Agenda Date: 6/18/10
Agenda Item: 8A

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR 2009 -2012: REVISED 2010 BUDGETS	))))	ORDER DOCKET NO. EO07030203

(SERVICE LIST ATTACHED)

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities ("Board") at its June 18, 2010 public meeting, where the Board considered proposed modifications to 2010 programs and budgets for New Jersey's Clean Energy Program.[1]

Background and Procedural History

By Order dated December 17, 2009, Docket No. EO07030203, (2010 Budget Order) the Board approved 2010 programs and budgets for the New Jersey Clean Energy Program (NJCEP) as well as the compliance filings of the Market Managers (Honeywell and TRC), the OCE, and six electric and gas utilities (collectively referred to as the "Utilities").[2] In the 2010 Budget Order, as in previous Orders, the Board made its approval contingent on appropriations. The Board stated that "[a]ny adjustments to the 2010 budget as a result of State appropriations, if necessary, will be considered by the Board and memorialized in a separate Order." The public was then put on notice that changes to the State budget may impact the funding of NJCEP programs approved in the 2010 Budget Order.

On February 10, 2010 Governor Christie issued Executive Order 14 in which he declared a fiscal emergency in the State of New Jersey. Pursuant to N.J.S.A. 52:27B-26, the Governor ordered the Director of the Division of Budget and Accounting within Treasury to identify and place into reserve funds sufficient to ensure that the State budget would remain in balance. On that authority, Treasury identified and placed $158 million of funding, located in the Clean Energy Trust Fund within Treasury, into reserve. By Order dated April 21, 2010, Docket No. EO07030203, the Board approved modifications to the 2010 programs and budgets previously approved by the Board that were required to ensure that spending did not exceed available funding following the reserve (April 21st Order).

Since the issuance of the April 21st Order, several programs have experienced unprecedented levels of customer participation. For example, the Home Performance with Energy Star

[1] The budgets approved in this Order are subject to State appropriations.
[2] The compliance filings included program descriptions and detailed budgets for each program.

(HPwES) program was flooded with almost 1,000 applications in one week compared to an average of approximately 100 to 150 applications per week in the preceding weeks. Also, the Renewable Energy Incentive Program (REIP) program received over 1,000 applications on or about May 3, 2010, which is approximately the number of applications received between January 1 and April 16, 2010. As a result, the revised 2010 budget for these two programs was quickly exhausted. Therefore, in this Order, the Board will consider a number of additional revisions to the 2010 budgets recommended by Office of Clean Energy (OCE) that address this recent market activity and ensure that these beneficial programs continue.

Development of the Proposed Revisions to NJCEP Programs and Budgets

During the last week of April and first week of May 2010, the HPwES and REIP programs received an unprecedented level of applications which exhausted the program budgets. Further, in late May 2010 TRC reported to the OCE that C&I New Construction and Local Government Energy Audit programs were at or near their budget limit. Therefore, the program managers, with the approval of the OCE, ceased accepting new applications for these programs in order to ensure that the Board approved program budgets were not exceeded.

The OCE took the temporary suspension of these programs to explore potential budget revisions that would allow the programs to again commence accepting new applications. The OCE consulted with the Market Managers and the Program Coordinator to explore potential revisions to the program budgets and other program changes that would allow the programs to continue accepting new applications. Several initial ideas regarding potential program changes and budget revisions were discussed at the May 11, 2010 energy efficiency (EE) and renewable energy (RE) committee meetings. Following the May 11th committee meetings, the OCE held further discussions with Honeywell, TRC, and the Program Coordinator on potential revisions to the 2010 programs and budgets. As a result of these discussions, on June 7, 2010, Honeywell and TRC submitted proposed revisions to the OCE for public discussion and comment. The OCE circulated the proposed program changes to the EE and RE committees, posted the proposed changes on the NJCEP web site, and requested written comments by June 14, 2010. The proposed changes were later discussed at the June 10th committee meetings in Trenton.

Proposed Revisions to Programs and Budgets

The following summarizes the program changes proposed by Honeywell and TRC that were circulated for comment:

The Honeywell Proposal

Honeywell's proposed modifications eliminate some program elements and reduces some estimated program quantities and the associated expenses. It includes shifting more than $13,000,000 from Residential Energy Efficiency Programs to the Home Performance with Energy Star Program to allow continued operation through the end of 2010 as follows:

- *HVAC Program*

Budget Changes: Reduce budget by $1,876,864.32:

- Eliminate QIV Program & Contractor Incentive (750 Units @ $200): $150,000
- Reduce Cool Advantage estimated quantities by 25% (7,249 units to 5,436 units): $840,000
- Eliminate Cool Advantage contingency dollars: $135,198.14

- Reduce Solar Domestic Hot Water Heater estimated quantities by 95% (200 units to 10): $108,000
- Aggregate reduced processing fees: $643,666.18
- Effective July 1st apply $5.9 million in SEARP ARRA funding to all Warm & Cool Advantage incentives. This step requires confirmation from DOE for implementation.

Program Changes

- Eliminate QIV Program & Contractor Incentive

❖ *RNC Program*

Budget Changes: Reduce budget by $1,676,280.60

- Eliminate all contingency dollars: $1,532,433
- Aggregate reduced processing fees: $143,847

Program Changes

- None

❖ *Energy Star Products Program*

Budget Changes: Reduce budget by $4,065,298.34

- Reduce upstream CFL incentive estimated quantities: $1,000,000
- Reduce upstream CFL Fixture estimated quantities: $350,000
- Reduce creative CFL distribution estimated quantities: $662,000
- Reduce Large Appliance Early Retirement estimated quantities: (40,000 units to 25,000 units): $1,545,000
- Aggregate reduced processing fees: $328,300
- Eliminate all contingency dollars: $180,000

Program Changes

- None

Note: This plan maintains the $2.4 million budgeted for upstream appliance incentives funded by the SEARP ARRA funds.

❖ *Home Performance with Energy Star Program*

Budget Changes: Increase budget by $13,703,733.51

- Increase incentive budget by $12,396,906.33 which includes a transfer of $12,396,906.33 from other Residential EE Programs
- Utilize $7,000,000 in NJN funds for Tier 2 and Tier 3 incentive payments
- Utilize $900,000 in SEP funds to pay Tier 3 incentive payments
- Increase processing fees by $1,306,827.18 to process and pay additional incentives (3,000 units to 6,000 units)

Program Changes

- Eliminate loan buy down in PSE&G territory. Estimated savings of $2,900,000
- Institute monthly caps in applications to insure the program remains within budget through the end of 2010. Additional discussion with OCE, the Market Manager and contractors is necessary to develop a workable system.
- Any ARRA component in a project makes the entire project funded by ARRA subject to approval by the US DOE.

❖ *Marketing*

Budget Changes

- Reduce Fixed and Variable by $185,290
- REIP
    - Eliminate existing .5 FTE. Fund planned activities with subcontractors.
    - Scale back event planning and execution, press events, tradeshows press releases and printed materials.
    - Postpone educational workshops and associated marketing support
- Energy Efficiency
    - Reduce support of programs to provide basic program communication needs. Scale back active promotional support of the programs through both paid and free media. Reduce event planning and execution, printed materials, advertising production, promotional direct mail, and contractor supplies.

❖ *Community Partners*

Budget Changes

- None

Program Changes

- None

❖ *Renewable Energy Incentive Program*

Proposed Incentive Levels and Eligibility

Budget Category	$/Watt	Rebate Cap (kW)	Project Size Cap (kW)	Maximum Rebate	Estimated MW (new approvals)
Solar – Residential	$1.00	7.5	10.0	$7,500	5.15
Solar - Non-Residential	$.50	20.0	50.0	$10,000	3.75

Note 1 – The Solar Residential budget category shall include residential new construction and residential PPA financed projects.
Note 2 – The Solar Non-Residential budget category shall be limited to non-profit organizations and public entities.
Note 3 – Any project that exceeds the project size cap for either budget category will not be eligible for a rebate through the REIP Program. Those projects should participate in the SREC Registration Program.
Note 4 – Project commitment period should remain at 12 months per project.

REIP Application Process: It is expected that the request for solar rebate funds will exceed the available Funding Cycle (FC) 3 budget as was the case in the previous 2010 funding cycles. Therefore, a process will be established to randomly select applications for consideration of rebate commitments.

REIP Solar Rebate Budget Allocation

New Commitments ($Million)	Funding Cycle 2 Allocation	Funding Cycle 3 Allocation
Solar – Residential	$6.000	$5.150
Solar – Non-Residential	$1.500	$1.500
Total Available For New Commitments	**$7.500**	**$6.650**

Although not specifically noted, Honeywell's proposed budget allocation included the reallocation of $8 million from the CORE program. The proposed reallocation represents the level of CORE projects that were cancelled since the issuance of the Board's last budget Order, April 21, 2010. At the direction of the OCE, Honeywell proposed allocating $3 million to the REIP and $5 million to the Direct Install program.

The TRC Proposal

Over the past several months, there has been a significant increase in applications submitted to the Commercial & Industrial (C&I) programs. As a result, several programs are at or near their budget caps. In an effort to continue to provide incentives under these programs, TRC proposed the following changes to its 2010 Compliance Filing. These program changes are intended to maximize the remaining 2010 budget so that these programs can continue.

- *Budget*

TRC proposed to reallocate $10 million from the Pay for Performance (Existing Buildings) program budget to several programs as follows:

C&I Retrofit: $3 million,
C&I New Construction: $1 million
Local Government Energy Audit: $2 million
Direct Install: $4 million.

TRC also proposed that if the Direct Install budget is increased, a large percentage (e.g. 60%) of the new funding should be earmarked for local government entities. If additional funding becomes available, TRC proposes that this funding should be utilized toward the Direct Install and Local Government Energy Audit programs.

- *Smart Start Incentives (C&I Retrofit and C&I New Construction programs)*

The following are proposed changes to the equipment incentive portion of the NJCEP:

- Prescriptive Lighting Incentive:
  - Reduce T-12 to T-8 retrofit incentive from $15 to $10
- Eliminate the multiple measures bonus

❖ *Direct Install Incentives*

For ALL entities:

- Incentive/Customer cost split reduced from 80%/20% to 60%/40%
- Reduce project incentive cap from $80,000 to $50,000
- Maintain entity incentive cap of $250,000
- Provide the Market Manager with the discretion to approve applications that exceed the maximum monthly peak demand threshold of 200 kW by no more than 10%.

For Local Government Entities:

- Eliminate the 200 kW maximum monthly peak demand threshold for entities that are also receiving an Energy Efficiency and Conservation Block Grant (EECBG).

❖ *Marketing:*

The C&I 2010 Marketing budget will be reduced by a total of $50,000. The direct marketing and variable contingency line items will be reduced by $20,000. The fixed marketing (labor) line item will be reduced by $30,000.

The OCE Proposal

The OCE compliance filing approved by the Board included a budget for the Renewable Energy Business Venture Financing program managed by EDA. The program was previously closed to new applicants and the budget was set to pay prior commitments. Due to the cancellation of a previous commitment, the OCE recommends that $500,000 be reallocated from this program as follows: $96,139.05 allocated to the CleanPower Choice program to pay previously incurred expenses and $403,860.95 to the REIP for additional expenses related to the anticipated higher number of applications that will be processed due to the lower incentive levels.

Subsequent to the issuance of the April 21st Order, the OCE identified two minor adjustments to the actual 2009 expenses that were utilized to establish revised 2010 budgets. Specifically, the OCE has identified $17,641.04 in utility expenses related to the Comfort Partners program and $67,040.05 in utility expenses related to the CleanPower Choice program that were incurred in 2009, but were not included in the final 2009 expenses. These expenses were inadvertently omitted due to a mid-year change from a manual to an electronic process for reporting utility expenses to the Program Coordinator. The OCE recommends adjusting the final 2009 expenses by this amount. The OCE further recommends reducing the 2009 carry over to reflect these additional expenses. The budget tables included in this Order include these adjustments and the utilities have submitted revised 2010 budgets that reflect the reduced Comfort Partners program budget.

Summary of Comments

In addition to discussing the proposals at the June 10, 2010 EE and RE committee meetings, the OCE published notice of the proposals on June 7, 2010 and requested written comment by June 14, 2010. Comments were submitted by: Flett Exchange (Flett), KG Companies (KG), Bovio's Advanced Comfort & Energy Solutions on behalf of itself and several HPwES contractors (Bovio), The Solar Center, Sunrise Solar Solutions (Sunrise), Trinity Solar (Trinity), Jersey Solar LLC, Sea Bright Solar, Solar Connections, LLC. (Solar Connections), SunPower, 4Best Bid and 4Best Solar (4Best), Percival Solar Solutions, AstrumSolar, Mid-Atlantic Solar Energy Industries Association (MSEIA), Quantum Solar Solutions (Quantum), the Solar Alliance, John Brown, the Atlantic City Municipal Utilities Authority (ACMUA), New Jersey Natural Gas (NJNG), the Fuel Merchants Association of New Jersey (FMA), WellHome, Sustainable Jersey, and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel). The following summarizes the comments submitted to the Board regarding the proposed changes to the 2010 NJCEP programs and budgets.

- *Comments regarding REIP*

Flett recommended a market based approach to allocating REIP funds. Flett suggested that applicants could indicate a rebate level they are willing to accept and that rebates would be offered to those willing to accept the lower rebates.

KG recommended that 1) the REIP funding cycles be modified from 3 to 12 cycles per year; 2) applications be accepted only during the first week of each month; 3) the program manager review any applications received during the second and third week; and 4) that available funds be allocated equally to each approved application on a per watt basis.

Jersey Solar recommended that the remaining REIP funding cycle 3 budget be allocated to a subsidized low interest financing program administered by EDA instead of being allocated as upfront cash rebates. Jersey Solar believes that a financing program would complement the current SREC financing programs approved by the Board.

The Solar Center believes that the CORE scrub funds should be allocated to the REIP. The Solar Center indicated that it understands that other programs are in dire need of funds as well but believes the funds are desperately needed in the solar program. The Solar Center stated that any lottery system implemented to allocate rebate funds should include an entity cap. The Solar Center also included comments regarding the development of the 2011 program, which the OCE will consider as part of the development of 2011 programs and budgets.

Sunrise stated that it is critical that a stable and predictable playing field be created, so that potential clients can be presented proposals with solid costs. Sunrise does not believe that the concept of a lottery allows for this. Sunrise supports the proposal to reduce the residential rebates to a level that would ensure the availability of funds throughout the entire funding cycle. A reduced residential rebate, that is predictable, is better for business than a larger rebate that may not be available.

Trinity Solar believes that the residential market, including new construction, should continue to receive rebates and that rebates for the commercial sector should be eliminated. Trinity believes that the proposed rebate levels are still too high and will result in a quick oversubscription again. Trinity believes that a substantial reduction in rebate levels is warranted such that the industry can properly plan and make necessary business investments. Trinity proposes a residential rebate of $0.40/watt. Trinity believes that the project commitment period should be reduced from 12 to 6 months. Trinity argues that a lower rebate is a better approach to capping rebates than the 7.5 kW cap proposed by the Market Manager team. Trinity believes that if the rebates are set at $0.40/watt that the need for a lottery and associated administrative burden will be eliminated.

Sea Bright Solar recommended that rebates for residential solar systems be lowered to $0.60/watt, rebates for commercial systems be eliminated, rebates for non-profits be reduced to $0.50/watt capped at 25 kW and that rebates for residential systems with power purchase agreements be eliminated. Sea Bright Solar stated that it believes that any lottery utilized needs to cap the number of rebate approvals any one company can receive so that a few large companies do not receive the majority of the rebates and so that smaller companies with only a few applications have a fair chance at having their projects approved.

At the June 10th RE committee meeting several participants suggested that if the rebates are going to be reduced significantly the program should consider simplifying the application process to reduce paperwork and the associated administrative burden. Others suggested that the program should consider shortening the one-year time frame for completing projects to six or nine months. Also discussed was the potential for commencing the third funding cycle earlier than the current start date of September 1, 2010.

Solar Connections expressed concerns regarding the proposed lottery system, which it believes can/will stifle the growth of small and startup solar development businesses and may result in a loss of consistency and unsustainable growth for these businesses. Solar Connections believes consistency in the existing rebate application process is essential for disbursing available funds and avoiding a problem of "solar only for the lucky" in the lottery system.

SunPower strongly supports Honeywell's proposal to include Residential New Construction (RNC) projects in the Solar-Residential Budget Category. SunPower believes RNC projects should receive the same $/Watt incentive as that proposed ($1/W) for residential retrofit projects. Commenter states the incentives are necessary because of: 1) low new-home-buyer demand; 2) general price constraints; and 3) incentives based on the ability to incorporate the cost of the solar power system into the mortgage for a new home. SunPower believes RNC projects and buyers need the support of the OCE in order to make solar-power options affordable at the time of home purchase.

Tom Rust, on behalf of 4Best and Percival Solar Solutions, submitted comments stating that a lottery, in any form, is inherently flawed because there will always be 'winners and losers' and those who don't win will suspect insider influence and feel cheated. Mr. Rust suggests that any program which is implemented should: 1) run on a 30 day cycle; 2) have a purely driven-market value; and 3) exist in an environment where every approved application in the shorter cycle wins ('win-win not win-lose'). To accomplish these objectives the Mr. Rust advocates for: 1) a cycle broken into monthly parts; 2) month-by-month allocation of budgeted resources; 3) allowance of all approved application s to have proportional share of 'that month's pool.' 4Best believes these changes will allow for a fair market driven program where only those applications which are technically flawed will be rejected

AstrumSolar's comments express reservations about the Honeywell straw proposal, which it claims will create uncertainty (stemming from the lottery application process) for homeowners faced with the decision of whether or not to "go solar." Instead of the lottery system, AstrumSolar proposes a significant decrease in the levels of the grant ($0.50/$0.40 per watt). Increasing the prospective number of installations from this year's Round 2 allocation would allow all serious candidates to receive some incentive from the NJCEP. While the incentive will be less than the Round 2 allocation and the Honeywell proposal, AstrumSolar claims this plan would provide certainty to the companies applying for the incentive.

MSEIA noted that the surge in applications during May represented "a panicked response" to the reserve of NJCEP funding, rather than a natural increase in demand. MSEIA believes that the best way to restore normalcy to the market is to restore funds to the rebate budget "from the seized funds." MSEIA also opposes the proposed transfer of $8 million from PV project revenue to other NJCEP programs, and requests that the entire $ 8 million of REIP funds be transferred back to the REIP solar incentive program. Lastly, MSEIA recommends that 1) the REIP Rebate Level for Residential Solar (up to 10 KW) be set at $0.85/W; 2) the REIP Rebate Level for Non-Residential Solar (up to 50 KW) be set at $0.50/W; and 3) the NJCEP handle applications as follows: a) Only accept applications by mail; b) Limit applications to 10 per Installer per day; and c) select applications received on the day program funds are exhausted by lottery.

Quantum stated that the NJ Solar Industry's ability to generate roughly 1200 OCE applications between March 26, 2010 and May 3, 2010 was in part due to panic buying, and in part due to continuing sales interest in the solar industry. Quantum believes that the NJ Solar Industry will generate $15-20 million of rebate value (pro rated at $1.35/W) and deliver the applications to the OCE on September 1, 2010. Quantum also believes that rebates for commercial systems should end. Quantum claims that because there is only approximately $5 million available for residential rebates, the funds can be allocated in only two ways: 1) By decreasing the rebate by a factor of 3 or 4; or 2) awarding the remaining dollars to a select few. Quantum realizes that decreasing the rebate would be the most fair and transparent alternative and suggests the rebate be $0.35/W to $0.40/W up to 7.5kW and capped at 10kW, with an overall decrease in the maximum rebate from $13,500 to a maximum of $3,000. In order to avoid complexity and provide incentives to the greatest number of people, Quantum also suggests a return to the CORE program application process: where a copy of the contract and a copy of the deposit check were included. Quantum also suggests either eliminating the field audit or alternatively adjusting the energy audit and shading requirements because the current method can produce unjustifiable results (allowing a 40% shading using PV shingles and failing someone with 75% shading using crystalline materials). Lastly, Quantum urges the OCE to avoid a lottery due to the appearance of fraud, and if a lottery is chosen, OCE should consider guaranteeing each contractor a two or three accepted applications to keep small contractors operating.

Although the Solar Alliance supports a number of recently proposed policies, it comments that the 2011 budget cycle may be a more appropriate time to deal with them. Among the policies Solar Alliance supports are: 1) the shift to a platform where the State buys down the interest payment on loans secured through private institutions; 2) the various market based approaches where the developer can offer a discount on applicable rebates to advance their position in the queue in the event of oversubscriptions; and 3) the reexamination of the current program rules with an eye towards streamlining. Solar Alliance seeks continuity in the incentive programs and also recommends the Board examine whether the residential rebate can be further reduced by $0.40 per watt. In addition, the Solar Alliance believes rebates to the commercial segment of the market should be eliminated and only residential, including new construction and PPA finance projects, and non-profit rebates should be retained. The Solar Alliance supports the straw proposal to accelerate the start of Funding Cycle 3. In addition, the Solar Alliance advocates for replacing the system of quarterly funding cycles with monthly cycles. Finally, the Solar Alliance wants to shorten the window for project completion from one (1) year down to six (6) months.

Rate Counsel supports the OCE's proposal to reduce overall rebate caps and rebate levels in order to extend program benefits across a wider range of installations. Rate Counsel also supports restricting non-residential applications to non-profit and government entities. Rate Counsel's support of the OCE's proposal is based upon the reasonableness of the relative to the dollars at question and the limited and expedited time period for considering proposals. However, for the longer term, Rate Counsel supports in principle proposals to use a competitive bidding process as a tool for allocating limited rebate dollars.

Response: Many of the proposals set out above, as well as other ideas, were extensively discussed at the June 10. 2010 RE Committee meeting. The vast majority of the meeting participants argued for a significant reduction in the rebate levels as the best short term solution. There was a general consensus that, while many of the proposals (such as moving to a more market based approach, or a financing approach, or to change program rules) have merit, there is insufficient time to implement such major changes to the program design at this time and that these proposals should be considered as part of the development of 2011 programs. Alternatively, it was felt that the OCE should keep the current program structure in place with a significant reduction to the rebate levels. Based on the above, the OCE is now recommending significant modifications to the program changes recommended by Honeywell. These modifications are described more fully below in the OCE Recommendation section of this Order.

The 2010 Budget Order as well as prior Orders have consistently noted that the NJCEP funding is subject to appropriations. The Board does not have the authority to return appropriated funds reserved pursuant to the Governor's directive. The OCE's recommendations are intended to keep the NJCEP commitments within the budget of available funds.

Several commentors recommended that the full $8 million in CORE funds that are now available for allocation to other programs be allocated to the REIP. The OCE disagrees with this recommendation. The OCE notes that over the past several years a significant level of funding was transferred from other programs to the CORE program to allow for projects in the CORE queue to be funded. At this time other programs have more pressing budget constraints. Specifically, the OCE anticipates that a large number of municipalities will apply to the Direct Install program in order to be eligible for an Energy Efficiency and Conservation Block Grant. The OCE wants to ensure that the Direct Install program has sufficient funds to process applications from municipalities so the federal EECBG funds can be fully expended. Therefore, the OCE recommends that a portion of the CORE funds be allocated to the Direct Install program.

With regard to the comments concerning the proposed lottery as a way to allocate incentives, it is important to note that the revised incentives for both the REIP and HPwES programs were designed to slow program participation to a level that is sustainable within the budget. As many of the commenters have suggested, rebate reductions are intended to ensure that a lottery is not needed. The proposed lottery was intended, in part, to discourage another run on the programs similar to what occurred in late April and early May. However, if the programs receive applications with requests for incentives that exceed the budget during the first few days or weeks after the programs reopen, the OCE believes that a system for allocating incentives is necessary to ensure all projects/project developers have a fair opportunity to receive an incentive. Nevertheless, given the significant concerns raised by the commenters, the OCE is not recommending approval of a specific lottery at this time. Alternatively, the OCE recommends developing a system for allocating incentives which will be brought back to the Board for consideration at a later date. In order to have time to develop that proposal and allow the Market Manager time to process the applications received for FC 2, the OCE recommends opening FC 3 as scheduled on September 1, 2010.

- *Comments regarding HPwES*

Bovio submitted numerous suggested changes to the HPwES program. Bovio indicated that the last thing any viable contractor can support is a HPwES program that stops, starts, develops a waiting list, etc. Bovio comments that such changes negatively impact the contractor community, employees, vendors, customers and, most importantly, the programs own survivability. A year round sustainable plan is the only way the program can be successful and achieve the market transformation it seeks. Bovio comments included the following suggestions related to the HPwES program: maintain the audit at current rates; maintain the tier two seal up component of the program; and, reduce contractor incentives to 7% of project costs with a $1,000 cap. Bovio argues that the 0% financing is the key to customer participation in the program and believes the program should consider offering customers either the financing or the rebate but not both. Bovio believes that the program should be offered to customers even if we run out of incentives in terms of continuing to offer audits and program certification. Bovio recommended that we consider allowing the use of Warm and Cool Advantage rebates for the HVAC components of HPwES jobs and eliminate appliance incentives. Bovio argues that contractors not in compliance with program rules should be removed from the program and that the OCE should limit the addition of new contractors into the program.

NJNG supports the Office of Clean Energy's efforts to allocate more resources to the HPwES program. NJNG believes its customers should be excluded from any proposed monthly application caps. NJNG contends such caps are unnecessary because of NJNG's ample and separate pool of authorized HPwES incentive funding and because such caps would limit applications within NJNG's territory.

Several proposals for changes to the HPwEs program were extensively discussed at the June 10, 2010 EE Committee meeting. The vast majority of meeting participants argued that the program should maintain its current structure and that lowering incentive levels rather than modifying the program structure is a better approach to maintaining the viability of the program through the remainder of the year.

FMA commented that HPwES has been a "victim of its own success" in part because of a failure to properly balance the incentive levels and adequately assess the market factors that encourage consumer participation. FMA comments that OCE should consider adjusting incentives to ensure consumer participation now and in the future. FMA share's Bovio's concerns that constant changes and suspensions frustrate consumers and foster distrust of contractors. Sustainability is vital to establishing and maintaining consumer confidence.

In addition to shifting resources, FMA proposes a revised incentive offering that funds various projects and prevents future suspensions. FMA urges the OCE to follow a similar approach to the auto industry's incentive programs (where the consumer chooses a single option). They suggest the $5,000 cash incentive be retained, but that it should be reduced to $2,500 if the consumer obtains financing. In direct response to Honeywell's straw proposal, FMA provides three comments:

- While it recognizes that a cap program may be necessary, it requests assurance that the cap program will be fair and balanced.
- HPwES projects which involve heating equipment fuel switching (delivered fuels to gas) should be excluded from ARRA funding whether or not an ARRA component exists. This is for the preservation of funds for non-IOU consumers who have traditionally been underserved. FMA also proposes changing the HPwES program to mandate all contractor incentives to be paid through the SBC funded budget. In an effort to prevent HPwES program suspensions, FMA urges OCE to utilize ARRA funds (if available) should an ARRA component be part of a HPwES project.
- Finally, FMA expresses concern that the straw proposal will have an undesirable impact to the Warm Advantage program. They state that the Warm Advantage Program is essential to the industry, because it balances the interests of all homeowners no matter what form of

energy they use. Therefore, Warm Advantage funding should be maintained until alternative funding is made available.

In its conclusion, FMA submitted general comments regarding residential energy audits. They assert that since consumers are unfamiliar with the concept of total energy savings, audits are used as a device to introduce the consumer to such a concept. Thus, FMA comments that audits serve as a driver for future proposal and projects.

WellHome commented that the Board should not adopt program requirements that preclude the addition of new, qualified contractors to the program as suggested by some contractors. WellHome believes that the program should set and maintain high standards for workmanship and participating contractors and that such standards should include a means and protocol for removal of contractors.

Response: The OCE concurs with many of the commenters concerns. Based on the above comments from contractors and other stakeholders, the OCE is now recommending significant modifications to the proposed program changes. These changes are described more fully below in the OCE Recommendation section of this Order and include a proposed reduction to the rebate level from $5,000 to $3,000, continuation of the availability of financing in PSE&G's service territory and a process to "manage" the pace of applications submitted to the program.

The OCE concurs with the FMA's comments that the OCE should consider adjusting incentives to ensure a sustainable program as discussed above. The OCE disagrees with FMA's proposal to offer a reduced rebate if a customer also obtains financing. This proposal would likely lead to customers availing themselves of the rebate only while the OCE believes the program should be moving in the direction of financing only without rebates. The OCE also disagrees with FMA's comment that projects that switch fuels should be excluded from the program. The HPwES, as well as other programs (such as Direct Install), are designed to be fuel neutral. That is, the programs assess the before and after efficiency of the heating equipment without regard to choice of fuel. The OCE does not believe that projects that also change fuel source should be excluded. The OCE concurs with FMA's recommendation to maintain the WarmAdvantage funding.

The OCE concurs with WellHome's comments that the Board should not adopt program requirements that preclude the addition of new, qualified contractors to the program, that the program should set and maintain high standards for workmanship, and that such standards should include a means and protocol for removal of contractors. The program changes recommended herein will allow for new contractors to participate. The OCE is also in the process of developing proposed standards for the removal of contractors for consideration by the Board.

Finally, the OCE concurs with NJNG's comment that its customers should be excluded from any proposed monthly application caps and will coordinate with the Market Manager to enable NJNG's customers to continue to participate in the program to the extend sufficient funds are available.

❖ *Comments regarding Energy Efficiency Programs*

John Brown provided general comments stating that the Board is only concerned with the well-being of large corporations, such as PSE&G, and that the straw proposal is not a good deal. He comments more specifically with respect to the Quality Installation and Verification (QIV) Program. He says that, in order to participate, he was required to pay for training and equipment that is now "almost useless [to him]." He believes that ending the QIV program is disadvantageous to New Jersey and its homeowners.

Response: The OCE is proposing a plan to allow the best programs to continue given the current participation rates-and budgets. Regarding QIV, the Market Manager conducted a pilot program in 2009 for QIV. The goal of the pilot was to capture QIV data from approximately 750 new and maintenance installations for an R&D project to be conducted in 2010. In the 2010 compliance filing the Market Manager proposed moving towards full implementation as the R&D project was completed. In the first round of budget reallocation, this plan was reduced from 4500 units to 750 units. As the R&D project is still underway and a full determination has not been reached in the pilot, the Market Manager recommended that the 750 units in 2010 be eliminated to support budget relief for other EE Programs. Upon completion of the QIV R&D project the Market Manager will make a recommendation related to restarting the QIV program.

The Atlantic City Municipal Utilities Authority ("ACMUA") urges the Office of Clean Energy to move quickly and adopt the proposed changes in order to eliminate uncertainty with regard to funding. ACMUA supports additional funding for the Direct Install program and the emphasis on Local Government Agencies. Although ACMUA would prefer the Direct Install Program to remain at 80/20 funding, it accepts that a reduction may be the best option.

Response: The OCE appreciates the comment and concurs with ACMUA.

NJNG is concerned about the Straw Proposal's ability to serve the needs of the Local Government Entities (LGEs) seeking to leverage their Energy Efficiency Conservation Block Grant provided through the American Recovery and Reinvestment Act. NJNG supports the transfer of an additional $4 million in funding for the Direct Install program, with $2.4 million allocated to LGEs. However, even if a total of $7.4 million is transferred to the LGE program, as NJNG has heard is a possibility, the additional funding would only accommodate 148 projects. In addition, NJNG expects to have additional funding available from the Economic Stimulus Energy-Efficiency (E3) program and would consider allocating some of the available E3 funding to other projects. Finally, in reference to the June 10 NJCEP Energy Efficiency Committee meeting, NJNG expressed their belief in the importance of customers having a broad range of available incentives for rebate and financing options.

Response: The OCE shares NJNG's concern regarding the level of funding available for the LGEA and Direct Install programs, which seek to leverage EECBG funding and is exploring additional potential sources of funding.

Sustainable Jersey submitted comments regarding the prioritization of applications for the Local Government Energy Audit (LGEA) program. Specifically, Sustainable Jersey proposed language that would prioritize LGEA applications from municipalities that met certain criteria such as having registered with Sustainable Jersey, participated in the Community Partners Program or participated in other state, national or regional sustainability certification programs.

Response: The OCE concurs and the TRC compliance filing reflects the prioritizations recommended by Sustainable Jersey.

Rate Counsel stated that it believes that the proposed modifications to the EE programs seem to comport with two related objectives: maintain program momentum, and, to reduce or avoid confusion in the marketplace. In general, Rate Counsel is supportive of these goals. However, it is not clear to Rate Counsel the extent to which cost effectiveness has been considered in making the recommended changes to the programs and budgets. For example, Rate Counsel objects to the proposed decrease to the budget for the Large Appliance Retirement program which produces good energy savings per participant.

Response: Rate Counsel commented that the extent to which cost effectiveness has been considered in making the recommended changes to the programs and budgets is not clear and objected to the proposed reduction to the Large Appliance Retirement component of the Energy Efficiency Products program budget. Cost effectiveness was considered as part of the initial design of the programs but was not reconsidered as part of the process of developing proposed changes to the programs. The OCE believes that the remaining budget for the Large Appliance Retirement program is sufficient to meet anticipated 2010 program participation levels.

OCE Recommendations

The OCE worked closely with Honeywell, TRC, and the Program Coordinator in developing the proposed program changes summarized above. Those program changes were then submitted to the public for comment. The OCE has considered the comments summarized above in developing its recommendations. Based on the above, the OCE recommends the following revisions to the program changes recommended by Honeywell and TRC:

With regard to the REIP program, the OCE concurs with the majority of comments that the basic structure of the program should be maintained and that the best option for maintaining a viable and consistent program through the remainder of the year is to significantly reduce rebate levels. This modification to the Honeywell proposal is intended to slow the rate of rebate applications so that the program can continue to consistently benefit ratepayers. Therefore, the OCE recommends that the revised REIP program include the following features:

1. Reduce incentives for REIP Funding Cycle 3 solar projects to $0.75/Watt for all market segments
2. Utilize a single budget category that includes residential, residential new construction, residential PPA, and public/non-profits
3. Cap incentives for residential projects at 7.5 kW with projects up to 10 kW eligible to participate
4. Cap incentives for public/non-profit entities at 30 kW with projects up to 50 kW eligible to participate
5. Remove the intent to bid letter requirement for the public/non-profit entities
   A $200 inspection fee will be charged to contractors for every additional inspection required beyond the initial inspection. The fee for any additional inspections will be deducted from the rebate.
6. Begin FC 3 on September 1, 2010 as planned, so ensure that program changes are implemented prior to the receipt of new applications.

The OCE does not recommend approval of the proposed REIP lottery at this time. The OCE recommends that the Board authorize Staff to develop a system for the Board's consideration at a later date.

Honeywell proposed that $5.9 million in State Energy Efficient Appliance Rebate Program (SEEARP) funds be allocated to the HVAC program and used to fund equipment rebates. The OCE has consulted with representatives of the USDOE and does not believe that this is an appropriate use of SEEARP funds. Therefore, the OCE recommends that the $5.9 million that Honeywell proposed to be transferred from the HVAC to the HPwES program remain in the HVAC program. The revised budgets reflect the OCE's recommendation.

With regard to the HPwES program, the OCE makes the following recommendations based upon consideration of the comments received and discussions at the June 10, 2010 EE committee meeting. The OCE recommends that Honeywell's proposed changes to the HPwES program be revised as follows:

1. For customers that achieve 25% savings or greater, reduce the maximum rebate from $5,000 to $3,000.
2. For customers with savings greater than 5%, but less than 25%, reduce the maximum rebate from $2,000 to $1,300.
3. Reduce the maximum contractor incentive to $700.
4. Continue to support loan buy-downs for customers in PSE&G's service territory not eligible for PSE&G's Whole House program.

In light of several commenters' concerns about the HPwES program, the OCE recommends the following modifications to ensure the program's ability to serve customers for the remainder of the calendar year under this new proposed budget and structure. The OCE recommends that the Market Manager develop funding cycles that limit the number of projects the HPwES will approve based on available funds. These funding cycles and their respective amounts and implementation dates will be published on the Clean Energy website within 30 days from the date of this Order, with the first funding cycle opening within 7 days following the publication. Once a funding cycle is opened, contractors will be limited to a maximum of 5 applications submitted per business day. Any application submitted above the daily contractor cap will be returned and not processed for approval. Applications will continue to be accepted until the funding cycle limit has been reached. If the established funding cycle amount is exhausted the program will temporarily suspend accepting new applications until the next funding cycle begins.

In addition to the budget changes set out above, the OCE is exploring the potential for utilizing other sources of funding to supplement the NJCEP funding. These sources include redirecting funds from previously approved utility programs, ARRA programs, and the federal SEP. In accord with many of the commenters' concerns, the OCE's objective is to ensure that exhaustion of available NJCEP funding does not cause further suspension of these successful programs. Although beyond the scope of this Order, the OCE will attempt to obtain any required approvals necessary to utilize these funds in addition to the NJCEP allotments.

TRC proposed that the incentive paid to customers that participate in the Direct Install program be reduced from 80% to 60% and that the maximum incentive per project be reduced from $80,000 to $50,000. By Order dated December 22, 2009, Docket Nos. EO07030203 and EO09050365, the Board approved revisions the TRC's 2009 compliance filing related to Energy Efficiency and Conservation Block Grants (EECBG). In this Order the Board stated that "For local governments not eligible for direct formula grants, the EECBG rebate could cover the remaining 20% of the cost of measures not covered by the Direct Install program." These program changes were incorporated into TRC's 2010 compliance filing approved by the Board in the 2010 Budget Order. Because of the program modifications recommended above require modification of TRC's 2010 compliance filing to allow for the combination of the Direct Install program incentive and the EECBG to continue to cover 100% of the cost of certain municipal projects, the OCE recommends that the Board modify its previous Order to allow for the EECBG to cover the remaining 40% of the project costs, up to $20,000. The OCE's recommendations may be subject to USDOE approval and applicable ARRA requirements.

The following tables set out the final budgets recommended by the OCE and the allocation of the program budgets to the various program managers:

2nd Revised 2010 Funding Levels					
	Revised 2010 Budget From 4/21/2010 Board Order	Line Item Transfers	Additional 2009 Expenses	2nd Revised 2010 NJCEP Funding Level	Committed Expenses as of 5/31/2010
	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
Energy Efficiency Programs	$267,580,188.90	$5,000,000.00	($17,641.04)	$272,562,547.86	$76,563,047.99
Renewable Energy Programs	$183,343,170.01	($5,000,000.00)	($67,040.05)	$178,276,129.96	$105,829,018.46
OCE Oversight	$8,513,849.75		$0.00	$8,513,849.75	$0.00
Total	$459,437,208.66	$0.00	($84,681.09)	$459,352,527.57	$182,392,066.45

Note: The NJCEP has expended over $72 million YTD in 2010 thus the commitments plus YTD expenses total over $254 million.

2nd Revised 2010 Energy Efficiency Program Budget					
	Revised 2010 Budget From 4/21/2010 Board	Line Item Transfer	Additional 2009 Expenses	2nd Revised 2010 Budget	Commitments as of 5/31/10
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
Residential EE Programs					
Residential HVAC - Electric & Gas	$14,927,411.98	($1,876,864.32)		$13,050,547.66	
Residential New Construction	$21,938,890.68	($1,676,280.60)		$20,262,610.08	$14,650,550.00
Energy Efficient Products	$22,001,372.08	($4,065,298.34)		$17,936,073.74	
Home Performance with Energy Star	$54,196,613.57	$7,803,733.51		$62,000,347.08	$23,823,076.99
Community Partners Initiative	$992,612.00			$992,612.00	
Residential Marketing	$3,445,528.75	($185,290.25)		$3,260,238.50	
Sub Total Residential	**$117,502,429.06**	**$0.00**	**$0.00**	**$117,502,429.06**	**$38,473,626.99**
Residential Low Income					
Comfort Partners	$29,218,313.45		($17,641.04)	$29,200,672.41	
Sub Total Low Income	**$29,218,313.45**	**$0.00**	**($17,641.04)**	**$29,200,672.41**	**$0.00**
C&I EE Programs					
C&I New Construction	$5,313,711.71	$1,000,000.00		$6,313,711.71	$2,968,170.00
C&I Retrofit	$27,609,759.59	$3,000,000.00		$30,609,759.59	$15,153,620.00
Pay-for-Performance New Construction	$4,966,134.60			$4,966,134.60	$32,210.00
Pay-for-Performance	$47,305,102.62	($10,000,000.00)		$37,305,102.62	$4,529,800.00
CHP	$5,859,508.79			$5,859,508.79	$4,098,910.00
Local Government Energy Audit	$11,232,385.46	$2,000,000.00		$13,232,385.46	$5,111,920.00
Direct Install	$15,482,976.50	$9,050,000.00		$24,532,976.50	$3,553,790.00
TEACH	$1,000,000.00			$1,000,000.00	$725,000.00
Marketing	$1,088,200.00	($50,000.00)		$1,038,200.00	$ 1,038,200.00
Business Conference	$123,866.12			$123,866.12	-
Sub Total C&I	**$119,981,645.39**	**$5,000,000.00**	**$0.00**	**$124,981,645.39**	**$37,211,620.00**
Other EE Programs					
Special Studies	$877,801.00			$877,801.00	$877,801.00
Sub Total Other Energy Efficiency Programs	**$877,801.00**	**$0.00**	**$0.00**	**$877,801.00**	**$877,801.00**
Total Energy Efficiency	**$267,580,188.90**	**$5,000,000.00**	**($17,641.04)**	**$272,562,547.86**	**$76,563,047.99**

2nd Revised 2010 Energy Efficiency Program Budget by Program Manager					
Programs	Honeywell	TRC	Utilities	OCE, EDA, Treasury, CST, DEP	Total
Residential EE Programs					
Residential HVAC - Electric & Gas	$13,050,547.66				$13,050,547.66
Residential New Construction	$20,262,610.08				$20,262,610.08
Energy Efficient Products	$17,936,073.74				$17,936,073.74
Home Performance with Energy Star	$62,000,347.08				$62,000,347.08
Community Partners Initiative	$547,612.00			$445,000.00	$992,612.00
Residential Marketing	$3,260,238.50				$3,260,238.50
Sub Total Residential	**$117,057,429.06**	**$0.00**	**$0.00**	**$445,000.00**	**$117,502,429.06**
Residential Low Income					
Comfort Partners			$29,200,672.41		$29,200,672.41
Sub Total Low Income	**$0.00**	**$0.00**	**$29,200,672.41**	**$0.00**	**$29,200,672.41**
C&I EE Programs					
C&I New Construction		$6,313,711.71			$6,313,711.71
C&I Retrofit		$30,609,759.59			$30,609,759.59
Pay-for-Performance New Construction		$4,966,134.60			$4,966,134.60
Pay-for-Performance		$37,305,102.62			$37,305,102.62
CHP		$5,859,508.79			$5,859,508.79
Local Government Energy Audit		$13,232,385.46			$13,232,385.46
Direct Install		$24,532,976.50			$24,532,976.50
TEACH		$1,000,000.00			$1,000,000.00
Marketing		$1,038,200.00			$1,038,200.00
Business Conference		$123,866.12			$123,866.12
Sub Total C&I	**$0.00**	**$124,981,645.39**	**$0.00**	**$0.00**	**$124,981,645.39**
Other EE Programs					
Special Studies				$877,801.00	**$877,801.00**
Sub Total Other Energy Efficiency Programs	**$0.00**	**$0.00**	**$0.00**	$877,801.00	**$877,801.00**
Total Energy Efficiency	**$117,057,429.06**	**$124,981,645.39**	**$29,200,672.41**	**$1,322,801.00**	**$272,562,547.86**

2nd Revised 2010 Renewable Energy Program Budget					
	Revised 2010 Budget From 4/21/2010 Board	Line Item Transfers	Additional 2009 Expenses	2nd Revised 2010 Budget	Commitments as of 5/31/10
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
Customer On-Site Renewable Energy	$64,000,000.00	($8,000,000.00)		$56,000,000.00	$37,737,753.65
Clean Power Choice	$94,016.25	$96,139.05	($67,040.05)	$123,115.25	-
Offshore Wind	$13,870,253.00			$13,870,253.00	$13,870,253.00
Renewable Energy Program: Grid Connected (Formerly REDI)	$6,201,605.00			$6,201,605.00	$6,201,605.00
Renewable Energy Incentive Program	$63,076,339.44	$3,403,860.95		$66,480,200.39	$34,665,914.99
RE Marketing	$394,755.50			$394,755.50	
SUB-TOTAL Renewables	**$147,636,969.19**	**($4,500,000.00)**	**($67,040.05)**	**$143,069,929.14**	**$92,475,526.64**
EDA/CST PROGRAMS					
RE Project Grants and Financing	$894,714.00			$894,714.00	$543,959.00
EDA Renewable Energy Business Venture Financing/REED	$1,130,889.82	($500,000.00)		$630,889.82	$380,889.82
EDA Clean Energy Manufacturing and Green Growth Fund	$27,740,597.00			$27,740,597.00	$7,934,000.00
CST Edison Innovation Clean Energy Fund	$5,940,000.00			$5,940,000.00	$4,494,643.00
SUB-TOTAL EDA/CST Programs	**$35,706,200.82**	**($500,000.00)**	**$0.00**	**$35,206,200.82**	**$13,353,491.82**
Total RE Programs	**$183,343,170.01**	**($5,000,000.00)**	**($67,040.05)**	**$178,276,129.96**	**$105,829,018.46**

2nd Revised 2010 Renewable Energy Program Budget by Program Manager

Programs	Honeywell	OCE/EDA/CST	Utilities	Total
Customer On-Site Renewable Energy	$56,000,000.00			$56,000,000.00
Clean Power Choice	$27,016.25	$29,099.00	$67,000.00	$123,115.25
Offshore Wind		$13,870,253.00		$13,870,253.00
Renewable Energy Program: Grid Connected (Formerly REDI)		$6,201,605.00		$6,201,605.00
Renewable Energy Incentive Program	$66,436,888.39	$43,312.00		$66,480,200.39
RE Marketing	$394,755.50			$394,755.50
SUB-TOTAL Renewables	**$122,858,660.14**	**$20,144,269.00**	**$67,000.00**	**$143,069,929.14**
EDA/CST PROGRAMS				
RE Project Grants and Financing		$894,714.00		$894,714.00
EDA Renewable Energy Business Venture Financing/REED		$630,889.82		$630,889.82
EDA Clean Energy Manufacturing and Green Growth Fund		$27,740,597.00		$27,740,597.00
CST Edison Innovation Clean Energy Fund		$5,940,000.00		$5,940,000.00
SUB-TOTAL EDA/CST Programs	**$0.00**	**$35,206,200.82**	**$0.00**	**$35,206,200.82**
TOTAL Renewable Energy Programs	**$122,858,660.14**	**$55,350,469.82**	**$67,000.00**	**$178,276,129.96**

2nd Revised 2010 OCE Oversight Budget

	Revised 2010 Budget From 4/21/2010 Board Order	Line Item transfers	2nd Revised 2010 Budget
	(a)	(b)	(c)=(a)+(b)
Administration and Overhead			
OCE Staff and Overhead	$1,532,521.03		$1,532,521.03
Program Coordinator	$2,289,480.00		$2,289,480.00
Memberships-Dues			
Northeast Energy Efficiency Partnership Sponsorship including EMV Regional Protocol Forum	$316,300.00		$316,300.00
Clean Energy States Alliance	$134,114.00		$134,114.00
Consortium for Energy Efficiency	$133,817.00		$133,817.00
Sub-Total: Administration and Overhead	**$4,406,232.03**	**$0.00**	**$4,406,232.03**
Evaluation and Related Research			
Rutgers-CEEEP	$400,000.00		$400,000.00
Funding Reconciliation	$33,715.00		$33,715.00
O&M Scoping Study/Online Academy	$450,000.00		$450,000.00
Other Studies	$57,937.60		$57,937.60
Program Evaluation	$1,811,779.65		$1,811,779.65
Financial Audits	$800,000.00		$800,000.00
Green Jobs and Building Code Training	$400,000.00		$400,000.00
Sub-Total: Evaluation and Related Research	**$3,953,432.25**	**$0.00**	**$3,953,432.25**
Marketing and Communications			
Outreach and Education/Community Partner Grants	$154,185.47		$154,185.47
Sub-Total: Marketing and Communications	**$154,185.47**	**$0.00**	**$154,185.47**
TOTAL: Administration	**$8,513,849.75**	**$0.00**	**$8,513,849.75**

By letters dated June 17, 2010, Honeywell and TRC submitted a revised compliance filings. The revised compliance filings set out proposed revisions to their programs and additional program changes for consideration by the Board including the changes recommended by the OCE above. The OCE has reviewed the revised compliance filings and find that they are consistent with the program changes recommended by the OCE as summarized above. Also, by letter dated June 16, 2010, the Utilities submitted revised budgets for the Comfort Partners program that incorporate the changes discussed above. The Utilities are not proposing any changes to the programs other than the revised budget. The OCE has also submitted a revised budget that reflects the reduction to the EDA Business Venture Financing program discussed above. Based on the above, the OCE recommends approval of the revised compliance filings and budgets submitted by Honeywell, TRC, the OCE and the Utilities.

Discussion and Findings

On February 10, 2010, Governor Christie issued Executive Order 14 in which he declared a fiscal emergency in the State of New Jersey. By Order dated April 21, 2010, Docket No. EO07030203, the Board approved modifications to the 2010 programs and budgets previously approved by the Board that were required to ensure that spending did not exceed available funding following the reserve. The Board recognized that revisions were necessary to ensure continuation of NJCEP programs that benefit New Jersey ratepayers. Since the issuance of that Order, dramatic increases in program participation resulted in program suspensions triggered by the need to keep budgets from being overspent.

Along with the concerns of many commenters, the Board recognizes that prolonged program suspensions neither promote the environmental benefits of clean energy nor foster the market transformation necessary to grow the clean energy industry. Supporting the environmental benefits of renewable energy and energy efficiency and promoting "green" industry/businesses are among the goals of N.J.S.A. 48:3-60(a)(3). To that end, the OCE circulated proposed revisions to the 2010 programs and budgets previously approved by the Board that are necessary to allow for the continued delivery of certain programs. The proposed changes were circulated for written comment and extensively discussed at the June 10, 2010 EE and RE Committee meetings. Upon review of the comments the OCE prepared recommendations to the Board for consideration. The OCE's proposed revisions are intended to allow for the continued delivery of certain programs and ensure the goals of the NJCEP are served.

The Board **HEREBY FINDS** that the proposed changes to the 2010 programs and budgets, as recommended by the OCE herein, are reasonable. The Board **FURTHER FINDS** that the program and budget changes recommended by the OCE are incorporated into compliance filings submitted to the Board for approval. Therefore, the Board **HEREBY APPROVES** the OCE's recommendations as well as the revised 2010 budgets shown above and the compliance filings filed by Honeywell by letter dated June 17, 2010, by TRC by letter dated June 17, 2010, and by the Utilities by letter dated June 16, 2010.[3] The reductions to the HPwES and REIP program incentives set out in this Order are effective as of the date of this Order and will be applicable to any applications received once the programs commence receipt of new applications. For the Direct Install program the incentive reduction and lower cap on the maximum incentive will be effective as of the date of this Order and will be applicable to any project that has not submitted a signed scope of work to TRC by close of business, 5:00 p.m., on the date of this Order. Other program changes will become effective upon 30 days notice of the change.

DATED: 6/21/10

BOARD OF PUBLIC UTILITIES
By:

LEE A. SOLOMON
PRESIDENT

Jeanne M. Fox

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

Nicholas Asselta

NICHOLAS ASSELTA
COMMISSIONER

Elizabeth Randall

ELIZABETH RANDALL
COMMISSIONER

ATTEST: Kristi Izzo

KRISTI IZZO
SECRETARY

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

Kristi Izzo

[3] Where applicable, the Board's approval is subject to USDOE approval and federal requirements.