

Agenda Date: 12/20/07 – Agenda Item: 8E
Agenda Date: 1/16/08 – Agenda Item: 8F
Agenda Date: 2/27/08 – Agenda Item: LSA
Agenda Date: 3/14/08 – Agenda Item: LSA
Agenda Date: 3/19/08 – Agenda Item: LSC



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)	ORDER
EFFICIENCY AND RENEWABLE ENERGY RESOURCE)	
ANALYSIS FOR 2005 -2008: 2008 PROGRAMS)	
AND BUDGETS: COMPLIANCE FILINGS)	DOCKET NO. EX04040276
IN THE MATTER OF CLEAN ENERGY PROGRAM)	
AUTHORIZATION OF CUSTOMER ON-SITE)	
RENEWABLE ENERGY REBATES EXCEEDING)	
\$100,000: CLARIFICATION OF CAP ON PRIVATE)	
SECTOR REBATES)	DOCKET NO. EX04040276

(SERVICE LIST ATTACHED)

BY THE BOARD:

This Order memorializes and sets out the reasons for the Board's determination at its December 20, 2007 meeting regarding the above-captioned matters. By Summary Order, dated January 2, 2008, the Board approved the Clean Energy Program budget and program filings for 2008. At its January 16, 2008 Agenda meeting, the Board voted to clarify the applicability of the rebate cap for private projects, approved at the December 20, 2007 meeting, to public projects financed with a Power Purchasing Agreement. On January 16, 2008, the Board also voted to grant the utilities' request for continued recovery of their program-related costs through the SBC. At its February 27, 2008 Agenda meeting the Board voted to transfer the management of and budget for the Renewable Energy Development Initiative from Honeywell to the Office of Clean Energy. On March 13, 2008 the Board deferred a final determination on issues relating to Performance Incentives and Utility Netting of Program Expenses to a future agenda meeting. At it's March 19, 2008 agenda meeting the Board approved certain line item transfers and voted to require further appropriate document from its Contract Market Manager.

BACKGROUND AND PROCEDURAL HISTORY

On February 9, 1999, the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. (EDECA or the Act) was signed into law. The Act established requirements to advance energy efficiency and renewable energy in New Jersey through the Societal Benefits Charge (SBC), at N.J.S.A. 48:3-60(a)(3). EDECA further empowered the Board to initiate a proceeding and cause to be undertaken a comprehensive resource analysis of energy programs, currently referred to as the comprehensive energy efficiency (EE) and renewable energy (RE) resource analysis. After notice, opportunity for public comment, public hearing, and consultation with the New Jersey Department of Environmental Protection (NJDEP), within eight months of initiating the proceeding and every four years thereafter, the Board 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 (the 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.

In conjunction with the Department of Treasury, Staff prepared and the Board authorized requests for proposals (RFPs) for Market Manager (MM) and Program Coordinator services for issuance by the Department of Treasury, Division of Purchase and Property. 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, CEEEP¹, and CEC². 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... The Program Coordinator "shall manage, monitor and insure the performance of the Market Managers and other entities that receive funds through the New Jersey Clean Energy Programs [.]". Section 3.0 of the RFP for program coordination services.

¹ "CEEEP" refers to the Center for Energy, Economic and Environmental Policy at Rutgers University.

² "CEC" refers to the Clean Energy Council, which is open to any member of the public and functions as a public Stakeholder group.

On October 19, 2006, Honeywell International, Inc. (Honeywell)³ was awarded a contract to manage the residential energy efficiency programs and renewable energy programs and TRC Energy Services (TRC)⁴ was awarded a contract to manage the commercial and industrial (C&I) energy efficiency programs. On July 11, 2007, Applied Energy Group (AEG)⁵ 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 December 22, 2006, Docket No. EX04040276, the Board approved 2007 programs and budgets (hereinafter referred to as the December 22nd Order).⁶ By Order dated August 1, 2007, Docket No. EX04040276, the Board approved revised 2007 programs and budgets and approved the compliance filings submitted by the various program managers.

In 2007, the process for developing proposed 2008 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 Project Coordinator, consistent with their contracts, were tasked with the role of presenting proposed changes to the programs and budgets to the Energy Efficiency and Renewable Energy committees of the Clean Energy Council and for considering for incorporation into the programs changes recommended by public stakeholders.⁷

Monthly public stakeholder meetings of the Energy Efficiency and Renewable Energy committees, chaired by Staff, began to include discussion of the 2008 program plans and budgets starting in June 2007. Discussions ensued at the meetings held on June 12th, July 17th, August 14th, September 18th, October 9th, October 31st, and November 13th. Meeting notices including, dates, times and locations were posted on the NJ Clean Energy Program's (Clean Energy Program) 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 website. At each of these meetings Honeywell and TRC discussed proposed changes to the programs and budgets and Staff solicited comments from meeting participants regarding other suggested changes to the programs.

³ Honeywell refers to Honeywell International, Inc. as the entity that was awarded Treasury contract # 67052 and has the meaning set forth in such contract.

⁴ TRC refers to TRC Energy Services as the entity that was awarded Treasury contract # 67053 and has the meaning set forth in such contract.

⁵ AEG refers to Applied Energy Group as the entity that was awarded Treasury contract # 68922 and has the meaning set forth in such contract.

⁶ In order to avoid any appearance of impropriety, Commissioner Connie O. Hughes recused herself from voting or otherwise deliberating on Staff's recommendations regarding the Office of Clean Energy oversight budget for the Clean Energy Program and any other matter pertaining to CEEEP. Commissioner Hughes voted on the remainder of Staff's recommendations regarding 2007 programs and budgets. Commissioner Christine V. Bator abstained from voting on the 2007 budget because the Board had not yet received the Legislative Services Audit report. That audit was completed in February 2007.

⁷ The Clean Energy Council is open to any member of the public and functions as a public stakeholder group regarding implementation of the RPS.

Subsequent to the October meetings of the EE and RE committees, each program manager was directed by the Staff to submit proposed 2008 programs and budgets for consideration by the Board. As set out in the Board's December 23, 2004 Order, each program filing was required to include at a minimum:

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

Proposed 2008 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 Office of Clean Energy (OCE)

The filings submitted by Honeywell and TRC also included proposed modifications to their respective contracts required to implement the proposed changes to the programs. Compliance filings for the State agencies—the Economic Development Authority (EDA), the Department of Community Affairs (DCA), and the Department of Environmental Protection (DEP)—will be submitted subsequent to the 2008 Program and Budget approval.

On November 8, 2007, the 2008 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 November 27th meeting of the CEC and a request for written comments on the plan filings by November 30, 2008. The recommendations of the Office of Clean Energy are also discussed below. This Order will address issues related to the Board's review of each of the filings that were submitted.

On December 20, 2007, due to insufficient funds in the Customer On-site Renewable Energy (CORE) budget, the Board issued an Order suspending acceptance of applications for CORE solar rebates, effective immediately for private sector applications and effective April 1, 2008 for public sector rebates. I/M/O a Request to Suspend the Acceptance and Processing of New Solar Applications in New Jersey's Customer On-site Renewable Energy (CORE) Rebate Program, Dkt. No. EO07100773 (12/20/07) (December 20 Order).

On January 2, 2008, the Board issued a Summary Order in this docket stating that it has reviewed and approved Staff's recommendations, as modified, regarding the 2008 program and budget filings submitted by OCE, Honeywell, TRC, and the utilities, as well as comments submitted by other stakeholders.

On December 20, 2007, the Board voted to clarify its policy regarding CORE rebates for solar applications for solar projects of 100 kilowatts or more. This Order limits rebates for private sector applications to the first 100 kilowatts of installed capacity, or \$245,000, in order to prevent over-subsidization of large projects, as further discussed below. The January 16, 2008 clarification applies this rationale and the resulting limitation upon rebate amounts to public projects utilizing a private sector Power Purchase Agreement which is able to utilize federal tax credits to bolster the economics of the project.

On January 16, 2008, the Board voted to grant the utilities' request for continued recovery of their program-related costs through the Societal Benefits Charge (SBC). The Board also clarified that the cap on private sector core rebates applies to public sector projects that are private sector Power Purchase Agreements.

On February 27, 2008, the Board determined that the Renewable Energy Development Initiative ("REDI") program should be removed from the Renewable Energy Market Manager, Honeywell. The Board further determined that this program should be developed by the Board Staff until such time as Board Staff can develop an alternative contracting mechanism.

On March 13, the Board further considered issues relating to Performance Incentives and Utility Netting of Program Expenses and deferred a final determination on those issues to a future agenda meeting.

On March 19, 2008, the Board approved a line item transfer of \$50,000 from the (NEEP) Northeast Energy Efficiency Partnership membership account line item to the Northeast Energy Efficiency Partnership Study account line item this transfer more accurately reflects the actual cost of the membership and the New Jersey Energy Efficiency Portfolio Strategies study. The transfer does not affect the Northeast Energy Efficiency Partnership line item total or the overall budget total. The Board also voted to require further appropriate documentation from Honeywell with regard to its role of contract market manager and its role and that of its affiliates as market participants.

2008 PROGRAM AND BUDGET FILINGS

In reviewing the programs proposed for 2008, it is useful to examine the existing set of programs and the entities responsible for managing them. The following tables list each program approved by the Board for implementation in 2007 and the entity currently responsible for managing the program:

2007 Energy Efficiency Programs	
Residential EE Program	Program Manager
Residential HVAC - Electric & Gas	Honeywell
Residential New Construction	Honeywell
ENERGY STAR Products	Honeywell
Home Performance with ENERGY STAR	Honeywell
Residential Low Income	
<i>Comfort Partners</i>	Utilities
<i>DCA Weatherization</i>	DCA
<i>Weatherization Rehabilitation and Assistance Preservation (WRAP)</i>	OCE
DCA Green Homes	TBD ⁸
Energy Conservation Kits	Utilities
Commercial and Industrial (C&I) EE Programs	
Commercial/Industrial Construction	TRC
<i>C&I New Construction</i>	TRC
<i>C&I Retrofit</i>	TRC
<i>New School Construction & Retrofit</i>	TRC
Combined Heat and Power (CHP)	TRC
Municipal Audit	TRC
Direct Install	TRC
Pay-for Performance	TRC
Special Studies	OCE
Cool Cities	DEP
State of New Jersey Statewide Energy Efficiency Projects	TBD

2007 Renewable Energy Programs	
	Program Manager
Customer On-Site Renewable Energy	Honeywell
Clean Power Choice	OCE
Renewable Energy Certificate (REC) Market Facilitation	OCE - Honeywell
EDA PROGRAMS	
Manufacturing Incentive	OCE - EDA
RE Project Grants and Financing	OCE - EDA
RE Business Venture Financing/REED	OCE - EDA

Honeywell provided Staff with technical assistance in the delivery of each of the RE programs managed by Staff. All of the items included in the OCE Oversight budget were managed by the OCE and were included in the OCE Compliance Filing.

⁸ This program was not implemented in 2007.

The following discusses each of the 2008 Program and Budget filings submitted to the Board. It must first be noted that, pursuant to the Appropriations Act for the state fiscal year ending June 30, 2008, \$10,000,000 was appropriated and required to be paid, as a matter of law, from the Clean Energy Fund as an Interdepartmental capital appropriation for energy efficiency projects in State facilities. As memorialized in Notes on page b217 of the Appropriations Act, the funds appropriated included but are not limited to: \$6,000,000 for heating, ventilation and air conditioning systems at various Human Services institutions, \$2,800,000 for pneumatic systems at State-owned office buildings in Trenton, \$925,000 for heating, ventilation and air conditioning systems at the Military and Veteran's Affairs Paramus Veterans home and at State-owned facilities in Trenton, \$200,000 for an energy efficiency study of State-owned facilities, and \$75,000 for an energy monitoring system, the allocation of which 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. Also pursuant to the Appropriations Act for the fiscal year ending June 30, 2008, \$2,000,000 was appropriated and payable from the Clean Energy Fund to the Department of Environmental Protection for an Ocean/Wind Power Ecological Baseline Study. These appropriations of funds reduce the total funding level available for 2008 programs and budgets to be determined by the Board by \$12 million.

Honeywell

By letter dated November 6, 2007 Honeywell submitted proposed 2008 programs and budgets for the programs it manages and for the components of the programs managed by the OCE that it supports with technical services and administrative assistance. As noted in the Procedural History, the Board has determined that the REDI program should be removed from Honeywell's Program Plan Filing. In reaching this decision, the Board carefully considered the scope of work which, as proposed by the market manager, would include Honeywell's involvement in developing and issuing a competitive solicitation for eligible Class I resources, establishing a proposal review committee and selecting winning proposals. Honeywell was provided an opportunity to explain how it proposed to perform as market manager with respect to the REDI program while its other business units sought to be involved as market participants. After careful consideration, the Board concludes that in order to avoid any appearance of a conflict and to avoid any potential for an actual conflict that the proposed REDI program should be removed from Honeywell's 2008 Program Plan and Budget filing and requested contract modifications and that the REDI program should be developed by the Board Staff until such time as Board Staff can develop an alternative contracting mechanism.

In order to avoid the potential for conflicts of interests in instances where Honeywell may be both the market manager and a market participant, Treasury required the following provision of the contract with Honeywell:

To be awarded a contract, Honeywell must agree to divorce itself from the application and approval process related to any system installed by Honeywell, its affiliates, its subcontractors or the affiliates of its subcontractors. Honeywell must notify the Program Coordinator and the BPU Contract Manager of any system that is, its affiliates, its subcontractors, or the affiliates of its subcontractors intend to install. From that point on, the processing of any application, the inspection of any system and the approval of any incentive payment will be the BPU's responsibility. Honeywell must agree that it will have nothing to do with processing, inspecting or approving an incentive payment for any system that Honeywell, its affiliates, its subcontractors or the affiliates of subcontractors install.

By letter dated May 31, 2006, Honeywell agreed to these provisions.

Staff recommends that Honeywell be required to submit further appropriate documentation to insure that there is not a commingling of its contract market manager function with the market participant activities of Honeywell and its affiliates. Staff further recommends that the Board's approval of the portions of this Order that relate to Honeywell be conditioned upon receipt of such further appropriate documentation from Honeywell in a form acceptable to the Board.

Honeywell proposes to continue delivering the following existing programs:

- Residential New Construction
- Residential HVAC
- ENERGY STAR Products (Honeywell proposes to modify the name of the program to Energy Efficient Products)
- Home Performance with ENERGY STAR
- Customer On-Site Renewable Energy

And to deliver the following proposed new program:

- Community-Based Efficiency Initiative

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 following programs which are managed by Staff:

- Clean Power Choice
- Renewable Energy Certificates

The following provides a summary of the program changes proposed by Honeywell in its 2008 program and budget filing dated November 6, 2007:

Residential Energy Efficiency

Residential New Construction (RNC) Program

The long term objective of the NJ ENERGY STAR Homes program has been proposed to be upgraded from one of transforming the market to one in which all new homes are built at least as efficiently as the current EPA ENERGY STAR homes standard to one in which a majority of residential new construction in the State is "net zero-energy." In the mid-term, the approach is to support the transition to a residential new construction energy code for NJ that is at least equivalent to the current EPA ENERGY STAR Homes standard. This change recognizes the OCE's desire to drive energy savings that are at least equivalent to the current ENERGY STAR level in 100% of new homes in the State (through code) while supporting building practices and technologies that deliver significantly deeper savings in an increasing number of new homes over time.

Specific changes to the RNC program proposed are as follows:

- Three performance tiers are proposed to be offered in place of the previous single threshold. This structure, if approved by the Board, has been designed to remain applicable even if the NJ energy sub-code is raised to a level at or approaching current ENERGY STAR.
 - i. Tier 1 ENERGY STAR which would be a proposed 15% increase in energy efficiency above the current New Jersey energy building code ;
 - ii. Tier 2 which is proposed to be approximately equal to that required to achieve the federal tax credit level or a 35% increase in energy efficiency above the current New Jersey energy building code ;
 - iii. Tier 3 which is proposed to be a "Micro-load" home or approaching a net-zero energy home.

A fixed rebate is proposed to be offered at Tiers 1 and 2, rather than the current rebate that increases with house size. The Micro-load rebate is proposed to be customized for each of the limited number of projects expected to participate at this level.

- It is proposed that only homes with 3,000 square feet or less of finished, above-grade living area will be eligible for direct incentives (rebates). Previously, a home of any size could participate and receive incentives, but the base rebate was capped at \$2,900 (equivalent to 4,000 sq. ft. for a single family home).
- It is proposed that a home will be able to receive direct incentives regardless of where it is built, provided it is within the 3,000 sq. ft. house size limit. Honeywell proposed that the previous restriction to designated Smart Growth areas be replaced by the blanket limit on house size, on the grounds that it believes smaller, more affordable homes should be encouraged in all areas.
- The eligibility of any home with individual gas or electric heating and/or central air conditioning systems is proposed to be clarified as including master-metered multi-family buildings with individual unit submetering, provided they also have individual heating and/or central air conditioning systems.
- The minimum requirement for energy efficient lighting is proposed to be expanded to include an alternative to the requirement of at least 3 ENERGY STAR light fixtures. Instead, builders may elect to install ENERGY STAR Compact Fluorescent Lights (CFLs) in at least 50% of participating home light sockets.
- It is proposed that the homes may participate in the new central cooling system Quality Installation Verification (QIV) protocol administered by the Residential HVAC program. Under this proposed initiative, the contractor receives an incentive of \$250 for each system that successfully completes an approved QIV commissioning process. The existing supplemental incentive for ENERGY STAR washing machines is proposed to be discontinued in RNC. Few homes participated in this offer and washing machines are rarely installed prior to occupancy. Builders or homebuyers may participate in offers available through the Energy Efficient Products program, as applicable.
- Honeywell indicates that key to the rationale behind the proposed reduction of incentives by 25-40% is the commitment to fund and launch an aggressive marketing campaign to raise consumer awareness and demand. In addition to the broader awareness building campaign, the program will promote a cooperative marketing offer that will be packaged as an additional incentive to builder participation.

Residential Gas & Electric HVAC Program

The Residential HVAC Program provides incentives for customers to purchase high efficiency heating and cooling equipment. The recent increase in the federal minimum efficiency standard for central air conditioning (CAC) and air source heat pumps (ASHP) means that all units sold in New Jersey in 2008 should have a Seasonal Energy Efficiency Ratio (SEER) rating greater than or equal to 13. This more efficient baseline means that the savings achievable through program-induced increases in SEER are significantly lower than in the past.

In response, Honeywell proposes shifting the emphasis of *Cool Advantage*, both in terms of incentives and in terms of marketing. In 2007, rebates were provided to consumers who (1) purchased a high efficiency central A/C or heat pump, (2) provided documentation of proper sizing, and (3) provided documentation of proper refrigerant charge and airflow. All three had to be done in order to get a rebate. Honeywell proposes providing three separate rebates – one for each of those three items – and to partially de-link them from each other. The consumer would receive the equipment efficiency rebate; the contractor would receive the sizing and charge/airflow rebates.

A new approach to promoting proper charge and airflow – commonly referred to as Quality Installation Verification (QIV) – is also proposed in the filing. This approach provides real-time verification that proper installation has been achieved, something the current and past approach did not do. Honeywell also proposes to expand the training for HVAC technicians to include proper sizing of heating equipment.

Home Performance with ENERGY STAR® Program

In 2007, the program relied exclusively on participating contractors to recruit customers (with program marketing support), provide audits and sell customers on pursuing efficiency improvements. The initial program theory was that contractors would learn to sell comprehensive home improvement jobs and, over time, adopt a new business model that relied on their ability to sell such services. However, experience in both New Jersey and many other states suggest that this model will take many years to take root and to generate a large number of retrofit jobs.

The 2008 program design is proposed to be changed so that the Market Manager will recruit customers, conduct audits and sell customers on efficiency improvements. Contractors will continue to be encouraged to sell jobs. However, based on prior experience, it is not expected that they will do so in significant numbers, with as many as 80% of new jobs estimated to be generated by the Market Manager.

To jump-start the market, it is proposed that audits will be offered at a subsidized cost with the full audit cost being refunded if the recommended work is done by an approved contractor. All jobs proposed to be enrolled by Honeywell will be forwarded to Building Performance Institute, Inc. accredited and certified contractors. Customers will be made aware of the qualified contractor list and encouraged to seek multiple proposals for the work prescribed by the audit. For special projects, such as the pilot project with NJNG (that is, specifically targeted developments with similar housing types) the opportunity to take on prescribed measures may be offered to participating contractors using a price list obtained through a bidding process in which Honeywell will assist a group of customers to obtain a single, lower price.

On February 19, 2008 Staff requested that Honeywell confirm that while Honeywell, in its role as market manager, is providing the initial audit, it does not have subcontractors or affiliates that are licensed contractors under the Home Performance with ENERGY STAR Program. By letter dated February 22, 2008, Honeywell⁹ has confirmed that for the duration of its Market Manager contract, neither Honeywell nor any of its subcontractors, affiliates, or the affiliates of subcontractors will perform any installation of any energy efficiency system subject to the Clean Energy Program rebates or grants, including the Home Performance with ENERGY STAR program. In addition, Honeywell's subcontractor Conservation Services Group (CSG) has agreed not to become a certified installation services contractor in New Jersey while it performs its subcontractor duties to Honeywell for this program.

The incentives offered in 2007 did not differentiate between minimal and optimal levels of savings produced from program participation since only a single contractor incentive was offered, regardless of the savings produced by the job sold. In 2008, a Tiered Production Incentive System is proposed to be offered to contractors. The proposed program will offer different incentive levels depending on whether the work is initiated by Honeywell or by the contractor, as well as on the comprehensiveness of the work being done.

In 2007, non-income eligible customers were offered either a reduced rate loan (5.99%) or 10% cash rebate for participating in the program. The incentive was the same (in structure) regardless of the type of job. The proposal for 2008 is to move to a 3-tiered incentive structure, with larger incentives available for more comprehensive jobs. Specifically, jobs that included at least 3 eligible cost-effective measures would be eligible for an even lower rate loan (3.99%) or 20% rebate; installation of all cost-effective measures with projected heating savings of at least 25% would be eligible for a 50% cash rebate, not to exceed \$5,000. Honeywell indicates that the proposed tiered structure should drive more customers to more comprehensive jobs with deeper savings. Income eligible customers continue to be eligible for a 50% cash rebate regardless of the comprehensiveness of the package of measures installed.

It is proposed that during the audit, homeowners will be offered ENERGY STAR CFL's at no cost. Honeywell states that these two proposed changes will enhance the savings produced by the program even if the homeowner accepts few, if any, of the comprehensive recommendations.

Energy Efficient Products Program

With the Efficient Products program proposal, Honeywell recommends facing the challenge of maturing markets for CFLs and the need to address a broader array of consumer electric end uses. In prior years this program has been known as the ENERGY STAR products program. Honeywell proposes the new name to of Energy Efficient Products Program to reflect the fact that the program as proposed will no longer necessarily adhere to ENERGY STAR specifications in setting minimum efficiency levels. As proposed, the program will set program requirements that are compatible with ENERGY STAR whenever possible. It might, however, target promotions that have higher efficiency levels than established ENERGY STAR thresholds for some technologies, and also consider some technologies that do not yet have ENERGY STAR specifications.

⁹February 22, 2008 letter from Stan Vandernoot, Senior Contracts Manager for Honeywell International, Inc. to Michael Winka, Director-Office of Clean Energy, NJBPU.)

Honeywell is proposing the following promotions for 2008:

1. *CFLs*: In 2007 the ENERGY STAR products program offered upstream retail incentives (markdowns) on CFLs during several months in the fall. In 2008, the Energy Efficient Products program proposes to offer retail price incentives year-round and also set a much higher target for the number of total CFLs to be purchased. Honeywell also proposed to collect and recycle burnt out CFLs.
2. *Clothes Washers*: Similarly, in 2008 the program proposes to offer year-round incentives on clothes washers at two tiers of efficiency above base-line ENERGY STAR ratings.
3. *Dehumidifiers*: Incentives for the purchase of ENERGY STAR dehumidifiers are proposed to be offered for the first time in 2008. Incentives are proposed to be available year-round through a mail-in coupon.
4. *Consumer Electronics*: Language was included noting that the program will investigate potential for future promotions. Honeywell believes that this is a potentially significant future opportunity, but there are no obvious program options to address those opportunities at the current time.

As one or more affiliates of Honeywell manufacture energy efficiency products, Honeywell is a potential participant in one or more of the markets involved in the above promotions. Thus the possibility for a conflict of interest was investigated during Honeywell's contract negotiations with Treasury. At that time, Treasury determined that any conflict concern would involve the quality assurance and quality control inspections of installed equipment, rather than the equipment itself, and stated that "Honeywell's equipment may be installed by truly independent contractors and suppliers under the contract as long as the suppliers and contractors are not Honeywell, its affiliates, its subcontractors or the affiliates of its subcontractors."¹⁰ By letter dated February 22, 2008, Honeywell agreed to abide by this restriction. Moreover, the Market Manger has confirmed that Products are selected for this program by looking to other nationally recognized programming and such leading industry organizations as the Consortium for Energy Efficiency (CEE), the American Council for an Energy Efficient Economy (ACEEE), and the Northeast Energy Efficiency Partnership (NEEP)..is not inconsistent with the plain language of a letter from Treasury to Honeywell dated April 25, 2006.¹¹

Honeywell has also proposed a refrigerator turn-in/recycling component for this program.

Community-Based Efficiency Initiative

Historically, most efficiency programs both in New Jersey and across the country have been designed around markets for particular types of efficient products or services (e.g., HVAC program designed to influence HVAC contractors, distributors and manufacturers; lighting program designed to influence manufacturers and retailers; etc.). Although not well known or well publicized, several very successful efforts designed to influence consumers as much

¹⁰ April 25, 2006 letter from James Strype of Treasury to Stan Vandernoot of Honeywell. ("April 25th Letter")

¹¹The April 25, 2006 letter from James Strype on behalf of the Treasury Evaluation Committee to Stan Vandernoot, Senior Contracts Manager for Honeywell International, Inc. states in relevant part; "The concern of the April 6, 2006 letter focused on the quality assurance and quality control (QA/QC) inspection of installed equipment, not on the equipment itself. Therefore, Honeywell's equipment may be installed by truly independent contractors and suppliers under the contract as long as the suppliers and contractors are not Honeywell, its affiliates, its subcontractors or the affiliates of its subcontractors."

through their *communities* as through trade allies, suggest another parallel approach which Honeywell believes worthy of consideration. The community-based approach may be particularly valuable in contexts – such as the draft New Jersey Energy Master Plan goals – in which policy makers are seeking deeper levels of savings. Honeywell proposes to draw on the experience of community-based efforts across North America to begin exploring how the community-based approach might apply in the New Jersey context.

Renewable Energy

Customer On-Site Renewable Energy (CORE) Program

Due to high participation rates, some segments of the CORE program market have experienced applications in excess of available funding, requiring queues for rebate funding since early 2006. Consequently, for some budget categories, the number of applications in queue will fully subscribe, or even exceed, the availability of new rebate funds for 2008. Substantive discussion took place during the RE committee meetings concerning the allocation of the CORE budget to the various CORE budget categories. This issue will be discussed at length herein below in the discussion pertaining to the CORE budget allocation.

In order to avoid the potential for conflicts of interest in instances where Honeywell may be both the market manager and market participant Treasury required, and Honeywell agreed on May 31, 2006 that: "To be awarded a contract, Honeywell must agree to divorce itself from the application and approval process related to any system installed by Honeywell, its affiliates, its subcontractors or the affiliates of its subcontractors. Honeywell must notify the Program Coordinator and the BPU Contract Manager of any system that it, its affiliates, its subcontractors or the affiliates of its subcontractors intend to install. From that point on, the processing of any application, the inspection of any system and the approval of any incentive payment will be the BPU's responsibility. Honeywell must agree that it will have nothing to do with processing, inspecting or approving an incentive payment for any system that Honeywell, its affiliates, its subcontractors or the affiliates of subcontractors install." (See letters from Treasury to Honeywell and from Honeywell to Treasury dated May 31, 2006).

In order to insure compliance with the above provision Staff recommends that the Board require Honeywell provide further appropriate documentation for all CORE rebate applications that it has processed affirming that Honeywell, the Contract Market Manager, its affiliates, its subcontractors and/or the affiliates of its subcontractors are not: the applicant for a CORE rebate, the recipient of a CORE rebate nor the entity performing the installation of the system related to the CORE application.

Clean Power Choice (CPC) Program

The CleanPower Choice program is a voluntary program that provides customers with an opportunity to purchase renewable energy. Proposed key new elements of the 2008 program include:

1. Honeywell proposes to support Staff in an anticipated rule-making process regarding the program;
2. Honeywell proposes to support OCE in the development of a Request for Proposals for Clean Power Marketers (CPMs) and their offerings of renewable power products;
3. Continued growth of the Community Partnership program, which enlists local communities in promoting the CPC program to its residents and businesses.

Renewable Energy Development Initiative (REDI)

On February 27, 2008, the Board determined that the Renewable Energy Development Initiative ("REDI") program should be removed from the Renewable Energy Market Manager, Honeywell. The Board further determined that this program should be developed by the Board Staff until such time as Board Staff can develop an alternative contracting mechanism for the REDI Program. See OCE Program section below for full discussion of the REDI Program.

Renewable Energy Certificate Program

For 2008, the Market Managers are proposing to combine the activities of the SREC-Only Pilot Program and the Renewable Energy Credit (REC) Facilitation Program. This proposal is expected to improve administrative efficiency, simplify requirements for participants, and improve market transparency. The proposed consolidated REC Program is expected to help market participants register projects for both Solar Renewable Energy Certificates and non-solar Renewable Energy Certificates, providing registration, inspection services (for SRECs), sample based verification of existing projects, and market data to help promote transparent and efficient trading. The Market Managers also proposes to help potential market entrants understand the structure of the REC and SREC markets, and how they can be used to support new project development.

TRC

TRC submitted a 2008 program and budget filing dated November 5, 2007 for the programs it manages. TRC proposes to continue delivering the following existing programs:

- C&I Construction
 - C&I New Construction
 - C&I Retrofit
 - New School Construction and Retrofit
- Combined Heat and Power

And proposes to deliver the following proposed new programs:

- Direct Install
- Pay for Performance
- Municipal Audit
- School Energy Education

The following summarizes the program modifications proposed by TRC for the 2008 program year:

- *C&I Construction*
- Proposed elimination of the performance lighting option except for new construction and complete renovation projects. This proposal will eliminate the 75kW threshold for prescriptive measures and incorporate adjustments to the rebate levels for prescriptive lighting retrofits. All other prescriptive lighting are proposed to remain the same except as noted below.
- Proposed revision to Prescriptive Lighting Incentives as follows:

Technology Classification	2007 Current Incentive	Proposed 2008 Incentive
T-12 to T-8 or T-5 Re-Lamp Re-Ballast for 1 or 2 lamp fixtures	\$20 per fixture	\$10 per 1 or 2 lamp fixture
T-12 to T-8 or T-5 Re-Lamp Re-Ballast for 3 or 4 lamp fixtures	\$20 per fixture	No change
New Fixtures T-8 or T-5	\$20 per fixture prescriptive Up to \$1.00 per watt-per-square foot below baseline which is 10% below (more efficient) code; incentive cap up to \$30/fixture	\$25 per fixture with one or two lamps \$30 per fixture with three or four lamps No change
LED Exit Signs	\$20 for facilities under 75 kW demand No current incentive for facilities over 75 kW demand	No change \$10 for facilities over 75 kW demand
Permanently De-Lamp Fixtures and add Reflectors as long as changing to a more efficient lighting system	No Current Incentive	\$20 per fixture

- Replace ASHRAE 90.1-1999 with ASHRAE 90.1-2004: As of August 1, 2007, New Jersey incorporated ASHRAE 90.1-2004 code into the New Jersey State building code. Accordingly, the Market Manager will adjust the efficiency thresholds to bring the program in line with this code change as follows:

Technology Classification	2007 Current Incentive	Proposed 2008 Incentive
Lighting	Incentive baselines are based on ASHRAE 90.1 1989 and 1999	Baselines will utilize ASHRAE 90.1 2004 as the baseline data for lighting equipment
HVAC and heat pump equipment	Baseline data is based on ASHRAE 90.1 1989 and 1999	Baseline data will be based on ASHRAE 90.1 2004. Capacity Thresholds will remain unchanged.
Electric Chillers	Baseline data is based on ASHRAE 90.1 1989 and 1999	Baseline data will be based on ASHRAE 90.1 2004. Capacity Threshold values will remain unchanged.

- Add LED Low Bay Parking Lot Lighting as a Prescriptive Measure: LED lighting is a relatively new lighting technology that is significantly more energy efficient than other lighting technologies, old or new. Low bay LEDs have been commercially available for approximately one year.

- TRC proposes that the incentive for replacing T-12, T-8 or metal halide fixture with low bay LED fixture be \$43/fixture as follows:

Technology Classification	2007 Current Incentive	Proposed 2008 Incentive
Low Bay LED parking lot lighting	No current incentive	\$43/fixture

- Propose to reduce the minimum kWh reduction threshold for the custom measure component of the program from 50,000 kWh to 25,000 kWh: The current program guidelines have a "recommended" minimum kWh reduction threshold of 50,000 kWh to qualify as a custom electric project. The purpose of this threshold is to minimize the quantity of small projects which require a higher level of analysis to review and approve. The proposal will allow additional smaller custom projects to participate in the program.
- The Combined Heat and Power (CHP) program currently pays 100% of the incentive after a project is installed, inspected, and found to meet all program requirements. TRC proposes to modify the incentive payments such that 75% is paid when the project is installed, inspected, and found to meet all program requirements and up to 25% 12 months after project completion upon verification that the project is achieving the proposed efficiency levels.

Three new programs, Direct Install, Pay-for-Performance, and Municipal Audit, were authorized to be funded in 2007 but were not implemented. TRC has included proposed program descriptions and budgets for these three programs as well as for an additional new program, the School Energy Education Program. The following is a brief description of each:

- *Direct Install*
 - The Direct Install Program proposes to offer eligible small business customers (<100 kW demand) the opportunity to retrofit existing equipment with more energy efficient systems. The Program identifies all cost-effective efficiency retrofit opportunities and provides direct installation, financial incentives, education, and other strategies to encourage the early replacement of existing equipment with high efficiency alternatives, as well as the installation of new equipment. All electric and natural gas systems are eligible for improvements including lighting, controls, refrigeration, HVAC, motors, and variable speed drives. The Program strives to include a comprehensive package of energy efficiency improvements in each customer project.
- *Pay-for-Performance*
 - The Pay for Performance Program proposes to take a comprehensive, whole building approach to energy efficiency in existing large (>100 kW demand) commercial and industrial buildings. Similar to performance contracting programs offered in other states, this Program will link incentives directly to energy savings and shall include a measurement and verification (M&V) component to insure that the estimated savings levels are achieved. This market based program proposes to rely on a network of Program Partners, selected through a Request for Qualifications issued by TRC. Once approved, partners will provide technical services as subcontractors to program participants.

- It is proposed that the Program Partners will be required to develop an Energy Reduction Plan for each project. The Energy Reduction Plan includes the whole-building technical analysis component of a traditional energy audit along with a financial plan for funding the energy efficiency improvements and a construction schedule for installation. A proposed set minimum energy reduction goal will be required of all projects and will be based on the EPA's Portfolio Manager Benchmarking Tool and an approved whole-building energy simulation. The achievement of energy reduction goals are proposed to be verified using post-retrofit billing data and the EPA Portfolio Manager methodology.
- *Municipal Audit*
 - The Municipal Audit program proposes to offer subsidized energy audits to municipalities and other local government entities. The program proposes to subsidize the full cost of the audit if the municipality or other government entity installs cost effective energy efficiency measures recommended in the audit.
- *School Energy and Education Program*¹²
 - The Schools Energy & Education Program (SEEP) proposes to provide a range of services to educate students, teachers, and other school staff, while simultaneously enhancing schools' ability to manage operational energy use and to comprehensively access New Jersey Clean Energy Programs. Rather than directly delivering technologies, the program builds institutional and individual capacities to understand and implement energy and environmental concepts and measures in an ongoing fashion. The program aims to build a self-sustaining culture and to provide a set of tools that school districts can use on a continuing basis after formal program activities conclude. The proposed program will be delivered at the school district level.
- *Generic Change to Relevant Programs Managed by TRC*
 - Proposed change to the threshold for Board approval of incentives from greater than (>) \$50,000 to greater than (>) \$100,000: This requirement pertains to a proposed change to the Board's requirement to have the Board pre-approve all projects with incentives greater than \$50,000 prior to the Market Manager sending an approval letter to the applicant/customer. TRC made this request for the following reasons:
 - The Board recently approved TRC's request to increase the cap on C&I program rebates from \$100,000 to \$200,000. TRC believes that consistent with this change, the threshold for Board approval should be increased as well.
 - Also, depending on when the application is received and the dates of scheduled Board meetings, the \$50,000 threshold is adding six weeks or more to the project approval process. The application goes through the Market Manager review and approval process, it is then presented to Staff for their approval and finally it is presented to the Board. This delay

¹² The Board, later in this Order, directs that the name of the Schools Energy & Education Program be changed to Teaching Energy Awareness with Children's Help (TEACH).

is causing a hardship to some applicants. Under the current program guidelines, applicants cannot purchase their equipment until they receive project approval. Delaying the approval process causes delays in equipment purchasing and therefore construction schedules. Although all market segments are negatively impacted by the increased length of the approval process, schools and other public projects are hardest hit because their schedules are tied to calendar year or budget cycles which require timely approval to maintain project milestones.

- In addition, TRC and Staff project a probable increase in the number of applications above the \$50,000 threshold such that the Board could be faced with a significantly greater number of applications for rebates between \$50,000 and \$100,000 requiring approval and the administrative burden will become more onerous.

Utilities

By letter dated December 7, 2007, 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. As noted above, the Residential Low-income Program did not transition to the Market Managers and will continue to be managed by the utilities and DCA. The utilities propose to maintain the Residential Low-income Program as delivered in 2007 and to continue the partnership with DCA. The utilities requested, first, confirmation that the services are not competitive services. Second, the utilities asked for continued recovery through the SBC of program-related costs, which the Board granted at its January 16, 2008 Agenda meeting. Lastly, the utilities recommended that the Board direct that participation in either the Comfort Partners Program or the DCA Weatherization Assistance Program be an eligibility requirement for receiving monthly Universal Service Fund (USF) subsidy and arrears forgiveness.

The CleanPower Choice Program will continue to be managed by Staff with support from the renewable energy Market Manager and the utilities. Specifically, Staff has asked the utilities to support program marketing through the delivery of bill stuffers.

Department of Environmental Protection

The Department of Environmental Protection (DEP) and Staff are developing a proposed Memorandum of Agreement (MOA) for consideration by the Board that sets out details regarding 2008 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. Staff and DEP have held discussions regarding a proposed 2008 MOA but were unable to reach a final resolution regarding the MOA in time for consideration by the Board at its December 20, 2007 meeting. Staff anticipates that a proposed 2008 MOA with DEP, as well as its compliance filing, will be presented to the Board for consideration in early 2008. The proposed 2008 budget includes funding for continuation of this program.

Department of Community Affairs

The Department of Community Affairs (DCA) and the Board entered into a Memorandum of Agreement (MOA) dated August 2, 2007, that set out the details regarding 2007 funding, reporting and program delivery for the DCA Weatherization component of the Low-income Program. Due to the fact that the MOA was not signed until August 2007, DCA is unable to fully utilize the funding by the end of 2007. Therefore, DCA requested that the 2007 MOA be extended into 2008. The proposed MOA would continue the partnership between DCA's

Weatherization Assistance Program and the BPU's utilities-administered Comfort Partners Program to facilitate coordination of the two programs, to prevent overlap, and to enable DCA to provide weatherization measures similar to those provided by the Comfort Partners Program, including heating system repairs and replacements, for qualified low-income customers. Staff and DCA have held discussions regarding extension of the 2007 MOA but were unable to reach a final resolution regarding the MOA in time for consideration by the Board at its December 20, 2007 meeting. Staff anticipates that a proposed extension of the MOA with DCA, as well as the agency's compliance filing, will be presented to the Board for consideration in early 2008. The proposed 2008 budget includes funding for continuation of this program.

Office of Clean Energy

The OCE 2008 program and budget filing proposes program descriptions and budgets for the OCE Oversight budget including administration, memberships, program evaluation and the Board's umbrella marketing campaign as well as details for the EE and RE programs managed by the OCE including:

- The Weatherization Rehabilitation and Asset Preservation (WRAP) component of the Residential Low-income Program
- Special Studies
- RE Certificates

The WRAP program is a pilot that is proposed to provide incentives to assist low-income customers in lowering their energy costs. The Special Studies budget proposes to provide incentives for distributed generation and energy storage projects. The RE Certificates budget proposes to continue the contract with Clean Power Markets to manage the REC and SREC trading platforms until this function is transitioned to PJM GATS in 2008.

Staff proposes elimination of the Manufacturing Incentive Program and the Renewable Energy Business Venture Financing Program. As discussed above, Staff and Honeywell proposed elimination of the third EDA program, the Renewable Energy Grants and Financing Program since the REDI program, more fully described below, is intended to replace the Renewable Energy Grants and Financing Program. The REDI program, initially proposed to be delivered by Honeywell, will be managed by Staff and not EDA. EDA's Clean Energy Technology Fund and Edison Fund are intended to replace the Manufacturing Incentive Program and the Renewable Energy Business Venture Financing Program. The EDA's Clean Energy Technology Fund will be designed to promote new energy efficiency and renewable energy manufacturers to locate in New Jersey and to enhance existing New Jersey energy efficiency and renewable energy manufacturers. The Edison Fund will assist in commercializing existing New Jersey energy efficiency and renewable energy businesses.

The Clean Energy Technology Fund and the Edison Fund programs are proposed to be administered by the EDA. Staff is developing an MOA with EDA that will be presented to the Board for its consideration, as will its compliance filing, prior to implementation of these programs.

Staff proposes to 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 the carry over of 2007 funding from the "Other Studies" component of the OCE Oversight budget for a grant program titled "New Jersey Regional Anemometer Program." This program was included in the 2007 budgets and OCE recommends continuation of the

program in 2008. The purpose of the proposed 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

Staff proposes that \$68,000 of the "Other Studies" budget be utilized for the New Jersey Regional Anemometer Program. A solicitation was issued on November 19, 2007 for proposals from New Jersey universities and colleges due by February 12, 2008.

The 2007 budget approved by the Board included \$2 million for DEP's Ocean/Wind Power Ecological Baseline Study, which will assist the Board in assessing the potential for off-shore wind development. The FY2008 State Budget appropriated \$2 million for this project.

Pursuant to the Appropriations Act for the fiscal year ending June 30, 2008, \$10 million was appropriated for the specific projects discussed above, a figure which includes the \$4.5 million from 2007 plus an additional \$5.5 million in new funding. The 2007 budget approved by the Board included \$4.5 million for the State of New Jersey Statewide Energy Efficiency Projects, which was to provide funding to Treasury for energy efficiency projects in certain State owned facilities. Due to delays in developing an MOA with Treasury no funds were expended in 2007, thus FY 2008 will be the first year that assistance from the Clean Energy Fund will be required for State facilities, as provided by the State Appropriations Act.

Staff is proposing two new initiatives to be included in the OCE Oversight budget: The Online Academy Pilot proposes to provide educational offerings to program participants including design professionals, building owners, contractors and program Staff; and, the Job Training Pilot which proposes to coordinate with community colleges to train students for careers that support the programs.

Renewable Energy Development Initiative

The Renewable Energy Development Initiative is a proposed new program for 2008. The goal of REDI is to leverage public and private funding for the purpose of building capacity of Class I renewable resources in New Jersey. It will target the rapid deployment of non solar Class I renewable resources in New Jersey, particularly those that are not eligible to participate in the Customer On-Site Renewable Energy or Solar Renewable Energy Credit-only (SREC-only) Pilot programs. Staff is proposing to develop and manage the REDI program as an evolution of the Renewable Energy Grants and Financing Program from EDA.

In 2007, Staff worked in partnership with the EDA to provide funding and financing support for programs to provide assistance to clean energy businesses: In 2007, the Board approved funding only under the Renewable Energy Business Venture Assistance Program (REBVAP).

- The Manufacturing Incentive program was intended to assist clean energy manufacturers site and develop manufacturing facilities in New Jersey.
- REBVAP provided grants and recoverable grants to New Jersey renewable energy businesses for commercialization of renewable technologies.
- The Renewable Energy Grants and Financing Program provided support for development of large, greater than 1 megawatt, behind-the-meter and grid supply renewable energy generation facilities.

In past years, Staff managed solicitations and initial proposal review, and referred projects which had received technical approval to EDA for financial review and financing administration, after which they were to go to the Board for approval. Under this model, participation over the last several years has been stagnant. The Renewable Energy Grants and Financing Program is not currently accepting applications.

The REDI program, as proposed, is designed to replace and improve the EDA/OCE Renewable Energy Projects Grants and Financing Program. As proposed, the program will provide incentives through a solicitation process to assist in the design, feasibility and financing of large scale Class I renewables not served within CORE (greater than 1 MW). As in the CORE program, the eligibility criteria for REDI will be set and applications will be evaluated based upon meeting the criteria. The amount of the incentive received by an applicant will vary according to size of installation and other project specifics. The REDI services will include developing and running a solicitation process in 2008.

Staff proposes that incentives made available through this solicitation be delivered through the Office of Clean Energy. The REDI program was originally proposed by Honeywell.

Comments of Public Stakeholders

The proposed programs and budgets were circulated to CEC participants in early November and a meeting of the CEC was held on November 27, 2007. Subsequent to the meeting written comments were submitted by: the New Jersey Department of the Public Advocate, Division of Rate Counsel (Rate Counsel); Potter and Dickson on behalf of NJ Solar Power, LLC, NJ Solar Solutions, Inc., Solar Works NJ, and Garden State Power; American Energy Technologies, Inc. (American Energy Technologies); NJ Solar Power, Inc. (Solar Power); and Eastern Energy Services. The comments of American Energy Technologies and Solar Power were specific to issues related to the allocation of the CORE Program budget and will be discussed further below. The following summarizes the other comments received:

Rate Counsel was generally supportive of the proposed programs and budgets; as a general comment, it recommended that the Market Manager propose better ways for the residential energy efficiency programs to serve the low-income community. Rate Counsel submitted numerous comments specific to the proposed programs. Regarding the proposed residential programs, Rate Counsel requested that the community based initiative be supported by more cost estimates and program details. Rate Counsel suggested that Honeywell be tasked to reconsider and as necessary reconfigure the proposed refrigerator turn in program. While concurring with the concern expressed by OCE about possible overlap with existing recycling programs, Rate Counsel reasoned that the cost-effective retirement of very old refrigerators and freezers should be encouraged if that could be accomplished at less than Honeywell's proposed cost. Staff's recommendation, given below, addresses this concern.

Regarding the proposed C&I programs, Rate Counsel requested that TRC further evaluate potential increases to the current cap on incentives. Rate Counsel recommended that the market managers seek ways to incorporate new technologies into existing C&I programs and suggested specific technologies for consideration. Rate Counsel was generally supportive of the proposed new C&I programs including Direct Install, Pay for Performance and the School Energy and Education Pilot, suggesting that the OCE develop additional energy efficiency programs for schools.

Regarding the proposed renewable energy programs, Rate Counsel was generally supportive of the proposed programs and suggested that additional ways to serve the low-income segment of the market be considered. The commenter did not comment upon the proposed performance incentives, stating that it had not had an opportunity to evaluate the goals to which the incentive levels are linked. Rate Counsel also provided extensive comments regarding the proposed allocation of the CORE Program budget. These comments are summarized and addressed below with discussion of other comments on the CORE program.

Rate Counsel supported the development of a rulemaking proceeding to define the terms and conditions of the Clean Power Choice program, including any modification which might be proposed to REC vintages, and supported the development of competitive solicitations on product offerings. Rate Counsel expressed concerns regarding a recommendation to offer what is referred to as a "bounty" to marketers for customer participation, over any proposal which might be made in future to drop a customer for missing a single payment, and the use of ratepayer funds for the development of a community's baseline carbon footprint. Rate Counsel also suggested that spending on media marketing be reduced and marketing efforts shifted to lower cost forms of marketing. With regard to the proposed Renewable Energy Development Initiative, Rate Counsel noted concern with spending dollars on certain market research activities and that the program incentives should take into account the implications on the REC and SREC markets.

Potter and Dickson submitted comments regarding procedural issues. Specifically, Potter and Dickson provided comments under objection and stated its belief that there has not been adequate or proper public notice given as to the nature of the proceeding in compliance with the Administrative Procedure Act standards for rulemaking, N.J.S.A. 52:14B-1 and the Electric Discount and Energy Competition Act, Sec. 12, N.J.S.A. 48:3-60a(3). These comments are addressed below. Potter and Dickson also submitted comments regarding the proposed CORE Program budget allocation which is discussed further below.

Eastern Energy Technologies submitted comments regarding proposed modifications to the C&L lighting rebates. Specifically, the commenter recommended changing language regarding the definition of a complete lighting renovation, changes to several proposed lighting rebate levels, and changes related to other language pertaining to project eligibility. Eastern Energy Technology's comments are discussed further in the OCE recommendation section of this Order.

Staff Recommendations

As noted above, Staff facilitated several public stakeholder meetings of the EE and RE committees in which program and budget issues were discussed. As such, Staff provided input regarding proposed programs and budgets and many of Staff's concerns as raised in the public stakeholder committee meetings were addressed in the filings. Staff has reviewed the filings and the comments submitted by participants of the CEC and its committees, as well as other public stakeholders, and after careful consideration recommends the following:

In general, Staff concurs with the majority of the proposed program changes that are being recommended. The following summarizes specific modifications proposed by the OCE Staff:

Smart Growth

The programs currently limit incentives for new construction to homes and businesses located in Smart Growth areas. Honeywell proposed eliminating this restriction for new homes. OCE has reviewed Honeywell's proposal and does not believe Honeywell has provided sufficient justification for eliminating this requirement. OCE requested and Honeywell eliminated this request in its revised filing.

RNC Program Square Footage Limit

Honeywell initially proposed to limit program eligibility to homes less than 3,000 square feet. Based on discussions with Honeywell, OCE recommends that the filings be revised as follows: Homes over 4,000 square feet of conditioned floor area will be eligible for direct incentives (rebates) only if they at least meet the Tier 2 qualification level. Previously, a home of any size could participate and receive incentives, but the base rebate was capped at \$2900 (equivalent to 4,000 sq. ft. of finished floor area for a single family home). While homes of any size may participate and receive certification services, this requirement will encourage a higher level of performance from homes that are inherently less efficient.

Refrigerator Turn-In

Honeywell proposed a new component to the Energy Star Products Program that would offer incentives to customers to turn in second refrigerators. The proposed program would provide incentives to customers to turn in second refrigerators and would insure that the refrigerators were properly disposed of. Staff has reviewed this proposal and believes that an infrastructure currently exists for collecting and disposing of refrigerators through the municipalities. While Staff supports the benefits of this proposal, Staff opposes using program funds to establish a new collection infrastructure for disposal of refrigerators without first adding an incentive to the existing collection infrastructure through the municipalities. Staff also concurs with Rate Counsel's recommendation that Honeywell should consider submittal of a redesigned program through the Community Based Efficiency Initiative.

Staff indicated to Honeywell that it is not opposed to the concept of incentives for customers to turn in second refrigerators but would not support using program funds for establishing a new and separate collection and disposal infrastructure. For these reasons, Staff requested elimination of this proposal and Honeywell complied in its revised filing. As discussed below, Staff anticipates that Honeywell will develop and submit for consideration by the Board a revised program proposal under the revised Community Based Efficiency Initiative in 2008. Funding was included in Honeywell's proposed budget for the anticipated revised program filing and Staff recommends inclusion of that in the budget subject to further review.

CFL Disposal

Honeywell's filing included a proposal to collect and recycle burnt out CFLs. Staff believes that a collective infrastructure currently exists for recycling CFLs through the County Household Hazardous Waste Collection programs and opposes the use of program funding for this purpose. While Staff supports the benefits of this proposal, Staff opposes using program funds to establish a new collection infrastructure for collection and recycling of used CFL without first adding an incentive to the existing collection infrastructure through the counties. Staff also concurs with Rate Counsel's recommendation that Honeywell should consider submittal of a redesigned program through the Community Based Efficiency Initiative.

Staff indicated to Honeywell that it is not opposed to the concept of incentives for customers to recycle CFL but would not support using program funds for establishing a new and separate collection and recycling infrastructure. For these reasons, Staff requested elimination of this

proposal and Honeywell complied in its revised filing. Staff anticipates that Honeywell will develop and submit for consideration by the Board a revised program proposal under the revised Community Based Efficiency Initiative in 2008. Funding was included in Honeywell's proposed budget for the anticipated revised program filing and staff recommends inclusion of that in the budget subject to further review.

Community Based Efficiency Initiative

Honeywell proposed a community based efficiency pilot that would begin exploring how a community based approach might support the existing programs. Staff supports the concept but believes additional time is needed to develop the program proposal particularly as it relates to the existing Community Partners efforts previously implemented by the Staff and the current Municipal Audit and Direct Install programs managed by TRC. Staff requested and Honeywell agreed to eliminate this proposal from its filing and to work with Staff and TRC to develop a more detailed and coordinated program approach for consideration by the Board in 2008. Staff requested that Honeywell leave the proposed funding level of \$345,000 in the 2008 budget. This recommendation is consistent with the comments submitted by Rate Counsel.

Multi-family Projects

The Home Mortgage Finance Agency (HMFA) raised a concern at the CEC meeting that certain affordable multi-family homes are not eligible for either the residential or the commercial programs. HMFA requested that the programs be clarified to insure that multi-family projects are covered by one program or the other.

In response, TRC coordinated with Honeywell to develop a proposed solution and recommended the following: The final program design for the Pay-for-Performance Program should state that any multi-family facility which does not meet the eligibility requirements of the Home Performance with Energy Star Program will be eligible to participate in the Pay-for-Performance Program, regardless of its electric peak demand. Staff concurs with this proposal and recommends that it be incorporated into the revised application forms being developed by TRC.

C&I Lighting

Eastern Energy Services submitted comments regarding the design of the lighting rebates. These comments were reviewed by TRC and discussed with Staff.

The majority of Eastern Energy Service's comments addressed specific language included in program applications. Staff will coordinate with TRC to identify appropriate changes to the applications necessary to implement the revised programs approved by the Board herein. The commenter also identified two typographical errors that were corrected in the revised filing submitted by TRC.

Marketing Budgets

Staff has been delivering statewide "umbrella" marketing campaigns intended to brand the New Jersey Clean Energy Program and provide general information to the public regarding the benefits of energy efficiency and renewable energy. Honeywell and TRC have developed and proposed specific marketing plans intended to support participation in their programs and that build on the umbrella campaign. Staff facilitated additional discussions with the Market Managers that resulted in a proposed \$500,000 reduction in the overall marketing budgets by better coordinating marketing activities.

Each program manager submitted a revised 2008 program and budget filing proposal that incorporated the changes discussed above. Specifically, Honeywell, TRC, and the utilities submitted revised filing proposals dated December 7, 2007. Staff has reviewed the proposed programs, and all of the proposed modifications to the existing programs, and believes they will improve the programs and increase the energy savings/renewable energy generation delivered by the programs. Therefore, Staff recommends that the Board approve the revised program filing proposals that incorporate Staff's above recommendations.

As an administrative matter, Staff recommends that the Board eliminate the requirement that the Market Managers' program filings include minimum requirements for program administration. This revision would reflect the fact that the Market Managers operate under contracts that include minimum requirements to earn any performance incentive.

Accounting Procedures

The current structure utilizes a Trust Fund held by Treasury to hold all program funding and to pay all incentives. Accrual accounting procedures require that funds be held in the account prior to commitments being made. However, when the programs were transitioned from the utilities to the Market Managers, the Market Managers inherited existing commitments.

Staff acknowledges that going forward, Treasury will encumber sufficient funds to pay commitments consistent with the 2008 Clean Energy Program Budget and State appropriations law governing encumbrance of such funds and recommends that the Board direct the Market Managers not to make commitments that exceed such encumbrance limits. The 2008 budgets proposed below incorporate sufficient funding to accrue all existing commitments subject to State appropriations law and subject to the requirements for Board approval. Specifically, the RNC, C&I, CHP and CORE program budgets have been increased to a level that includes sufficient funding to pay both existing commitments and estimated 2008 program costs, including any new commitments, subject to State appropriations law. The 2008 budgets discussed below are therefore larger than they would be if they included only sufficient funding for the programs now budgeted for 2008.

Proposed Budgets

The 2008 budget process commenced with the preparation of a 7&5 Report (7 months of actual data and 5 months of estimated data) by Applied Energy Group, the Program Coordinator. AEG requested that all program managers provide actual expenses through July 2007, estimated expenses for the remainder of the year, and estimated commitments that would exist as of December 31, 2007. AEG deducted estimated 2007 expenses from the final Board approved 2007 budgets to estimate 2007 carry over. AEG estimated \$66.003 million in EE carry over, \$80.263 million in RE carry over and \$2.093 million in OCE Oversight carry over.

The Board's December 23, 2004 Order set new funding levels for 2008. The Order allocated funding to EE and RE and provided that up to 10% of the funding could be utilized for administrative expenses. Specifically, the Order allocated the new 2008 funding as follows: \$119.7 million for EE, \$91.8 million for RE and \$23.5 million for administration. The new funding set out in the December 23, 2004 Order was added to the estimated carry over.

The Board and Staff strive to keep administrative expenses as low as possible and to re-allocate any unused administrative funding to programs to allow for additional incentive payments to customers. Consistent with this approach Staff proposes the transfer of \$13.393 million from the OCE Oversight budget to the renewable energy budget to provide additional funding to projects in the CORE queue.

The Board anticipates a settlement with JCP&L that will refund to the program a minimum of \$10.6 million in 2008. The result of all of the above is summarized in the following table:

2008 Funding Level									
	New	Line Item	Line Item	Other	Revised	Estimated			2008 Funding
(all \$000)	2008	Transfers	Transfers	Anticipated	New 2008	2007	2008	Estimated	Less
	Funding	To	From	Funding	Funding	Carryover	Funding	Commitments	Commitments
	(a)	(b)	(c)	(d)	(e)=(a)+(b)-(c)+(d)	(f)	(g)=(e)+(f)	(h)	(i)=(g)-(h)
Energy Efficiency	\$119,700	\$0	\$0	\$10,600	\$130,300	\$63,519	\$193,819	\$65,152	\$128,667
Renewable Energy	\$91,800	\$13,393	\$0	\$0	\$105,193	\$80,263	\$185,456	\$131,103	\$54,353
OCE Oversight	\$23,500	\$0	(\$13,393)	\$0	\$10,107	\$2,093	\$12,200	\$0	\$12,200
Total	\$235,000	\$13,393	(\$13,393)	\$10,600	\$245,600	\$146,875	\$391,475	\$196,255	\$195,220

* 2008 Funding is subject to appropriations for Fiscal Year July 1, 2008 – June 30, 2009

(a) = 2008 funding levels from December 23, 2004 Board Order

(b) = line item transfers added to new funding

(c) = line item transfers subtracted from new funding

(d) = anticipated JCP&L settlement funding

(e) = new 2008 funding, plus line item transfers to, less line item transfers from, plus other anticipated funding, subject to State Appropriations laws

(f) = estimated 2007 carry over from 7 & 5 Report

(g) = new funding, plus line item transfers, plus estimated carry over, plus other anticipated funding subject to State appropriations law

(h) = estimated program commitments as of December 31, 2007, subject to State Appropriations laws.

(i) = 2008 estimated funding levels less program commitments, as of December 31, 2007 subject to State appropriations law

The Clean Energy Program budget of \$391,475,000 for 2008 noted in the Table above, includes \$235,000,000 of new funding previously allocated for 2008 by the Board in its Order dated December 23, 2004 in Docket No. EX04040276. This amount of \$235,000,000, which includes the amount currently being netted by the utilities as directed in this Order, will be collected from the Utilities on a monthly basis this calendar year as set forth in the schedule as approved by the Board in its December 23, 2004 Order.

The remaining \$156,475,000, which has no current year impact upon rates, represents other anticipated funding and estimated carryover from 2007. The carryover is for projects that have been approved for rebates or other funding commitments in prior years from prior year budgets that will be paid in 2008 or later. The commitments are made because the program only pays rebates and other funding incentives after the projects are installed and represent the time for construction and operations for these projects. The recommended budget comprises \$193,819,000 in funding for the Energy Efficiency Program, \$185,486,000 in funding for the Renewable Energy Program, and \$12,200,000 in funding for the Office of Clean Energy's Oversight budget. These budgets include 2008 funding and carryover from prior years to pay for rebate and other funding incentive commitments in 2008 subject to State appropriations law.

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 2008 program and budget discussions. Updates were provided as available. Following reconciliation and closing out of the 2007 Clean Energy Program Budget, any funds remaining for re-allocation to the 2008 Budget will be re-allocated in a Board order.

The EE and RE committees met monthly from June through November to review and discuss proposed programs and budgets. These meetings are held as open public stakeholder meetings. Meeting dates, times and locations are noticed on the Clean Energy Program website. Agenda and discussion material are distributed to the Committee list serves. Meeting notes are posted to the website. 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 public stakeholder process. On November 8, 2007, the 2008 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 November 27th meeting of the CEC and a request for written comments on the plan filings by November 30, 2007.

The following sets out the proposed 2008 Energy Efficiency Program budgets recommended by Staff and a brief description of the programs:

2008 Energy Efficiency Program Budget

Energy Efficiency Programs (All numbers = 000's)	NJBPU	Estimated		New	Final	Committed
	Approved	2007	2007	2008	2008	
Programs	2007 Budget	Expenses	Carry Over	Funding	Budgets	Expenses
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)
Residential EE Programs						
Residential HVAC - Electric & Gas	\$17,759	\$12,959	\$4,800	\$12,570	\$17,370	\$0
Residential New Construction	\$27,678	\$21,366	\$6,312	\$29,317	\$35,629	\$25,630
Energy Efficient Products	\$11,083	\$5,593	\$5,490	\$13,710	\$19,200	\$4,570
Home Performance with Energy Star	\$7,368	\$4,014	\$3,354	\$5,902	\$9,256	\$0
Residential Low Income	\$27,408	\$24,424	\$2,984	\$27,294	\$30,278	\$0
Comfort Partners	\$20,175	\$21,940	(\$1,765)	\$27,294	\$25,529	\$0
DCA Weatherization	\$6,933	\$2,484	\$4,449	\$0	\$4,449	\$0
Weatherization Rehabilitation and Asset Preservation (WRAP)	\$300	\$0	\$300	\$0	\$300	\$0
Community Based Efficiency Initiative	\$0	\$0	\$0	\$345	\$345	\$0
DCA Green Homes	\$1,600	\$0	\$1,600	(\$1,600)	\$0	\$0
Energy Conservation Kits	\$200	\$523	(\$323)	\$323	\$0	\$0
Residential Market Manager Transition Costs	\$986	\$893	\$93	(\$93)	\$0	\$0
Utility Residential Program Transition Costs	\$0	\$0	\$0	\$0	\$0	\$0
Sub Total Residential	\$94,082	\$69,772	\$24,310	\$87,768	\$112,078	\$30,200
C&I EE Programs						
Commercial/Industrial Construction	\$35,068	\$15,739	\$19,329	\$16,404	\$35,733	\$18,552
C&I New Construction	\$4,000	\$2,079	\$1,921	\$2,861	\$4,782	\$2,411
C&I Retrofit	\$26,068	\$12,233	\$13,835	\$13,389	\$27,224	\$14,100
New School Construction & Retrofit	\$5,000	\$1,427	\$3,573	\$154	\$3,727	\$2,041
CHP	\$7,857	\$2,516	\$5,341	\$5,267	\$10,608	\$6,400
Municipal Audit	\$1,000	\$400	\$600	\$400	\$1,000	\$0
Direct Install	\$4,000	\$100	\$3,900	\$100	\$4,000	\$0
Pay-for Performance	\$3,000	\$100	\$2,900	\$3,100	\$6,000	\$0
School Energy and Education Pilot	\$0	\$0	\$0	\$400	\$400	\$0
C&I Market Manager Transition Costs	\$380	\$380	\$0	\$0	\$0	\$0
Utility C&I Program Transition Costs	\$0	\$0	\$0	\$0	\$0	\$0
Sub Total C&I	\$51,305	\$19,235	\$32,070	\$25,671	\$57,741	\$24,952
Other EE Programs						
Special Studies	\$2,000	\$0	\$2,000	(\$1,000)	\$1,000	\$0
Cool Cities	\$6,736	\$6,736	\$0	\$4,000	\$4,000	\$0
State of NJ Statewide EE Projects	\$4,500	\$0	\$4,500	\$5,500	\$10,000	\$10,000
Utility Program Transition Costs	\$1,082	\$443	\$639	(\$639)	\$0	\$0
Clean Energy Technology Fund	\$0	\$0	\$0	\$9,000	\$9,000	\$0
Sub Total Other Energy Efficiency Programs	\$14,318	\$7,179	\$7,139	\$16,861	\$24,000	\$10,000
Total Energy Efficiency	\$159,705	\$96,186	\$63,519	\$130,300	\$193,819	\$65,152
Final 2008 Energy Efficiency Funding (g)					\$193,819	

*2008 funding is subject to appropriations for Fiscal Year July 1 2008-June 30, 2009

(a) = Board approved 2007 budgets

(b) = Estimated 2007 expenses from 7&5 Report

- (c) = 2007 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
- (d) = Level of new 2008 funding allocated to each program subject to State appropriations law.
- (e) = 2007 carryover plus new 2008 funding.
- (f) = committed expenses anticipated to be paid in 2008 or 2009 subject to State appropriations law.

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 is proposed to be 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. Residential Low-Income: The Residential Low-Income Program provides for the installation of various energy conservation measures at no cost to income-qualified customers. The program has three components: 1) Comfort Partners which is delivered by the utilities; 2) the DCA's Weatherization Assistance Program (WAP), in partnership with the utilities, and; 3) the Weatherization, Rehabilitation and Asset Preservation (WRAP) Pilot and Solicitation.
6. DCA Green Homes: This program was terminated by DCA in 2008 and incorporated into the Residential New Construction Program.
7. Energy Conservation Kits: This program was proposed to be terminated in 2007.
8. Residential Market Manager Transition Costs: The residential market manager transition costs are the contractual costs associated with setting up the infrastructure necessary to deliver the programs. These costs, less a carryover, were incurred in 2007 and no additional funds have been budgeted in 2008.
9. Utility Residential Program Transition Costs: The Board previously approved recovery by the utilities for certain severance costs associated with terminating employees that had been delivering the programs that were transitioned to the Market Manager. These costs were incurred in 2007 and no additional funds have been budgeted in 2008.
10. C&I Construction: The C&I Construction Program provides rebates and other incentives to commercial and industrial customers and schools that install high efficiency equipment in existing buildings (retrofit) or design and build energy efficient buildings.
11. CHP: The Combined Heat and Power (CHP) program provides rebates to customers that install eligible CHP systems. CHP systems make use of waste heat, thereby improving the efficiency of fuel use.
12. Municipal Audit: The Municipal Audit program will offer subsidized energy efficiency audits to municipalities and other government entities.
13. Direct Install: The Direct Install program will provide incentives for the installation of energy efficiency measures in small commercial buildings,
14. 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.

15. School Energy and Education Pilot: The School Energy and Education Pilot Program will work with school districts to develop energy curriculum and reduce energy usage in the schools.
16. C&I Market Manager Transition Costs: The C&I market manager transition costs are the contractual costs associated with setting up the infrastructure necessary to deliver the programs. Costs were incurred in 2007 and no additional costs are budgeted for 2008.
17. Utility C&I Program Transition Costs: The Board previously approved recovery by the utilities for certain severance costs associated with terminating employees that had been delivering the programs that were transitioned to the Market Manager. These costs were incurred in 2007 and no additional funds have been budgeted in 2008.
18. Special Studies: This program will provide incentives to distributed generation and energy storage projects.
19. Cool Cities: The Cool Cities Program funds tree planting in urban environments aimed at reducing the "heat island" effect encountered in such environments.
20. State of New Jersey Statewide Energy Efficiency Projects: Funding for the projects specified above has been included in the 2008 State budget.¹³
21. Clean Energy Technology Fund: The Clean Energy Technology Fund will be managed by EDA to attract renewable energy and energy efficiency manufacturers to New Jersey.

The following sets out the proposed allocation of the energy efficiency program budgets to each of the program managers:

¹³ This program was called Treasury HVAC in the 2007 Budget.

2008 Energy Efficiency Program Budget by Program Manager

Energy Efficiency Programs							
(All numbers = 000's)							
	Honeywell	TRC	DEP	DCA	Utilities	OCE/EDA/ Treasury	Total
Programs							
Residential EE Programs							
Residential HVAC - Electric & Gas	\$17,370						\$17,370
Residential New Construction	\$35,629						\$35,629
Energy Efficient Products	\$19,200						\$19,200
Home Performance with Energy Star	\$9,256						\$9,256
Residential Low Income							\$0
Comfort Partners					\$25,529		\$25,529
DCA Weatherization				\$4,449			\$4,449
Weatherization Rehabilitation and Asset Preservation (WRAP)						\$300	\$300
Community Based Efficiency Initiative	\$345						\$345
DCA Green Homes							\$0
Energy Conservation Kits							\$0
Residential Market Manager Transition Costs							\$0
Utility Residential Program Transition Costs							\$0
Sub Total Residential	\$81,800	\$0	\$0	\$4,449	\$25,529	\$300	\$112,078
C&I EE Programs							
Commercial/Industrial Construction							\$0
C&I New Construction		\$4,782					\$4,782
C&I Retrofit		\$27,224					\$27,224
New School Construction & Retrofit		\$3,727					\$3,727
CHP		\$10,608					\$10,608
Municipal Audit		\$1,000					\$1,000
Direct Install		\$4,000					\$4,000
Pay-for Performance		\$6,000					\$6,000
School Energy and Education Pilot		\$400					\$400
C&I Market Manager Transition Costs							\$0
Utility C&I Program Transition Costs							\$0
Sub Total C&I	\$0	\$57,741	\$0	\$0	\$0	\$0	\$57,741
Other EE Programs							
Special Studies						\$1,000	\$1,000
Cool Cities			\$4,000				\$4,000
State of NJ Statewide EE Projects						\$10,000	\$10,000
Utility Program Transition Costs							\$0
Clean Energy Technology Fund						\$9,000	\$9,000
Sub Total Other Energy Efficiency Programs	\$0	\$0	\$4,000	\$0	\$0	\$20,000	\$24,000
Total Energy Efficiency	\$81,800	\$57,741	\$4,000	\$4,449	\$25,529	\$20,300	\$193,819
Final 2008 Energy Efficiency Funding							\$193,819

The following sets out the 2008 RE program budgets recommended by the OCE and a brief description of the programs:

2008 Renewable Energy Program Budget

Renewable Energy Programs (All numbers = 000's)	NJBPU	Estimated		New	Final	Committed
	Approved	2007	2007	2008	2008	Expenses
Programs	2007 Budget	Expenses	Carry Over	Funding	Budget	
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)
Customer On-Site Renewable Energy	\$151,712	\$91,958	\$59,754	\$84,235	\$143,989	\$121,440
Clean Power Choice	\$935	\$716	\$219	\$763	\$982	\$0
RE Certificates/SREC Pilot	\$842	\$313	\$529	\$1,130	\$1,659	\$0
RE Market Manager Transition Costs	\$606	\$606	\$0	\$0	\$0	\$0
DEP Ecological Baseline Study	\$2,000	\$0	\$2,000	\$0	\$2,000	\$2,000
Renewable Energy Development Initiative	\$0	\$0	\$0	\$4,163	\$4,163	\$0
Offshore Wind Solicitation (g)	\$0	\$0	\$0	\$19,000	\$19,000	\$0
SUB-TOTAL Renewables	\$156,095	\$93,593	\$62,502	\$109,291	\$171,793	\$123,440
EDA PROGRAMS						
Manufacturing Incentive	\$4,000	\$33	\$3,967	(\$3,967)	\$0	\$0
RE Project Grants and Financing	\$10,400	\$1,461	\$8,939	(\$4,476)	\$4,463	\$4,463
Renewable Energy Business Venture Financing/REED	\$5,000	\$145	\$4,855	(\$1,655)	\$3,200	\$3,200
Clean Energy Technology Fund	\$0	\$0	\$0	\$3,000	\$3,000	\$0
Edison Fund	\$0	\$0	\$0	\$3,000	\$3,000	\$0
SUB-TOTAL EDA Programs	\$19,400	\$1,639	\$17,761	(\$4,098)	\$13,663	\$7,663
TOTAL Renewable Energy Programs	\$175,495	\$95,232	\$80,263	\$105,193	\$185,456	\$131,103
2008 Renewable Energy Funding*					\$185,456	

*2008 Funding is subject to appropriations for FY July 1, 2008-June 30, 2009

- (a) = Board approved 2007 budgets
- (b) = Estimated 2007 expenses from 7&5 Report
- (c) = 2007 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
- (d) = Level of new 2008 funding allocated to each program subject to State appropriations law.
- (e) = 2007 carryover plus new 2008 Funding.
- (f) = committed expenses anticipated to be paid in 2008 or 2009, subject to State appropriation law.

1. Customer Sited Renewable Energy: The CORE Program provides rebates to customers that install RE systems to meet the electric loads of their homes or businesses.
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 facilitate the creation, tracking, trading and verification of New Jersey Behind the Meter RECs and SRECs, as well as the transition away from rebates to a more market-based program by supporting the entry into the REC/SREC market of RE and solar owners and installers.
4. RE Market Manager Transition Costs: The renewable energy market manager transition costs are the contractual costs associated with setting up the infrastructure necessary to deliver the programs. These costs were incurred in 2007 and no additional funds have been budgeted in 2008.
5. DEP Ecological Baseline Study: This budget will fund a study of the environmental impacts of off shore wind projects.

6. Renewable Energy Development Initiative: This proposed new program, to be managed by Staff, will provide incentives to large non-solar renewable energy projects. This proposed program replaces the RE Grants and Financing Program.
7. Manufacturing Incentive: The Manufacturing Incentive Program has been replaced by the Edison Fund.
8. RE Project Grants and Financing: The Renewable Energy Project Grants and Financing Program has been replaced by the Renewable Energy Development Initiative. The 2008 budget is to pay for incentive commitments made prior to program termination.
9. Renewable Energy Business Venture Financing: The Renewable Energy Business Venture Financing Program has been terminated. The 2008 budget is to pay for incentive commitments made prior to program termination.
10. Edison Fund: The Edison Fund is proposed to be administered by EDA to assist in the commercialization of energy efficiency and renewable energy technologies.
11. Clean Energy Technology Fund: The Clean Energy Technology Fund is proposed to be administered by EDA to attract renewable energy and energy efficiency manufacturers to New Jersey.
12. Offshore Wind Solicitation: The Offshore Wind budget covers a solicitation issued by the Board to provide incentives to offshore wind power projects.

The following sets out the proposed allocation of the 2008 renewable energy program budget to each of the program managers:

2008 Renewable Energy Program Budget by Program Manager

Renewable Energy Programs					
(All numbers = 000's)					
	Honeywell	OCE/EDA	Utilities	DEP	Total
Programs					
Customer On-Site Renewable Energy	\$143,989	\$0	\$0	\$0	\$143,989
Clean Power Choice	\$668	\$0	\$314	\$0	\$982
RE Certificates/SREC Pilot	\$1,139	\$520	\$0	\$0	\$1,659
RE Market Manager Transition Costs	\$0	\$0	\$0	\$0	\$0
DEP Ecological Baseline Study	\$0	\$0	\$0	\$2,000	\$2,000
Renewable Energy Development Initiative	\$0	\$4,163	\$0	\$0	\$4,163
Offshore Wind Solicitation	\$0	\$19,000	\$0	\$0	\$19,000
SUB-TOTAL Renewables	\$145,796	\$23,683	\$314	\$2,000	\$171,793
EDA PROGRAMS					
Manufacturing Incentive	\$0	\$0	\$0	\$0	\$0
RE Project Grants and Financing	\$0	\$4,463	\$0	\$0	\$4,463
Renewable Energy Business Venture Financing/REED	\$0	\$3,200	\$0	\$0	\$3,200
Clean Energy Technology Fund	\$0	\$3,000	\$0	\$0	\$3,000
Edison Fund	\$0	\$3,000	\$0	\$0	\$3,000
SUB-TOTAL EDA Programs	\$0	\$13,663	\$0	\$0	\$13,663
TOTAL Renewable Energy Programs	\$145,796	\$37,346	\$314	\$2,000	\$185,456
2008 Renewable Energy Funding					\$185,456

* 2008 Funding is subject to appropriations for FY July 1, 2008-June 30, 2009.

(a)=Offshore Wind Solicitation is an OCE-managed and administered program

The following sets out the proposed 2008 OCE Oversight budget recommended by the OCE and a brief description of the program:

2008 OCE Oversight Budget

(All numbers = 000's)	NJBPU	Estimated		New	Final
	Approved	2007	2007	2008	2008
	2007 Budget	Expenses	Carry Over	Funding	Budget
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)
Administration and Overhead					
OCE Staff and Overhead	\$3,000	\$2,251	\$749	\$1,751	\$2,500
Program Coordinator	\$1,500	\$1,500	\$0	\$1,675	\$1,675
Special Studies					
ACI Conference	\$125	\$125	\$0	\$0	\$0
Appliance Standards Rules	\$50	\$0	\$50	\$0	\$50
Sub-Total: Special Studies	\$175	\$125	\$50	\$0	\$50
Memberships-Dues					
Northeast Energy Efficiency Partnership Sponsorship	\$225	\$393	(\$168)	\$368	\$200
Clean Energy States Alliance	\$75	\$133	(\$58)	\$138	\$80
Consortium for Energy Efficiency	\$115	\$207	(\$92)	\$212	\$120
National Association of State Energy Officials	\$0	\$0	\$0	\$10	\$10
National Association of Regulatory Utility Commissioners (f)	\$0	\$0	\$0	\$5	\$5
Sub-Total: Memberships-Dues	\$415	\$733	(\$318)	\$733	\$415
Sub-Total: Administration and Overhead	\$5,090	\$4,609	\$481	\$4,159	\$4,640
Evaluation and Related Research					
Rutgers-CEEP	\$350	\$350	\$0	\$350	\$350
Summit Blue EE Market Assessment	\$30	\$30	\$0	\$0	\$0
Renewable Energy Market Assessment	\$400	\$400	\$0	\$565	\$565
Impact Evaluation	\$700	\$200	\$500	\$300	\$800
Funding Reconciliation	\$65	\$65	\$0	\$20	\$20
O&M Scoping Study/Online Academy	\$200	\$0	\$200	\$250	\$450
Other Studies/Job Training Pilot	\$100	\$147	(\$47)	\$447	\$400
Update Market Potential Studies	\$475	\$300	\$175	(\$25)	\$150
STAC- Residential AC Study	\$50	\$38	\$12	(\$12)	\$0
Process Evaluation	\$0	\$0	\$0	\$300	\$300
Northeast Energy Efficiency Partnership Scoping Study	\$0	\$0	\$0	\$300	\$300
Sub-Total: Evaluation and Related Research	\$2,370	\$1,530	\$840	\$2,495	\$3,335
Marketing and Communications					
Business Outreach	\$390	\$390	\$0	\$500	\$500
Energy Savings Campaigns	\$2,500	\$2,500	\$0	\$2,280	\$2,280
Renewable Energy Campaigns	\$2,500	\$2,500	\$0	\$0	\$0
Web Site	\$150	\$150	\$0	\$560	\$560
Annual report, marketing administration	\$280	\$130	\$150	(\$40)	\$110
Research	\$100	\$100	\$0	\$225	\$225
Outreach and Education/Community Partner Grants	\$975	\$353	\$622	(\$72)	\$550
Sub-Total: Marketing and Communications	\$6,895	\$6,123	\$772	\$3,453	\$4,225
TOTAL: Administration	\$14,355	\$12,262	\$2,093	\$10,107	\$12,200
2007 OCE Oversight Funding					\$12,200

* 2008 Funding is subject to appropriations for FY July 1, 2008-June 30, 2009.

(a) = Board approved 2007 budgets

(b) = Estimated 2007 expenses from 7&5 Report

(c) = 2007 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.

(d) = Level of new 2008 funding allocated to each program subject to State appropriations law.

(e) = 2007 carryover plus new 2008 funding.

(f) = The Office of Clean Energy is a member of NARUC's Committee on Energy Resources and the Environment

The Proposed 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, membership fees for regional and national trade groups that support the programs and special studies such as the distributed generation and energy storage project proposed by the OCE. 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 the Board's umbrella marketing campaign aimed at branding New Jersey's Clean Energy Program and promoting the benefits of energy efficiency and renewable energy.

At the December 20, 2007 agenda meeting, Staff recommended that within the 2008 OCE Oversight Budget a line item of \$250,000 for the Northeast Energy Efficiency Partnership membership and a line item of \$250,000 for a Northeast Energy Efficiency Partnership scoping study. The scoping study is proposed to evaluate the energy efficiency strategies and programs to develop the plan to achieve the New Jersey Energy Master Plan energy saving goals for 2020 in a cost effective and efficient manner through a best in class energy efficiency portfolio strategies to overcome market barriers across all market sectors. The Energy Efficiency Portfolio Strategies scoping study will also inform New Jersey's implementation of the requirements in the Global Warming Response Act P.L. 2007, c. 112 (N.J.S.A. 26:2C-37 et seq). Subsequent to the Staff's recommendation, the actual budgets for both the Northeast Energy Efficiency Partnership membership and scoping study have been submitted. In order to proceed with a request for a waiver through Treasury for the scoping study Staff is recommending a transfer of \$50,000 between these two line items so the Northeast Energy Efficiency Partnership membership will be reduced by \$50,000 from \$250,000 to \$200,000 and the Northeast Energy Efficiency Partnership scoping study will be increased by \$50,000 from \$250,000 to \$300,000. The total amount of the two line items will be the same after the \$50,000 line item transfers, the OCE oversight Budget and the total 2008 will remain the same.

CORE Budget Allocation

The Customer On-Site Renewable Energy Program provides rebates to customers that install renewable energy systems. The program is currently delivered by Honeywell as the renewable energy Market Manager.

In late 2005 and early 2006, applications for CORE rebates increased substantially. The Board took a number of steps including reducing rebate levels, imposing size limits on residential systems and tightening program participation standards to help manage the program to remain within the four year renewable energy funding level which was set by the Board by Order dated December 23, 2004, Docket No. EX04040276.

Over time, in various Orders, the Board established five rebate budget categories for the CORE Program as follows:

1. Less than or equal to 10 kW, private
2. Greater than 10 kW, private
3. Public, non-schools
4. Public, schools, K-12
5. SUNLIT

By Order dated February 13, 2006, Docket No. EO004121550, the Board directed Staff to hold all private sector applications for CORE rebates in queue until budgeted funds became available as a result of project cancellations or expirations or until additional funds were allocated to the CORE Program. Private sector applicants have been placed in queue since that time, with queues forming for the public school and public non-school categories earlier this year. Projects have been released from each of the queues and received rebate approval letters as additional funding became available.

A CORE budget report dated December 18, 2007 (see below) indicates that over \$120.4 million in rebate applications will remain in the queue after all of the remaining 2007 funding is committed. CORE budget reports are prepared by the Market Manager on a biweekly basis, posted on the Board's website, and distributed at the monthly Renewable Energy Committee meetings for discussion. The level of projects in the queue as of November 9, 2007, over \$126 million, significantly exceeds the level of 2008 funding available for the CORE program proposed herein. At the time the RE Committee initially met OCE estimated that the proposed CORE budget would include \$65 million for new project approvals. However, subsequent to the submittal of proposed budgets by the program managers, and based upon the budget recommendations included herein, Staff has revised that estimate downward to approximately \$57 million.

At the direction of the Board, Staff provided notice when establishing the CORE queues, and in subsequent posting of the CORE budget and queue lists, that placement in any queue was not a commitment of funding for a CORE rebate. Commitments for rebate were based on the availability of funds and the current CORE budget. Placement in a queue, after meeting the requirements for placement, was intended to establish a "place in line" for a rebate commitment should CORE funds become available. The proposed 2008 CORE budget is determined based upon the Board's December 23, 2004 Order, which set the funding level for 2008 at \$235 million; the allocation to renewable energy made from that amount; the carryover from prior years; existing commitments to CORE projects; and allocations to other renewable energy programs.

CORE Budget Report Dated December 18, 2007

Budget Categories	Revised 2007 Budget as Approved by the Board 8/1/07	Amount Paid 2007 YTD	2007 Remaining Budget	Outstanding Rebate Commitments	2007 Uncommitted Funds (Available For Additional Rebate Approvals)	Rebate \$ Amount In Queue	Amount Remaining In Queue after Committing Available Funds
	(A)	(B)	(C) = (A) - (B)	(D)	(E) = (C) - (D)	(F)	(G) = (F) - (E)
<=10kW Private	\$ 39,202,000	\$ 14,981,430	\$ 24,220,570	\$ 23,937,584	\$ 282,986	\$ 32,297,727	\$ 32,014,742
>10kW Private	\$ 62,500,000	\$ 30,813,937	\$ 31,686,063	\$ 29,518,037	\$ 2,168,026	\$ 76,300,787	\$ 74,132,761
Public- Non Schools	\$ 23,610,000	\$ 6,172,509	\$ 17,437,491	\$ 15,432,932	\$ 2,004,559	\$ 12,868,292	\$ 10,863,733
Public Schools K-12	\$ 16,900,000	\$ 4,981,026	\$ 11,918,974	\$ 10,643,170	\$ 1,275,804	\$ 4,718,983	\$ 3,443,179
SUNLIT	\$ 6,000,000	\$ 264,493	\$ 5,735,507	\$ 2,645,287	\$ 3,090,221	\$ 280,425	
Total All RE Projects	\$ 148,212,000	\$ 57,213,395	\$ 90,998,605	\$ 82,177,009	\$ 8,821,596	\$ 126,466,215	\$ 120,454,414

During the August, September, and October Renewable Energy Committee meetings Staff and the Market Managers presented and discussed several preliminary 2008 CORE budget allocations, as set forth in the table below. These various proposed allocations were distributed to the Renewable Energy Committee for comments by stakeholders.

OCE Preliminary 2008 CORE Budget Straw Proposal

(All numbers = 000's)	Presented to REC on 8/14/07		Presented to REC on 9/18/07		Presented to REC on 10/9/07		Revised Based Upon Feedback at REC Meeting on 10/9/07	
	Preliminary 2008 CORE Budget	% of 2008 CORE Budget	Preliminary 2008 CORE Budget	% of 2008 CORE Budget	Preliminary 2008 CORE Budget	% of 2008 CORE Budget	Preliminary 2008 CORE Budget	% of 2008 CORE Budget
Budget Category								
< 10 kw- non public	\$21,540	30.0%	\$38,054	53.0%	\$38,054	49.5%	\$27,000	37.6%
> 10 kw non public	\$14,360	20.0%	\$5,744	8.0%	\$0	0.0%	\$12,700	17.7%
Public - Non - schools	\$17,950	25.0%	\$14,360	20.0%	\$20,104	26.2%	\$15,600	21.7%
Public - Schools k-12	\$12,924	18.0%	\$8,616	12.0%	\$8,616	11.2%	\$5,000	7.0%
Sunlit (HMFA)	\$1,436	2.0%	\$1,436	2.0%	\$1,436	1.9%	\$3,000	4.2%
Inspections/other admin	\$3,590	5.0%	\$3,590	5.0%	\$3,590	4.7%	\$3,500	4.9%
New Wind & Biomass					\$5,000	6.5%	\$5,000	7.0%
Total	\$71,800	100%	\$71,800	100%	\$76,800	100%	\$71,800	100%

The RE Committee held a special meeting on October 31, 2007 to discuss the various options proposed for allocation of the 2008 CORE budget. The allocations were based upon OCE's estimate at that time that \$65 M in new funding would be available for funding rebates.

The following table summarizes the specific CORE budget allocation proposals that were submitted and discussed at the October 31st RE Committee meeting:

Proposed 2008 CORE Budget Allocation

(All numbers = 000's)	OCE Staff		Sun Farm Venture		Rate Counsel		Market Manager	
Budget Category	Preliminary 2008 CORE Budget	% of Budget	Preliminary 2008 CORE Budget	% of Budget	Preliminary 2008 CORE Budget	% of Budget	Preliminary 2008 CORE Budget	% of Budget
≤ 10 kw non-public	\$23,800	36.6%	\$29,000	44.6%	\$19,500	30.0%	\$25,695	39.5%
>10kW non-public	\$16,050	24.7%	\$13,700	21.1%	\$0	0.0%	\$12,086	18.6%
Public- Non Schools	\$14,250	21.9%	\$13,500	20.8%	\$24,375	37.5%	\$14,846	22.8%
Public Schools K-12	\$3,400	5.2%	\$5,000	7.7%	\$19,825	30.5%	\$4,758	7.3%
SUNLIT	\$2,750	4.2%	\$1,300	2.0%	\$1,300	2.0%	\$2,855	4.4%
Non-solar Projects	\$4,750	7.3%	\$2,500	3.8%	\$0	0.0%	\$4,758	7.3%
Total	\$65,000	100.0%	\$65,000	100.0%	\$65,000	100.0%	\$65,000	100.0%

(All numbers = 000's)	MSEIA ¹⁴		NJASBO and NJASA ¹⁵		New Jersey Solar Power	
Budget Category	Preliminary 2008 CORE Budget	% of Budget	Preliminary 2008 CORE Budget	% of Budget	Preliminary 2008 CORE Budget	% of Budget
≤10kW Private	\$30,600	47.1%	\$23,757	36.5%	\$32,000	49.2%
>10kW Private	\$10,300	15.8%	\$6,652	10.2%	\$12,000	18.5%
Public- Non Schools	\$13,400	20.6%	\$13,779	21.2%	\$5,000	7.7%
Public Schools K-12	\$6,500	10.0%	\$14,254	21.9%	\$9,000	13.8%
SUNLIT	\$1,400	2.2%	\$2,756	4.2%	\$3,000	4.6%
New Wind & Biomass	\$2,800	4.3%	\$3,801	5.8%	\$4,000	6.2%
Total	\$65,000	100.0%	\$65,000	100.0%	\$65,000	100.0%

The proposals varied according to the underlying principles prioritized in each. The allocation proposed by Sun Farm would maximize the number of projects that would receive a rebate approval. This proposal would pass over certain large projects in the queue so that more, smaller projects received a rebate approval. Rate Counsel believed that more of the funding should go to residential and public projects and proposed allocating no funding to >10 kW private projects.¹⁶ The allocation proposed by the Market Managers and Staff provided for no further rebates to projects greater than 100 kW, allocated sufficient funding to < 10 kW projects and public projects to cover all of the projects in those queues, and allocated the remaining funding to >10 kW private projects. Other stakeholders combined different allocations to achieve objectives similar to those sought to be achieved by Staff.

American Energy Technologies and Potter and Dickson proposed reallocating other SBC funds such as the accumulated nuclear decommissioning funds or increasing the Clean Energy portion of the SBC to fund projects in the queue. Further, American Energy Technologies commented that the BPU should monetize the demand reduction benefits of solar to fund the CORE rebates. Staff believes that these comments are beyond the scope of the 2008 annual program and budget approval process addressed in this Order. The CEP funding levels for 2005 through 2008 were determined after an extensive public process that resulted in the

¹⁴ Mid-Atlantic Solar Energy Industry Association

¹⁵ New Jersey Association of School Board Officials and New Jersey Association of School Administrators

¹⁶ As noted above, Rate Counsel subsequently changed its recommendation to include funding for greater than 10 kW projects which had been parties to a settlement with the Board regarding reinstitution in the greater than 10 kW queue.

Board's December 23, 2004 Order that set the funding level for 2008 at \$235 million. In addition, the rebates and SRECs are intended to capture various societal benefits such as reduced demand and emission reduction. In addition, SBC charges such as those for nuclear decommissioning were established in various rate cases and an alteration in these charges cannot be addressed in this proceeding. The changes suggested would require a detailed and separate proceeding, since they would impact rates. The same is true for the suggestion that a value be placed upon the demand reduction provided by solar energy.

Various commenters (Potter and Dickson, American Energy Technologies, Solar Power) also proposed reallocating unused EE funds to the CORE program. However, the December 23, 2004 Order also established the allocation for the 2008 energy efficiency and renewable energy budgets. Staff notes that in the early years of the program RE funds were significantly under-spent. Staff argued against allocating funds from RE to EE at that time based on the assumption that RE expenditures would increase as the new programs gained momentum. Staff believes that, just as the RE expenditures increased, EE expenditures will begin to increase as the new Market Managers commence efforts to increase program activity. Therefore, OCE recommends that the Board reject the proposal to allocate funds from EE to RE.

Several commenters (Potter and Dickson, American Energy Technologies, Solar Power) proposed reallocating some of the funding set aside for the offshore wind solicitation to the CORE program. The Board has issued a grant solicitation that offers up to \$19 million in incentives for offshore wind projects. Treasury requires that this level of funding be set aside and reserved for any projects awarded funding as a result of this solicitation. Therefore, Staff does not believe any of this funding can be reallocated at this time.

The President of Island Wind, by contrast, stated that solar projects received a disproportionate share of funding relative to wind projects, and suggested that funding be tied to how much production was received per investment dollar. Staff notes that wind energy is a relatively new market and that its funding needs will continue to be reassessed in future proceedings. In addition, Staff notes the greater availability of solar energy at times of peak electric demand.

Several commenters (Potter and Dickson, American Energy Technologies, Solar Power) proposed that the BPU should allow the various ratepayer classes to participate in the program in the way in which ratepayers contribute into the Societal Benefits Charges that funds the Clean Energy Program. These commenters asserted that past allocations had been based upon "soft-caps" and that these caps represented the proportional amount the various categories of rebate recipients had contributed to the SBC.

In Staff's view, this assertion reflects a misunderstanding of past allocation methodologies. There has been no past practice linking the soft caps to the contribution made by the various ratepayers to the SBC. Staff established the initial market segment budget allocation based on the proportion in which market segments were receiving CORE rebate funds at the time of initiating the soft caps. At that time, funds were being awarded primarily to projects of less than 10 kW. Since that initial allocation the CORE market has significantly changed, with more participation by projects greater than 10 kW and large public projects because of the increase in the federal investment tax credit for renewable energy installations. There have been several revisions to assist in implementing the Board's various policy directions, as noted in the table below.

CORE Allocation

Budget Category	2005 Budget		2006 Budget		2007 Budget	
	Budget	% of Budget	Budget	% of Budget	Budget	% of Budget
< 10 kw- non public	\$17,140	20%	\$42,120	29%	\$39,202	26%
> 10 kw non public	\$34,280	40%	\$69,053	47%	\$62,500	42%
Public - Non - schools	\$13,712	16%	\$13,712	9%	\$23,610	16%
Public - Schools k-12	\$20,568	24%	\$20,568	14%	\$16,900	11%
SUNLIT	\$0	0%	\$2,000	1%	\$6,000	4%
Total	\$85,700	100%	\$147,453	100%	\$148,212	100%

Furthermore, Staff notes that the SBC is utilized for energy efficiency for residential, low income and commercial and industrial customers in addition to renewable energy for all customer classes. In addition, the budget categories in the allocation include both public and private categories, and the private category is further sub-divided into the less than or equal to 10 kW systems and greater than 10 kW systems. These categories do not align with the categories of customer class which pay into the SBC. Finally, Staff believes that the need to address the competing policy goals herein identified takes priority over the proportional methodology advocated by these commenters.

In addition to the discussion at the October 31st meeting of the RE Committee, written comments on this topic were submitted by: Rate Counsel; EVCO Mechanical Corporation (EVCO); Brother Sun Solar; Solar Power; The Solar Center; Home Mortgage Finance Agency (HMFA); Sun Farm Network (Sun Farm); Jersey Solar, LLC (Jersey Solar); Eastern Energy Services.; American Energy Technologies; Island Wind; Pfister Energy; and Potter and Dickson.

The following summarizes comments and various proposals submitted by stakeholders.

Rate Counsel revised its recommendation to include \$1.2 million in the greater than 10 kW private budget to fund projects for a specific group of greater than 10 kW residential applicants whose installers had previously filed an appeal seeking a return to their position in the queue for greater than 10 kW projects following a Board order moving them to the less than 10 kW queue. Those installers subsequently reached a settlement with the Board returning them to their relative position in the greater than 10 kW queue. I/M/O Request of New Jersey Solar Power, LLC, et al., for the Immediate Action of the Board, Docket No. EO06110825 (March 2, 2007).

EVCO proposed fully funding all less than 10 kW private projects by reallocating funds from the greater than 10 kW private budget. Brother Sun Solar commented that the proposal to eliminate funding for the greater than 10 kW private projects is unfair and that no change in the percentage of funds allocated to any sector should be made after participants have signed into the program. Pfister Energy proposed that the Board should continue to allocate renewable energy funds based on ratepayer contributions. Both Solar Power and Pfister argued for fully funding projects in the greater than 10 kW queue. The Solar Center commented that most of the rebate money in the greater than 10 kW queue is linked to projects over 50 kW and that a modest amount of funding for projects less than 50 kW would clear out many of the oldest applicants in that queue.

HMFA supported the allocation to the SUNLIT projects proposed by the OCE. Sun Farm proposed to fund projects greater than 60 kW, but to provide incentives only for the first 60 kW. Jersey Solar supported this proposal. Eastern Energy Services proposed allocating almost all of the available funds to the less than 10 kW projects.

American Energy Technologies asserted that the budget development process is flawed, a procedural argument addressed below. American Energy Technologies also identified other sources of funding that it believed should be directed to CORE projects, including other RE and EE programs, and provided a specific allocation proposal based on its estimate of ratepayer contributions. Potter and Dickson recommended that the Board maintain the integrity of the "first in time/ first in right" policy rather than moving to an alternate allocation methodology.

Based on the above, Staff recommends the following:

The SUNLIT portion of the budget is for affordable housing projects managed by HMFA. HMFA has indicated it has a number of projects under development for which CORE applications will be submitted in 2007 or 2008. Staff's proposed 2008 funding level includes sufficient funding to allow approximately \$2.7 M in additional SUNLIT projects to be funded.

The CORE program has been dominated by solar projects for the past several years, with a very small percentage of the budget going to non-solar projects. Staff is aware of several wind and biomass projects under development and anticipates submission of CORE applications for these projects in 2008. In recognition of the need to encourage market development for non-solar projects, Staff proposes a 2008 budget of \$4.75 M to fund anticipated new non-solar CORE projects.

Staff's proposed funding level is sufficient to cover all public projects currently in the queue and to fund several projects that have received Board approval or are under review by the Staff. The Board has suspended acceptance of applications for solar rebates effective December 20, 2007 for private applications and effective April 1, 2008 for public applications. December 20 Order. Staff recommends that the remaining budget be allocated to the less than or equal to and greater than 10 kW private budgets in a manner that preserves the concept of "first in time, first in right." The Board recently adopted modifications to the SACP schedule intended to provide sufficient SREC incentives for most projects such that they can achieve a reasonable rate of return without a rebate. Decision and Order Regarding Solar Generation I/M/O The Renewable Energy Portfolio Standards, Docket No. E006100744 (December 6, 2007). The analysis set forth in that Order and documented in several reports prepared by Summit Blue during the proceeding which led up to the Order demonstrates that the economics of larger projects (100 kW and above) permit them to more readily take advantage of the Solar Renewable Energy Credit (SREC) financing approach. Providing a rebate for solar projects of this size would provide a significant windfall, financed by the ratepayer, to these projects. Therefore, Staff recommends that new rebate approvals for private projects in the greater than 10 kW queue be limited to the first 100 kW of a project, entitling a project of 100 kW or more to a rebate of \$245,000. This limitation of the capacity eligible for rebate will prevent over-subsidization of large projects should they recover both through the rebate and also through participation in the market for SRECs. Staff recommends that the same limitation be applied to public sector projects utilizing a private sector power purchase agreement

The table below shows the proposed allocation that results from OCE's recommendations discussed above:

2008 CORE Rebate Budget Allocation

(All numbers = 000's)	2008	% of 2008
	CORE	CORE
Budget Category	Allocation	Budget
≤ 10 kW- non public	\$41,305	29%
> 10 kW non public	\$40,648	29%
Public - Non - schools	\$34,403	24%
Public - Schools k-12	\$14,086	10%
Sunlit (HMFA affordable housing)	\$5,395	4%
Non-Solar Projects	\$4,750	3%
Total	\$140,587	100%
CORE Rebate Budget	\$140,587	

*2008 funding is subject to appropriations for Fiscal Year July 1 2008-June 30, 2009

Performance Incentives

The contracts for Market Manager Services, awarded to Honeywell and TRC pursuant to RFPs issued by Treasury, include provisions for each to earn performance incentives for achieving certain goals as set forth in the RFP/Contracts. Specifically, the RFP/Contracts included dollar amounts that could be earned for reaching certain goals specified in the RFP.

Staff has engaged in extensive discussions with the Market Managers to develop appropriate incentive goals for 2008. These discussions included consideration of historic trends in program activity, including the fact that the performance incentive in the first year of the contract were established based on 2005 CEP data and new programs have been established by the Board since then, participation in the C&I program has dropped off significantly in the past two years while participation in the CORE Program has increased significantly in the past two years. The goals included in the proposed performance incentives are reflective of these trends and new programs as well as the current CEP goals. The level of performance incentives proposed by Honeywell and TRC for 2008 is as follows: \$466,590 for the Residential Programs, \$365,650 for the C&I Programs, and \$339,516 for the Renewable Energy Programs. The total amount of the performance incentive is already included with the Honeywell and TRC contract for this year of the contract as approved by the Board.

The RFP and/or contracts provided that 67% of the available incentives were for energy savings and generation goals and that 33% of the incentives were for programmatic goals. The RFP and/or contracts also included a block structure that provided that 60% of the incentive would be earned for achieving from 100 to 119% of the goal, 80% for achieving 120 to 139% of the goal and 100% for achieving 140% of the goal or greater. OCE in establishing the performance incentive for the second year of the contract followed these guidelines that were already approved in the contract.

The proposed performance incentives, including specific dollar amounts and goals that must be achieved to earn an incentive, are included in the filings. OCE reviewed the initial performance incentives proposed by Honeywell and TRC with Applied Energy Group and national experts from the USDOE Lawrence Berkley Livermore Energy lab and negotiated numerous changes to

both. The changes better align the incentives with the Board's current goals for the programs. OCE has reviewed the revised proposed performance incentives, believes that they are consistent with the RFP/Contracts and recommends Board approval. However, subsequent to staff's recommendation, Treasury has indicated that the performance incentives may require an amendment to the contract.

Accordingly, in order to enable this Order to move forward, staff recommends that the issue of performance incentives be deferred at this time until Treasury and Staff can recommend an agreed upon procedure for processing the performance incentives.

Utility Netting of Program Expenses

By Order dated July 27, 2004, Docket No. EX03110945, et al., the Board authorized the utilities to net program expenses from payments due to the fiscal agent. Specifically, the Board stated at page 8 of the Order "such that the utilities will not be required to submit invoices to be paid by the fiscal agent for recovery of Clean Energy Program costs. Alternatively, the utilities will continue to utilize current cost recovery methodologies which include deduction of monthly program expenses from monthly regular payments due to the fiscal agent..."

Based on a recommendation included in an audit of the Trust Fund performed by the Office of Legislative Services, Treasury has recommended that the Board cease allowing the utilities to net program expenses from payments due to the Trust Fund.

By email dated November 21, 2007, the utilities submitted to Staff a draft scope of work and proposed pricing schedule for implementing the Comfort Partners Program and for supporting the Clean Power Choice Program as set out in their 2008 program and budget filing. On December 3, 2007 a meeting was held between Staff, Treasury and the utilities, and a revised scope of work and pricing schedule is being prepared by the utilities for submittal to Treasury. Staff anticipates that it will present the proposed scope of work and pricing schedule to the Board at a subsequent Agenda meeting. Upon approval by the Board and Treasury, Treasury anticipates issuing a waiver that will permit the utilities to invoice the Trust Fund for recovery of expenses incurred in delivering these programs.

At the December 20, 2007 Agenda meeting, Staff recommended that the Board direct the utilities to cease netting program expenses from payments due to the Trust Fund commencing the first of the month following the issuance of the waiver by Treasury. Staff's recommendation was approved by the Board at this Agenda meeting. The Board's December 23, 2004 Order includes a monthly schedule that sets out the payment due to the Trust Fund for each utility for each month in 2008. OCE recommends that the Board direct the utilities to submit such payments to the Trust Fund by the 20th of the month for which the payment is due, or by the next business day after the 20th if the 20th falls on a weekend or holiday.

Staff's discussions with Treasury regarding the waiver issue are ongoing. However, subsequent to the Board's consideration of this matter at its December 20, 2007 agenda meeting, and prior to the issuance of this final Order, P.L. 2007, c. 340, was enacted (January 13, 2008). P.L. 2007, c.340 ("RGGI"). The RGGI Act provides that an electric or gas public utility may offer Class I RE programs on a regulated basis in accordance with the Act. RGGI provides similar authorization with regard to EE and conservation programs.

Procedural Issues

The law firm of Potter and Dickson, counsel for NJ Solar Power, LLC, NJ Solar Solutions, Inc., and Garden State Power, raised a number of procedural issues in its letters dated November 30, 2007, October 31, 2007, October 11, 2007, and September 24, 2007.

In its November 30th letter, Potter and Dickson asserted that "there has not been adequate or proper notice given," but submitted comments under objection and requested that "these comments be considered timely filed." The process for adopting the 2008 Clean Energy Program and Budget has included ongoing and open discussions for more than six months with monthly stakeholder meetings of the Energy Efficiency and Renewable Energy committees of the Clean Energy Council. Committee meetings were held on June 12th, July 17th, August 14th, September 18th, October 9th, October 31st, and November 13th. On November 8, 2007, the 2008 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 November 27th meeting of the CEC and a request for written comments on the plan filings by November 30, 2008. At each of these meetings, the market managers, Honeywell and TRC, discussed proposed changes to the programs and budgets and solicited comments from the participants.

The process, as set forth above, has provided participants with multiple opportunities for comment as evidenced by the record, which includes comments from participants at various points in the process as well as prior comments from Potter and Dickson dated September 24th, October 11th, and October 31st, as well as the consideration of such comments provided herein. Honeywell also circulated its draft Program Filing to the Renewable Energy service list with a request for comments, which were accepted until October 22, 2007. All meetings are noticed and open to participation by any interested stakeholders. In addition, the Compliance Filings were discussed at the November 13th committee meeting and again on November 27th at the CEC meeting. The Board has given careful consideration to all comments prior to taking action on this matter at its Special Agenda Meeting on December 20, 2008.

Potter and Dickson recommend in its November 30th letter that

[t]he Board should not adopt the Honeywell document as the CRA [Comprehensive Resource Analysis] or as the basis for making dramatic changes to the RE program. The Board should - if it wishes to proceed further- announce at the December 8th [sic] meeting that it will commence a CRA update proceeding during which the Honeywell document and its authors will be subject to cross examination and rebuttal testimony. This is the process followed by the Board in adopting the first Comprehensive Resource Analysis in 2001.

This recommendation is based on the incorrect assertion that the Honeywell document is intended to be a Comprehensive Resource Analysis ("CRA"). The Honeywell document is captioned: "Residential Efficiency and Renewable Energy Program Plans for 2008." It is not intended to be a CRA and will not be adopted by the Board as such in this proceeding. Instead, the Board will adopt in this proceeding the Clean Energy Program and Budget for 2008 pursuant to the CRA conducted in 2004, which established budget amounts for each of the four years in the 2005-2008 CRA cycle. See supra Procedural History pp. 1-4. Consistent with the statutory requirements of the Electric Discount and Energy Competition Act of 1999, the Board will conduct the next CRA for the 2009-2012 cycle during 2008.

In addition, the commenter recommends that the Board carefully specify the role of Honeywell as a Market Manager and clarify the functions of various entities, including the two advisory groups, REC and CEC, as they relate to the Board's functions as the agency head and decision-maker. Specifically, in its November 30th letter, Potter and Dickson commented that

Honeywell is also, or has been, a market participant in these areas. And it now appears that Honeywell is wearing too many "hats" in these processes. It was the general understanding that Honeywell and its subsidiary, Conservation Services Group ("CSG") are under contract to the Board to act as "market managers" for the dispensing of rebates and general support and management of funding for RE and EE programs as promulgated by the Board. . . .

[I]t now appears that Honeywell is also serving as the source of major policy development proposals for the Board. If this impression is correct, then there appears to be a great risk of conflicts of interest and commingling of incompatible and competing functions.

Pursuant to a Request for Proposals issued on September 6, 2005, the Board voted to approve the Treasury Evaluation Committee's recommendation that Honeywell be awarded the contract for Market Manager services in the renewable energy market on September 27, 2006. The Market Manager is charged with periodically reviewing the programs in order to modify and improve those programs. As noted above, the scope of services set forth in the approved contract includes facilitating the development and revision of programs and program budgets in conjunction with the Program Coordinator, OCE, CEEEP, and CEC. The Clean Energy Council is open to any member of the public and provides for public stakeholder input on clean energy issues. As noted earlier, stakeholders were also afforded the opportunity to submit written comments which have been carefully considered by the Board. The Renewable Energy and Energy Efficiency committees of the CEC meet monthly with Staff, Market Managers, and the Program Coordinator to discuss specific RE and EE matters arising in the course of the implementation of the Board's Clean Energy Program. These meetings are open to participation by any member of the public.

Treasury anticipated the potential for conflicts of interests in instances where Honeywell may be both the market manager and a market participant. As a result, Treasury required the following provision of the contract with Honeywell:

To be awarded a contract, Honeywell must agree to divorce itself from the application and approval process related to any system installed by Honeywell, its affiliates, its subcontractors or the affiliates of its subcontractors. Honeywell must notify the Program Coordinator and the BPU Contract Manager of any system that it, its affiliates, its subcontractors or the affiliates of its subcontractors intend to install. From that point on, the processing of any application, the inspection of any system and the approval of any incentive payment will be the BPU's responsibility. Honeywell must agree that it will have nothing to do with processing, inspecting or approving an incentive payment for any system that Honeywell, its affiliates, its subcontractors or the affiliates of subcontractors install.

By letter dated May 31, 2006, Honeywell agreed to these provisions. Therefore, the contract separates Honeywell the Market Manager from Honeywell the market participant.

Potter and Dickson further state in its November 30th letter that if the Board believes that another process, such as a rulemaking, may substitute for a CRA process then it should follow through with a rulemaking consistent with the Administrative Procedure Act ("APA"). As noted above, the 2008 Program and Budget Compliance Filing is not the CRA process required by EDECA every fourth year. Accordingly, neither the statutorily prescribed process set forth in EDECA, see N.J.S.A. 48:3-60a(3), nor a substitute process, such as the commenter's suggested rulemaking, is applicable to the 2008 Program and Budget Compliance Filing.

In its September 24th letter, Potter and Dickson also comments on rulemaking and, after a detailed discussion of the rulemaking requirements, conclude that "the proposed OCE recommendation to 'de-fund' >10kW projects is a proposed regulation that must comport with all the procedures set forth in the APA." This assertion is based on the incorrect assumption that staff proposes to "de-fund" CORE projects greater than 10kW. Staff's recommended 2008 CORE Rebate Budget Allocation does not "de-fund" greater than 10kW projects, but allocates \$40,648,000 to such projects in addition to the SREC incentives available to such projects. Thus, the commenter's recommended rulemaking is not applicable to the facts of this proceeding.¹⁷

Finally, in its October 11th and October 31st letters, Potter and Dickson raises concerns about the impact on solar companies that agreed to a Stipulation with the Board on March 2, 2007 in BPU Docket No. EO06110825. Specifically, the commenter asserts in its October 11th letter that

[The solar companies] entered into that agreement because of assurances that these projects - which at that time numbered approximately 108 - [would] be returned to their "status quo ante" positions awaiting rebates. As such, they were to receive funding in the next budget cycle as more funding became available and at the rebate levels in effect at the time they submitted their application to OCE - i.e., prior to the imposition of a retroactive rebate cutoff for projects of 10kW or greater.

As discussed above, Staff recommends the allocation of funds to the CORE private projects, both less than or equal to 10kW and greater than 10kW, in a manner that preserves the concept of "first in time, first in right." Accordingly, the "status quo ante" of the parties, subject to the Board's March 2nd Order in Docket No. EO06110825, remains unaffected by this proceeding. Ultimately, the issuance of rebates to projects in each of the queues has been and still remains subject to the availability of funds.

DISCUSSION

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 proposed programs and budgets set out in the program filings. Staff, in conjunction with these contractors, has held public meetings to receive comments and input into

¹⁷ It is noted that the comments with regard to Renewable Portfolio Standard rulemaking have been considered in: I/M/O Renewable Energy Portfolio Standards – Alternative Compliance Payments and Solar Alternative Compliance Payments, BPU Docket No. EO06100744.

the development of the proposed 2008 programs and budget. Staff has considered the extensive public stakeholder input received, as well as the comments of the Market Managers and Program Coordinator. Staff believes the proposed programs and budgets, as discussed above, will deliver significant benefits to the State. Therefore, Staff recommends approval of the 2008 program and budget filings as discussed above.

In its January 2, 2008 Summary Order in this docket, the Board stated that it had reviewed Staff's recommendations regarding the 2008 program and budget filings submitted by OCE, Honeywell, TRC, and the utilities, as well as comments submitted by other stakeholders. As a threshold matter, the Board has carefully considered the procedural issues raised by the commenter(s) and for the reasons set forth above, **FINDS** that the process utilized to adopt the 2008 Programs and Budget, as well as the other determinations set forth herein, to be appropriate and has provided stakeholders the opportunity to make comments and for the Board to carefully consider all such comments. The Board **FINDS** Staff's recommendations, as discussed above, to be reasonable. Therefore, the Board **HEREBY APPROVES** the revised 2008 program and budget filings filed by OCE, Honeywell, except for the removal of the REDI program from the Honeywell filing as set forth below, TRC and the utilities, consistent with Staff's recommendations and as set forth in the tables above, attached as Appendix 2.¹⁸ The Board **APPROVES** the budgets for DEP, EDA, and DCA set out in the tables above subject to review and approval of an MOA and program filing with each Department.¹⁹ The Board **HEREBY AFFIRMS** the approvals in its January 2, 2008 Summary Order for the reasons set forth below, except for the removal of the REDI program from the Honeywell filing as set forth below.

The Board now **DIRECTS** Staff to work with TRC to change the name of the Schools Energy Education Program to Teaching Energy Awareness with Children's Help (TEACH). The Board further **DIRECTS** Staff to work with the Market Managers, with review by the public, to finalize application forms and website and make other changes necessary to implement the changes ordered herein. The Board **DIRECTS** Staff to finalize the MOAs necessary to implement these programs with DEP, DCA and EDA and to submit these MOAs and the associated compliance filings to the Board for approval. In addition, the Board **DIRECTS** the Market Managers not to make commitments that exceed such encumbrance limits. The 2008 budgets adopted here incorporate sufficient funding to accrue all existing commitments subject to State appropriations law.

The Board **HEREBY DIRECTS** the utilities to continue delivering the Comfort Partners Program and supporting the Clean Power Choice Program as set out in their revised 2008 program and budget filing. The Board anticipates consideration of a proposed scope of work and pricing schedule for the utility programs and will consider the competitive services issue by subsequent Order. Given the recent enactment of P.L. 2007, c. 340, the Board **DIRECTS** Staff to determine what impact, if any, the legislation may have on the issue of netting and the need for the utilities to obtain a waiver from Treasury in order to be reimbursed for program costs and to report back to the Board at the Board's April 30, 2008 agenda meeting.

The Board **AUTHORIZES** the utilities to continue utilizing deferred accounting, through the SBC, for NJCEP revenues and expenses as set out in previous Orders of the Board. The Board will consider any rate making issues related to recovery of CEP expenses proposed by the utilities at a future meeting.

¹⁸ 2008 Funding Level; 2008 EE Program Budget; 2008 RE Program Budget; 2008 Oversight Budget

¹⁹ 2008 EE Program Budget and RE Program Budget.

As noted above, the utilities have requested that the Board require participation in either the Comfort Partners Program or the DCA Weatherization Assistance Program in order to be eligible to receive monthly USF subsidy and arrears forgiveness. The Board requires additional time to consider this request and will address it in a future Order.

The Board has reviewed the proposed performance incentives, as discussed above and as revised, and **APPROVES** Staff's recommendation to defer action on performance incentives until Treasury and Staff recommend an agreed upon procedure for processing the performance incentives. The Board **DIRECTS** Staff to report on the status of resolution of this issue at the Board's April 8, 2008 agenda meeting.

The Board has reviewed Staff's recommendation that the threshold for approval by the Board of incentives for the installation of energy efficiency measures be raised from greater than (>) \$50,000 to greater than (>) \$100,000. In light of the increase in the cap on C&I program rebates from \$100,000 to \$200,000, and the anticipated increase in applications for rebates in amounts greater than \$50,000 and less than \$100,000, as well as the standardized nature of these rebate applications, the Board **FINDS** that the proposed change is reasonable and therefore **HEREBY APPROVES** this change.

The Board has reviewed the statewide budgets compiled by Staff and the proposed line item transfer recommended by Staff. The Board **FINDS** the proposed line item transfer to be reasonable and appropriate. Therefore, the Board **HEREBY APPROVES** the line item transfer and 2008 budgets set out in the tables above which reflect Staff's final recommendations.

The Board **FINDS** that including minimum requirements for program administration in program filings is no longer necessary for those programs delivered by vendors operating under contracts which include minimum requirements to earn performance incentives and **HEREBY APPROVES** elimination of that requirement for programs delivered by vendors.

The Board notes the wide range of comments and proposed allocations received on the subject of the 2008 budget for the CORE program. Some parties have proposed funding solutions premised upon the elimination of funding for other market segments, but the Board seeks to balance the interests of the various program participants and to provide rebates in accordance with the different parties' needs and within the constraints of the budget and consistent with program goals. The Board concurs with Staff's proposal regarding allocation of the CORE budget. The Board **FINDS** that, given the recent decision to modify the SACP, private projects over 100 kW can now more readily take advantage of the SREC financing approach and no longer require a rebate for capacity over 100 kW. The Board further **FINDS** that providing a rebate for such capacity has the potential to result in incentives in excess of the amount necessary to make such projects economic. Furthermore, while each project of 100 kW or greater will receive a rebate of \$245,000, this decision allows rebates to reach far more projects rather than would have occurred without the 100 kW limitation. This limitation applies to public sector projects utilizing a private sector power purchase agreement. This decision also provides full funding for those entities subject to the settlement approved in I/M/O Request of New Jersey Solar Power, LLC, et al., for the Immediate Action of the Board, Docket No. EO06110825 (March 2, 2007) because none of those projects were 100kW or greater. The Board **HEREBY APPROVES** the CORE Rebate Budget Allocation recommended by Staff set out in the table above and in Appendix 2 and **FURTHER APPROVES** the approval of projects remaining in queue on a first in time basis. With this decision, the Board shall continue to

award rebates based on the principle of first in time, first in right. I/M/O Office of Clean Energy Customer On-Site Renewable Energy (CORE) Program: Order Authorizing Program Procedure Changes, Docket No. EO04121550 (March 22, 2006).

The Board has reviewed Staff's recommendations that Honeywell be required provide further appropriate documentation affirming that Honeywell, the Contract Market Manager, its affiliates, its subcontractors and/or the affiliates of its subcontractors are not: the applicant for a CORE rebate, the recipient of a CORE rebate nor the entity performing the installation of the system related to the CORE application. The Board **HEREBY APPROVES** Staff's recommendation that Honeywell provide further appropriate documentation in connection with all CORE applications that Honeywell has been involved with as the Contract Market Manager.

The Board has reviewed Staff's recommendation that Honeywell be required to submit further appropriate documentation to insure that there is not a commingling of its contract market manager function with the market participant activities of Honeywell and its affiliates and subcontractors. Staff further recommends that the Board's approval of the portions of this Order that relate to Honeywell be conditioned upon receipt of such further appropriate documentation from Honeywell in a form acceptable to the Board. After careful consideration the Board **HEREBY APPROVES** Staff's recommendation requiring that Honeywell submit further appropriate documentation and that the portions of this Order which relate to Honeywell be conditioned upon receipt of such documentation in a form satisfactory to the Board.

The Board has determined that the REDI program should be removed from Honeywell's Program Plan Filing. In reaching this decision, the Board carefully considered the scope of work which, as proposed by the market manager, would include Honeywell's involvement in developing and issuing a competitive solicitation for eligible Class I resources, establishing a proposal review committee and selecting winning proposals. Honeywell was provided an opportunity to explain how it proposed to perform as market manager with respect to the REDI program while its other business units sought to be involved as market participants. After careful consideration, the Board concludes that in order to avoid any appearance of a conflict and to avoid any potential for an actual conflict that the proposed REDI program should be removed from Honeywell's 2008 Program Plan and Budget filing and requested contract modifications and that the REDI program should be developed by the Board Staff until such time as Board Staff can develop an alternative contracting mechanism

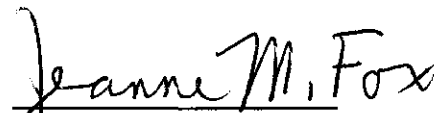
After careful consideration, the Board **HEREBY DIRECTS** the removal of the REDI program from the Renewable Energy Market Manager's 2008 Program Plan and Budget and from its requested contract modifications. The Board **HEREBY CONCLUDES** that Board Staff shall develop this program until such time as Board Staff can develop an alternative contracting mechanism.

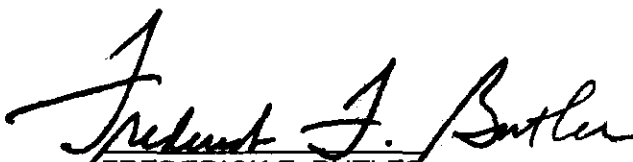
Contract Modifications and Protocols for Measuring Energy Savings

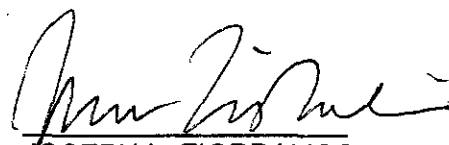
Honeywell and TRC included in their respective 2008 program and budget filings proposed contract modifications needed to implement the program and budget modifications approved herein and proposed protocols for measuring energy savings and renewable energy generation. Due to time constraints OCE was unable to finalize review of these components of the filings. OCE intends to provide the Board with recommendations regarding proposed contract modifications and protocols for measuring energy savings at a future agenda meeting.

DATED: 3/31/08

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

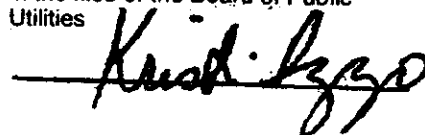

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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



Appendix 1 – 2008 Program and Budget Filings

The following includes the web addresses where each of the revised 2008 program and budget filings approved herein can be downloaded:

1. Honeywell
2. TRC
3. OCE
4. Utilities

Utilities- [http://nj.gov/bpu/agenda/orders/12-20-07-8 Autilities.pdf](http://nj.gov/bpu/agenda/orders/12-20-07-8%20Utilities.pdf)

Honeywell- [http://nj.gov/bpu/agenda/orders/12-20-07-8 Ahw.pdf](http://nj.gov/bpu/agenda/orders/12-20-07-8%20Hw.pdf)

TRC- [http://nj.gov/bpu/agenda/orders/12-20-07-8 Atrc.pdf](http://nj.gov/bpu/agenda/orders/12-20-07-8%20Trc.pdf)

OCE- [http://nj.gov/bpu/agenda/orders/12-20-07-8 Aoce.pdf](http://nj.gov/bpu/agenda/orders/12-20-07-8%20Oce.pdf)

Appendix 2 – Tables setting out Funding Level and Budgets Approved by Board

2008 Funding Level									
	New	Line Item	Line Item	Other	Revised	Estimated			2008 Funding
(all \$000)	2008	Transfers	Transfers	Anticipated	New 2008	2007	2008	Estimated	Less
	Funding	To	From	Funding	Funding	Carryover	Funding	Commitments	Commitments
	(a)	(b)	(c)	(d)	(e)=(a)+(b)-(c)+(d)	(f)	(g)=(e)+(f)	(h)	(i)=(g)-(h)
Energy Efficiency	\$119,700	\$0	\$0	\$10,600	\$130,300	\$63,519	\$193,819	\$65,152	\$128,667
Renewable Energy	\$91,800	\$13,393	\$0	\$0	\$105,193	\$80,263	\$185,456	\$131,103	\$54,353
OCE Oversight	\$23,500	\$0	(\$13,393)	\$0	\$10,107	\$2,093	\$12,200	\$0	\$12,200
Total	\$235,000	\$13,393	(\$13,393)	\$10,600	\$245,600	\$145,875	\$391,475	\$196,255	\$195,220

(a) = 2008 funding levels from December 23, 2004 Board Order

(b) = line item transfers added to new funding

(c) = line item transfers subtracted from new funding

(d) = anticipated JCP&L settlement funding

(e) = new 2008 funding, plus line item transfers to, less line item transfers from, plus other anticipated funding

(f) = estimated 2007 carry over from 7 & 5 Report

(g) = new funding, plus line item transfers, plus estimated carry over, plus other anticipated funding subject to State appropriations law

(h) = estimated program commitments as of December 31, 2007

(i) = 2008 estimated funding levels less program commitments, as of December 31, 2007 subject to State appropriations law

2008 Energy Efficiency Program Budget

Energy Efficiency Programs (All numbers = 000's)	NJBPU	Estimated		New	Final	Committed
	Approved	2007	2007	2008	2008	
Programs	2007 Budget	Expenses	Carry Over	Funding	Budgets	Expenses
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)
Residential EE Programs						
Residential HVAC - Electric & Gas	\$17,759	\$12,959	\$4,800	\$12,570	\$17,370	\$0
Residential New Construction	\$27,678	\$21,368	\$6,312	\$29,317	\$35,629	\$25,630
Energy Efficient Products	\$11,083	\$5,593	\$5,490	\$13,710	\$19,200	\$4,570
Home Performance with Energy Star	\$7,368	\$4,014	\$3,354	\$5,902	\$9,256	\$0
Residential Low Income	\$27,408	\$24,424	\$2,984	\$27,294	\$30,278	\$0
Comfort Partners	\$20,175	\$21,940	(\$1,765)	\$27,294	\$25,529	\$0
DCA Weatherization	\$6,933	\$2,484	\$4,449	\$0	\$4,449	\$0
Weatherization Rehabilitation and Asset Preservation (WRAP)	\$300	\$0	\$300	\$0	\$300	\$0
Community Based Efficiency Initiative	\$0	\$0	\$0	\$345	\$345	\$0
DCA Green Homes	\$1,600	\$0	\$1,600	(\$1,600)	\$0	\$0
Energy Conservation Kits	\$200	\$523	(\$323)	\$323	\$0	\$0
Residential Market Manager Transition Costs	\$986	\$893	\$93	(\$93)	\$0	\$0
Utility Residential Program Transition Costs	\$0	\$0	\$0	\$0	\$0	\$0
Sub Total Residential	\$94,082	\$69,772	\$24,310	\$87,768	\$112,078	\$30,200
C&I EE Programs						
Commercial/Industrial Construction	\$35,068	\$15,739	\$19,329	\$16,404	\$35,733	\$18,552
C&I New Construction	\$4,000	\$2,079	\$1,921	\$2,861	\$4,782	\$2,411
C&I Retrofit	\$26,068	\$12,233	\$13,835	\$13,389	\$27,224	\$14,100
New School Construction & Retrofit	\$5,000	\$1,427	\$3,573	\$154	\$3,727	\$2,041
CHP	\$7,857	\$2,516	\$5,341	\$5,267	\$10,608	\$6,400
Municipal Audit	\$1,000	\$400	\$600	\$400	\$1,000	\$0
Direct Install	\$4,000	\$100	\$3,900	\$100	\$4,000	\$0
Pay-for Performance	\$3,000	\$100	\$2,900	\$3,100	\$6,000	\$0
School Energy and Education Pilot	\$0	\$0	\$0	\$400	\$400	\$0
C&I Market Manager Transition Costs	\$380	\$380	\$0	\$0	\$0	\$0
Utility C&I Program Transition Costs	\$0	\$0	\$0	\$0	\$0	\$0
Sub Total C&I	\$51,305	\$19,235	\$32,070	\$25,671	\$57,741	\$24,952
Other EE Programs						
Special Studies	\$2,000	\$0	\$2,000	(\$1,000)	\$1,000	\$0
Cool Cities	\$6,736	\$6,736	\$0	\$4,000	\$4,000	\$0
State of NJ Statewide EE Projects	\$4,500	\$0	\$4,500	\$5,500	\$10,000	\$10,000
Utility Program Transition Costs	\$1,082	\$443	\$639	(\$639)	\$0	\$0
Clean Energy Technology Fund	\$0	\$0	\$0	\$9,000	\$9,000	\$0
Sub Total Other Energy Efficiency Programs	\$14,318	\$7,179	\$7,139	\$16,861	\$24,000	\$10,000
Total Energy Efficiency	\$159,705	\$96,186	\$63,519	\$130,300	\$193,819	\$65,152
Final 2008 Energy Efficiency Funding*					\$193,819	

*2008 funding is subject to appropriations for Fiscal Year July 1 2008-June 30, 2009

(a) = Board approved 2007 budgets

(b) = Estimated 2007 expenses from 7&5 Report

(c) = 2007 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.

(d) = Level of new 2008 funding allocated to each program subject to State appropriation law.

(e) = 2007 carryover plus new 2008 Funding.

(f) = committed expenses anticipated to be paid in 2008 or 2009 subject to State appropriation law.

2008 Renewable Energy Program Budget

Renewable Energy Programs (All numbers = 000's)	NJBPU	Estimated		New	Final	Committed
	Approved	2007	2007	2008	2008	
Programs	2007 Budget	Expenses	Carry Over	Funding	Budget	Expenses
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)
Customer On-Site Renewable Energy	\$151,712	\$91,958	\$59,754	\$84,235	\$143,989	\$121,440
Clean Power Choice	\$935	\$716	\$219	\$763	\$982	\$0
RE Certificates/SREC Pilot	\$842	\$313	\$529	\$1,130	\$1,659	\$0
RE Market Manager Transition Costs	\$606	\$606	\$0	\$0	\$0	\$0
DEP Ecological Baseline Study	\$2,000	\$0	\$2,000	\$0	\$2,000	\$2,000
Renewable Energy Development Initiative	\$0	\$0	\$0	\$4,163	\$4,163	\$0
Offshore Wind Solicitation (g)	\$0	\$0	\$0	\$19,000	\$19,000	\$0
SUB-TOTAL Renewables	\$156,095	\$93,593	\$62,502	\$109,291	\$171,793	\$123,440
EDA PROGRAMS						
Manufacturing Incentive	\$4,000	\$33	\$3,967	(\$3,967)	\$0	\$0
RE Project Grants and Financing	\$10,400	\$1,461	\$8,939	(\$4,476)	\$4,463	\$4,463
Renewable Energy Business Venture Financing/REED	\$5,000	\$145	\$4,855	(\$1,655)	\$3,200	\$3,200
Clean Energy Technology Fund	\$0	\$0	\$0	\$3,000	\$3,000	\$0
Edison Fund	\$0	\$0	\$0	\$3,000	\$3,000	\$0
SUB-TOTAL EDA Programs	\$19,400	\$1,639	\$17,761	(\$4,098)	\$13,663	\$7,663
TOTAL Renewable Energy Programs	\$175,495	\$95,232	\$80,263	\$105,193	\$185,456	\$131,103
2008 Renewable Energy Funding*					\$185,456	

*2008 Funding is subject to appropriations for FY July 1, 2008-June 30, 2009

(a) = Board approved 2007 budgets

(b) = Estimated 2007 expenses from 7&5 Report

(c) = 2007 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.

(d) = Level of new 2008 funding allocated to each program subject to State appropriation law.

(e) = 2007 carryover plus new 2008 Funding.

(f) = committed expenses anticipated to be paid in 2008 or 2009, subject to State appropriation law.

2008 CORE Rebate Budget Allocation

(All numbers = 000's)	2008	% of 2008
	CORE	CORE
Budget Category	Allocation	Budget
≤ 10 kW- non public	\$41,305	29%
> 10 kW non public	\$40,648	29%
Public - Non - schools	\$34,403	24%
Public - Schools k-12	\$14,086	10%
Sunlit (HMFA affordable housing)	\$5,395	4%
Non-Solar Projects	\$4,750	3%
Total	\$140,587	100%
CORE Rebate Budget	\$140,587	

2008 OCE Oversight Budget

(All numbers = 000's)	NJBPU	Estimated		New	Final
	Approved	2007	2007	2008	2008
	2007 Budget	Expenses	Carry Over	Funding	Budget
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)
Administration and Overhead					
OCE Staff and Overhead	\$3,000	\$2,251	\$749	\$1,751	\$2,500
Program Coordinator	\$1,500	\$1,500	\$0	\$1,675	\$1,675
Special Studies					
ACI Conference	\$125	\$125	\$0	\$0	\$0
Appliance Standards Rules	\$50	\$0	\$50	\$0	\$50
Sub-Total: Special Studies	\$175	\$125	\$50	\$0	\$50
Memberships-Dues					
Northeast Energy Efficiency Partnership Sponsorship	\$225	\$393	(\$168)	\$418	\$250
Clean Energy States Alliance	\$75	\$133	(\$58)	\$138	\$80
Consortium for Energy Efficiency	\$115	\$207	(\$92)	\$212	\$120
National Association of State Energy Officials	\$0	\$0	\$0	\$10	\$10
National Association of Regulatory Utility Commissioners (f)	\$0	\$0	\$0	\$5	\$5
Sub-Total: Memberships-Dues	\$415	\$733	(\$318)	\$783	\$465
Sub-Total: Administration and Overhead	\$5,090	\$4,609	\$481	\$4,209	\$4,690
Evaluation and Related Research					
Rutgers-CEEPP	\$350	\$350	\$0	\$350	\$350
Summit Blue EE Market Assessment	\$30	\$30	\$0	\$0	\$0
Renewable Energy Market Assessment	\$400	\$400	\$0	\$565	\$565
Impact Evaluation	\$700	\$200	\$500	\$300	\$800
Funding Reconciliation	\$65	\$65	\$0	\$20	\$20
O&M Scoping Study/Online Academy	\$200	\$0	\$200	\$250	\$450
Other Studies/Job Training Pilot	\$100	\$147	(\$47)	\$447	\$400
Update Market Potential Studies	\$475	\$300	\$175	(\$25)	\$150
STAC- Residential AC Study	\$50	\$38	\$12	(\$12)	\$0
Process Evaluation	\$0	\$0	\$0	\$300	\$300
Northeast Energy Efficiency Partnership Scoping Study	\$0	\$0	\$0	\$250	\$250
Sub-Total: Evaluation and Related Research	\$2,370	\$1,530	\$840	\$2,445	\$3,285
Marketing and Communications					
Business Outreach	\$390	\$390	\$0	\$500	\$500
Energy Savings Campaigns	\$2,500	\$2,500	\$0	\$2,280	\$2,280
Renewable Energy Campaigns	\$2,500	\$2,500	\$0	\$0	\$0
Web Site	\$150	\$150	\$0	\$560	\$560
Annual report, marketing administration	\$280	\$130	\$150	(\$40)	\$110
Research	\$100	\$100	\$0	\$225	\$225
Outreach and Education/Community Partner Grants	\$975	\$353	\$622	(\$72)	\$550
Sub-Total: Marketing and Communications	\$6,895	\$6,123	\$772	\$3,453	\$4,225
TOTAL: Administration	\$14,355	\$12,262	\$2,093	\$10,107	\$12,200
2007 OCE Oversight Funding					\$12,200

(a) = Board approved 2007 budgets

(b) = Estimated 2007 expenses from 7&5 Report

(c) = 2007 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.

(d) = Level of new 2008 funding allocated to each program subject to State appropriation law.

(e) = 2007 carryover plus new 2008 Funding.

(f) = The Office of Clean Energy is a member of NARUC's committee on Energy Resources and the Environment