of the program managers:

Proposed 2009 Renewable Energy Program Budget by Program Manager

Renewable Energy Programs				
	Honeywell	OCE/EDA	Utilities	Total
Programs				
Customer On-Site Renewable Energy	\$116,096,497			\$116,096,497
Clean Power Choice	\$327,501		\$302,000	\$629,501
Offshore Wind		\$12,000,000		\$12,000,000
Renewable Energy Program: Grid Connected (Formerly REDI)		\$10,201,605		\$10,201,605
Renewable Energy Program: Customer Sited	\$46,797,167	\$500,000		\$47,297,167
Edison Innovation Clean Energy Fund		\$6,000,000		\$6,000,000
RE Marketing	\$680,319			\$680,319
SUB-TOTAL Renewables	\$163,901,484	\$28,701,605	\$302,000	\$192,905,089
EDA PROGRAMS				
RE Project Grants and Financing		\$2,598,033		\$2,598,033
Renewable Energy Business Venture Financing/REED		\$549,376		\$549,376
Edison Innovation Clean Energy Manufacturing Fund		\$23,928,000		\$23,928,000
SUB-TOTAL EDA Programs	\$0	\$27,075,409	\$0	\$27,075,409
TOTAL Renewable Energy Programs	\$163,901,484	\$55,777,014	\$302,000	\$219,980,498

Note: 2009 funding is subject to appropriations for NJ State Fiscal Year commencing on July 1, 2009 and ending on June 30, 2010.

The above budget includes, as noted in the compliance filings, an administrative budget of 1.1% for the RE programs managed by Honeywell.

OCE Oversight Budget

The following sets out the 2009 OCE Oversight budget recommended by the OCE:

Proposed 2009 OCE Oversight Budget						
	NJBPU	Estimated	Estimated	New	Line	Final
	Approved	2008	2008	2009	Item	2009
	2008 Budget	Expenses	Carry Over	Funding	Transfers	Budgets
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) + (d) + (e)
Administration and Overhead						
OCE Staff and Overhead	\$2,500,000	\$2,000,000	\$500,000	\$1,923,000		\$2,423,000
Program Coordinator	\$1,975,123	\$1,775,000	\$200,123	\$1,979,000		\$2,179,123
Appliance Standards Rules	\$50,000	\$0	\$50,000	\$0		\$50,000
Memberships-Dues						
Northeast Energy Efficiency Partnership Sponsorship including EMV Regional Protocol Forum	\$200,000	\$200,000	\$0	\$600,000		\$600,000
Clean Energy States Alliance	\$80,000	\$80,000	\$0	\$155,000		\$155,000
Consortium for Energy Efficiency	\$120,000	\$120,000	\$0	\$125,000		\$125,000
National Association of State Energy Officials and ACORE	\$15,000	\$15,000	\$0	\$15,000		\$15,000
National Association of Regulatory Utility Commissioners	\$5,000	\$5,000	\$0	\$5,000		\$5,000
USGBC/Other Memberships	\$0	\$0	\$0	\$30,000		\$30,000
Sub-Total: Administration and Overhead	\$4,945,123	\$4,195,000	\$750,123	\$4,832,000	\$0	\$5,582,123
Evaluation and Related Research						
Rutgers-CEEPP	\$350,000	\$350,000	\$0	\$500,000		\$500,000
Renewable Energy Market Assessment	\$165,000	\$153,000	\$12,000	(\$12,000)		\$0
Impact Evaluation	\$800,000	\$600,000	\$200,000	\$30,000		\$230,000
Funding Reconciliation	\$20,000	\$20,000	\$0	\$50,000		\$50,000
O&M Scoping Study/Online Academy	\$450,000	\$100,000	\$350,000	\$100,000		\$450,000
Other Studies/Job Training Pilot	\$400,000	\$100,000	\$300,000	\$100,000		\$400,000
Program Evaluation	\$0	\$0	\$0	\$1,100,000		\$1,100,000
Northeast Energy Efficiency Partnership Scoping Study	\$300,000	\$263,000	\$37,000	\$0		\$37,000
Sub-Total: Evaluation and Related Research	\$2,485,000	\$1,586,000	\$899,000	\$1,868,000	\$0	\$2,767,000
Marketing and Communications						
Business Outreach	\$500,000	\$500,000	\$0	\$100,000		\$100,000
Energy Savings Campaigns	\$2,280,000	\$2,280,000	\$0	\$590,000		\$590,000
Web Site	\$560,000	\$560,000	\$0	\$300,000		\$300,000
Annual report, marketing administration	\$110,000	\$110,000	\$0	\$10,000		\$10,000
Research	\$350,000	\$350,000	\$0	\$100,000		\$100,000
Outreach and Education/Community Partner Grants	\$570,000	\$470,000	\$100,000	\$0		\$100,000
Sub-Total: Marketing and Communications	\$4,370,000	\$4,270,000	\$100,000	\$1,100,000	\$0	\$1,200,000
TOTAL: Administration	\$11,800,123	\$10,051,000	\$1,749,123	\$7,800,000	\$0	\$9,549,123

Note: 2009 funding is subject to appropriations for NJ State Fiscal Year commencing on July 1, 2009 and ending on June 30, 2010.

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 OCE Staff expenses and overhead, Program Coordinator services, OCE's portion of membership fees for regional and national trade groups that support the programs and special studies proposed by the OCE. While OCE Oversight costs have been reduced to less than 4% from 10% in order to direct more funding to program rebates or other financial assistance, the OCE Staff expenses and overhead are less than 1% of the total 2009 funding level. In addition, the Program Coordinator costs are also less than 1% of the total 2009 funding level.

Evaluation and related research 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 budget includes funds for maintaining the web site, expenses related to previously approved Outreach and Education Grants and for expenses related to 2008 marketing activities that will be paid in 2009.

Performance Incentives

The contracts for Market Manager services issued to Honeywell and TRC included provisions for each to earn performance incentives for achieving certain goals as set out in the RFP. Specifically, the RFP included dollar amounts that could be earned for reaching certain goals specified in the RFP.

In 2008, Treasury indicated that the performance incentives require a no cost modification to the Market Manager contracts. OCE will transmit proposed performance incentives to Treasury for review. 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, Staff has held extensive discussions with the Market Managers and the Program Coordinator regarding the programs and budgets set out in the program filings. Staff, in conjunction with these contractors, held monthly public meetings with the EE and RE committees since June to receive comments and input into the development of the 2009 programs and budget. In addition, a meeting with the CEC was held on October 24, 2008 to solicit additional input on the proposed program plans and budgets. Staff has considered the extensive public stakeholder input received, as well as the comments of the Market Managers and Program Coordinator in developing the proposed 2009 Clean Energy programs and budgets. Staff believes the programs and budgets, as discussed above, will deliver significant benefits to the State. Therefore, Staff recommends approval of the 2009 programs and budgets filings consistent with the recommended modifications discussed above. Staff indicates that the programs and budgets have been developed consistent with the policy direction and goals set 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 CEEEP for the Board. The programs will continue and expand the positive cost benefits determined by CEEEP for the current CEP.

The Board has reviewed Staff's recommendations regarding the 2009 program and budget filings submitted by the OCE, Honeywell, TRC, and the Utilities, as well as comments submitted by stakeholders and other interested members of the public and **FINDS** that the process utilized to adopt the 2009 Programs and Budgets, as well as the other determinations set forth herein, to be appropriate and has provided stakeholders and interested members of the public the opportunity to comment, and for the Board to carefully consider all such comments. The Board further **FINDS** Staff's recommendations, as discussed above, to be reasonable and will further the goals of the Energy Master Plan. Therefore, the Board **HEREBY APPROVES** the 2009 program and budget filings submitted by OCE and the Utilities, and the revised program and budget filings submitted by Honeywell and TRC, as modified by incorporation of the changes recommended by the OCE above. The Board further **APPROVES** the Offshore Wind Meteorological Tower rebate program. The Board will consider the performance incentives proposed by Honeywell and TRC at a future agenda meeting. The Board further **DIRECTS** Staff 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 2009 program and budget filings, as modified and approved herein, are posted on the NJCEP web site at the following address: <http://www.njcleanenergy.com/main/public-reports-and-library/program-bud>. A copy of the within Order shall also be posted on the website referenced. The Board agrees with Staff that the Utilities' proposal to require customers that

receive Universal Service Fund assistance participate in the Comfort Partners program be considered in the context of the Board's Universal Service Fund proceeding and **DIRECTS** Staff to include this issue in the USF proceeding.

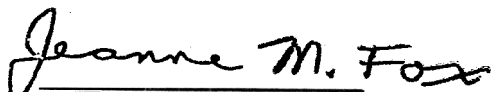
The Board has reviewed the statewide budgets compiled by Staff and the proposed line item transfers recommended by Staff. The Board finds the proposed line item transfers to be reasonable and appropriate. Therefore, the Board **HEREBY APPROVES** the line item transfers and 2009 budgets set out in the tables above which reflect Staff's final recommendations. The Board **DIRECTS** Honeywell and TRC to submit revised detailed budgets incorporating the changes to the budgets approved herein subject to review by the OCE for consistency with this Order.

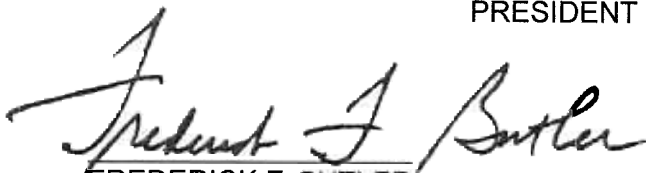
Contract Modifications

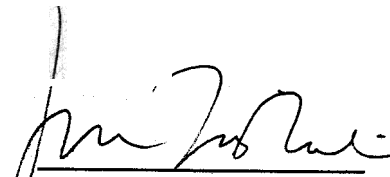
TRC filed proposed contract modifications needed to implement the program and budget modifications approved herein which have been transmitted to Treasury for review. Honeywell will file its proposed contract modifications needed to implement the program and budget modifications approved herein which will be transmitted to Treasury upon receipt. Also, OCE is negotiating 2009 performance incentives with both TRC and Honeywell which will require a contract modification. Therefore, the Board's approval of the compliance filings herein does not include approval of the proposed performance incentives included in Honeywell and TRC's compliance filings. Upon approval by Treasury OCE will submit the proposed contract amendments to the Board for review and approval.

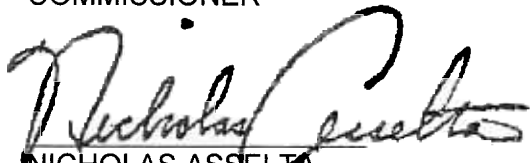
DATED: 1/8/09

BOARD OF PUBLIC UTILITIES
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FREDERICK F. BUTLER
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COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
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Utilities

