



Agenda Date: 12/18/02
Agenda Item: 2B

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

IN THE MATTER OF THE PETITION OF THE
FILINGS OF THE COMPREHENSIVE
RESOURCE ANALYSIS OF ENERGY
PROGRAMS PURSUANT TO SECTION 12
OF THE ELECTRIC DISCOUNT AND
ENERGY COMPETITION ACT OF 1999

ENERGY
ORDER

BPU DOCKET NOS:
EX99050347, EO99050348,
EO99050349, EO99050350,
EO99050351, GO99050352,
GO99050353, GO99050354

IN THE MATTER OF THE REVIEW TO
EVALUATE AND MAKE RECOMMENDATIONS
CONCERNING THE STATEWIDE
ADMINISTRATION OF ENERGY EFFICIENCY
AND CUSTOMER SITED RENEWABLE ENERGY
PROGRAMS

BPU DOCKET NOS:
EX01070447

BY THE BOARD

In response to statutory provisions in the Electric Discount and Energy Competition Act regarding the Comprehensive Resource Analysis ("CRA") of energy programs, the Board issued its final order in the proceeding on March 9, 2001, ("Final Order") and directed that the utilities submit for Board approval within thirty days of the date of the Final Order, a Program Compliance Filing ("Compliance Filing"). The Final Order required the Compliance Filing to include incentive levels and detailed program budgets.

Atlantic City Electric Company d/b/a Conectiv Power Delivery ("Conectiv"), Jersey Central Power & Light Company d/b/a GPU Energy ("GPU"), New Jersey Natural Gas Company ("NJNG"), NUJ Elizabethtown Gas Company ("NUI"), Public Service Electric and Gas Company ("PSE&G"), Rockland Electric Company ("RECO"), and South Jersey Gas Company ("SJG") (collectively referred to as the "Utilities") jointly filed the Compliance Filing on April 9, 2001, pursuant to the directive of the Final Order. The Board approved the Compliance Filing with certain modifications by Order dated August 15, 2001.

Additionally, the Board determined in the Final Order that utility administration was appropriate for a period of one year, during which time the Board retained a consultant, Davies Associates, to assist in evaluating how best to continue the administration of the energy efficiency programs and to assist in identifying the appropriate entity to act as Independent Statewide Administrator (ISA) for the Customer Sited program through the remainder of the 4-year period. Davies Associates submitted their final report with its recommendations to the Board on April 1, 2002. With regard to the issue of administration, certain interveners, renewable energy and energy efficiency companies, environmental organizations and the Division of the Rate Payer Advocate have argued that there is an inherent conflict of interest in the Utilities administering the energy efficiency and renewable energy programs, and that it would be more cost-effective for an ISA or the Board to oversee the funds. Other parties have asserted that there are numerous advantages to utility administration, including existing experience and infrastructure associated with prior programs.

There were four public hearings held by the Board subsequent to the issuance of the Davies Report, which raised a number of program issues. The first public hearing was held on May 1, 2002, in the Board's Newark office with Commissioners Fox, Butler, Murphy and Hughes presiding. The second was held on May 7 at Middlesex County College with Commissioner Fox and Commissioner Butler presiding. The third hearing was held on May 10 in Trenton with Commissioner Fox and Commissioner Butler presiding and the last hearing was held on May 23 at Richard Stockton College with Commissioner Fox presiding. Additionally, Staff held a number of open meetings with interested parties to air concerns and discuss recommended changes regarding the various existing CRA programs. Various parties also submitted written comments.

By letter dated October 3, 2002, the Board approved the request by the Utilities in conjunction with NRDC to submit the 2003 Compliance Filing on November 1, 2002 instead of October 1, 2002.

The 2003 Compliance Filing submitted on November 1, 2002 contains a proposed 2003 plan, program descriptions, budgets and performance incentives. The Utilities requested the Board's approval of this filing, specifically including the programs as filed, the proposed budgets and funding levels, the proposed performance incentives, the resumption of program evaluation work, the request for budget flexibility previously filed for in October 2001, the transition plans, funding options for 2003 budgets and a finding that all costs the Utilities incur in conjunction with the approved CRA programs are fully recoverable through the SBC or its successor mechanism and that commitments made through 2003 pursuant to Board approved CRA programs, but paid after 2003 are fully recoverable in rates.

On November 14, 2002, R. William Potter, attorney for the Clearbrook and Rossmoor Communities in Monroe Township submitted a proposal for a Senior Weatherization Pilot Program (SWPP). The SWPP proposal consists of weatherizing the approximately 2,026 all-electric homes in Clearbrook Village, and 2,302 in Rossmoor (for a total of 4,328) a senior citizen complex and is based on the 1960-1970's JCP&L advertised benefits of purchasing and operating all-electric, "Gold Medallion" (low purchase price, easy maintenance) homes in new

retirement communities. In addition, Mr. Potter asserts in his proposal that part of the attraction of these homes was reduced electric rates, clean efficient low-cost electricity, and cash rebates to builders. The current JCP&L ratepayers living in these homes are now seeking relief through SWPP as a combined result of substantial rate increases, higher costs for the purchase of electricity, and abandonment of special reduced electric rates for all-electric homes (temporary "aggregation" pilot program).

In addition, Mr. Potter asserts in his proposal that currently there is a very limited "low-income" weatherization program operated by the Utilities. As a result, the Clearbrook and Rossmoor Communities are seeking to utilize some of the ratepayer funded "societal benefit funds" to help subsidize certain "direct install" program weatherization measures, such as ceiling and wall insulation, caulking, etc. The cost is estimated to be approximately \$1,500 per household, with post-installation reviews by designated third party reviewers, to be identified by the Board within 10 days of the installation. Mr. Potter's proposal states that the total cost for weatherization of the 2026 homes in Clearbrook and the 2302 homes in Rossmoor would be \$6.492 million. He further proposes that the Board establish a direct install program with a budget of \$50 million per year and an additional set aside of up to \$10 million per year for this senior weatherization pilot program.

The Board believes at this time it would be appropriate to add a pilot senior weatherization program as part of the existing low-income weatherization program (The Comfort Partners Program). The existing program is a comprehensive direct install program for income eligible customers qualifying at up to 150% of the federal poverty guidelines. Comfort Partners provides cost-effective efficiency measures (lighting, heating systems, etc.) with installation in the homes at no cost to participants. In the 2003 Compliance Filing an expansion of this program was proposed to address seniors with all electric heat with income levels up to 300% of the federal poverty guidelines on a pilot basis. The 2002 budget for Comfort Partners was \$15,497,000 with a goal of treating 6556 customers. The proposed budget for Comfort Partners in the 2003 Compliance Filing is \$16,879,000, which includes funding for the proposed pilot. The proposed goal in the 2003 filing is 6045 customers.

The Board believes that the current Comfort Partners program is successful and takes a holistic approach to energy management for a customer sector most in need of controlling its energy costs because of income constraints. The Board has been convinced that in addition to the benefit to the specific pilot community, there will be significant societal and ratepayer benefits from the reduction in energy use and reduced system demand achieved through the implementation of this pilot program. The Board believes it is appropriate to expand the Comfort Partners Program to include the senior electric heat weatherization pilot, which will be limited to a budget of no more than \$3,000,000 for 2003. This pilot shall start in Monroe Township within the County of Middlesex, and participation in this program should be contingent upon each applicant/ customer providing data about the their income, home energy bills and appliances in the home so that an appropriate analysis can be done to determine the resultant energy savings from this pilot and evaluate the need for continuation or modification of the program.

Based on the foregoing considerations, the Board HEREBY APPROVES the expansion of the Comfort Partners program to include the senior electric heat weatherization pilot with the aforementioned modifications. Additionally, the Board HEREBY ORDERS that this pilot also include the following criteria: households with incomes above 150% and up to a maximum of 300% of the federal poverty guidelines are eligible for the pilot program at no cost for weatherization measures up to a maximum of \$1,500 per unit; households between 300%-400% of the federal poverty guidelines are entitled to a program contribution of 50% of the cost of the weatherization up to a maximum of a \$750 contribution from the program. The Board is interested in opening this pilot up to the maximum amount of qualified contractors to deliver the services and will consider the options for so doing in the future; however in the interest of implementing this program during the current heating season, the Board DIRECTS that this pilot be implemented as an expansion of the existing Comfort Partners Program, and that the funding for this pilot be in addition to the funding approved by the Board for the Comfort Partners Program and that the funding is recoverable through the Societal Benefits Charge.

The Ratepayer Advocate ("RPA") filed comments on July 8, 2002 that addressed, in part, the Energy Star Program. The RPA asserted that this program as currently designed is unlikely to have a measurable impact on markets in the State. RPA asserted that it should be replaced by two programs more likely to have measurable energy savings and peak demand impacts: incentives for high-efficiency room air conditioners and a program to retire older residential refrigerators and freezers.

The Energy Star Products program as proposed in the 2003 Compliance Filing, is to be put into maintenance mode, which means no new participants shall be added. The Utilities asserted that this program provides substantial, cost-effective, long-term benefits to New Jersey customers and should be continued in 2003. Additionally, the 2003 Compliance Filing proposed to reserve sufficient funds in the budget to address a broad-based consumer effort to be developed in cooperation with Staff and other participants for Board consideration in the near future. The Utilities provided 3 brief proposals: room air conditioners, compact fluorescents, and washing machines.

The Board HEREBY ADOPTS a new program that addresses Energy Star compact fluorescent lighting and Energy Star room air conditioners to be offered as a rebate program. The Board ORDERS that Board Staff work with the Utilities to develop and bid out this initiative as an RFP for both program design and program administration. This would provide an opportunity for the introduction of innovative design and cost competition and a possible avenue for energy services companies to sell their program design. The Board HEREBY DEFERS any further action on the 2003 Compliance Filing until such time as a review of the budgets and programs has taken place.

Regarding the issue of administration, the Board HEREBY ESTABLISHES the New Jersey Clean Energy Council, as advisors to the Board. The Council will provide planning assistance for the administration of the programs. The Clean Energy Council will be Chaired by the President of the BPU or his/her designee and should contain representation from: DEP, DCA, RPA, renewable and energy efficiency industries, energy experts, consumer/environmental

advocacy groups, end users, academics and utilities. The Clean Energy Council will be responsible for working with Staff and administrators to make recommendations for and assessment of the components of the program, programmatic effectiveness, the goals and objectives on a program-by-program basis, incentives levels, program delivery, consumer satisfaction, and administrative efficiency. The Board AUTHORIZES the President of the Board to appoint the members of the Clean Energy Council.

Half of the initial members will be appointed for a period of two years and half of the initial members will be appointed for a one-year period. Subsequent to the initial appointments, Council members will be appointed for a period of two years. The Clean Energy Council will meet regularly and will establish working groups to cover specific task areas. Some members may require reimbursement for travel expenses and these costs would be part of the administration costs of CRA and the Board AUTHORIZES the President of the Board to determine the reimbursement amounts.

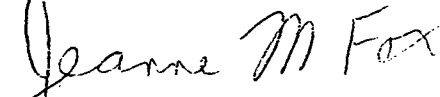
The Board AUTHORIZES that a feasibility study on the issue of establishing a Trust Fund for CRA funding and asks that a report be prepared and presented to the Board for their consideration by December 31, 2003.

The Board HEREBY CHANGES the name of the program from CRA to the New Jersey Clean Energy Program so that citizens will understand the program better.

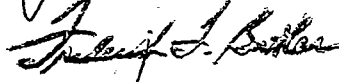
DATED: 1/22/03

BOARD OF PUBLIC UTILITIES

BY:



JEANNE M. FOX
PRESIDENT



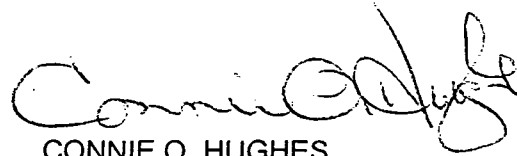
FREDERICK F. BUTLER
COMMISSIONER



JACK ALTER
COMMISSIONER

SEPARATE OPINION OF COMMISSIONER CONNIE O. HUGHES

Connie O. Hughes, concurring in part and abstaining in part. I abstain with regard to the portion of the matter that specifically relates to the Clean Energy Council because I do not have adequate information to make a reasoned decision. I concur with the majority with regard to all other decisions.

A handwritten signature in black ink, appearing to read "Connie O. Hughes", with a stylized flourish at the end.

CONNIE O. HUGHES
COMMISSIONER

DISSENTING OPINION OF COMMISSIONER CAROL J. MURPHY
Weatherization Pilot Program

I respectfully dissent from the majority ruling regarding the senior housing weatherization pilot program.

As staff made evident during their presentation at the Board meeting, this pilot program is aimed at the 2,026 homes in Clearbrook Village and the 2,302 homes in Rossmoor, both located within Monroe Township. Given the number of homes in these large planned senior citizen housing developments, this is potentially a much larger number than for a typical Board pilot program. I am troubled that the program is only for homes in these developments and therefore unavailable to any eligible senior all electric homeowner in the rest of the state.

There was a claim made by the proponent of this pilot program that the local electric utility widely advertised the benefits of these homes when they were originally constructed in the 1960s and 1970s. I am sympathetic to the original owners of the homes if they purchased with reliance on the promise of inexpensive energy costs. However, given the passage of time and how this program is marketed towards senior citizens in a planned senior housing development, I suspect that most original owners are not in these homes anymore.

If the owners of these homes are not the original owners, then they should have bought their home with full knowledge of the electric bills. Consequently, they should not be eligible for this program. Just as a diligent new home owner should determine what the real estate taxes are, they should have determined what it costs to live in that home by reviewing past energy usage, maintenance fees, etc. To those subsequent purchasers, caveat emptor should be the rule and ratepayers should not subsidize their costs.

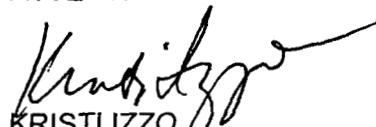
Rather than creating a new senior housing weatherization program, I believe the Board should expand the existing low-income housing weatherization program. The Board should first help those who cannot help themselves by targeting such a program to homeowners whose net worth, not simply their income, is below a certain level. \$1,500 per household would be better given to ratepayers whose combined incomes fall below the poverty level established by the State in other welfare programs.

Another problem with this program is that there are no restrictions regarding established legal residence. Should benefits be given to people whose legal residence is in another state? I believe benefits should not be given to persons who do not live in their residences for eleven months of the year, excluding days of illness and/or nursing care. I do not believe it makes sense to retrofit a home for people who spend the majority of the year living elsewhere.

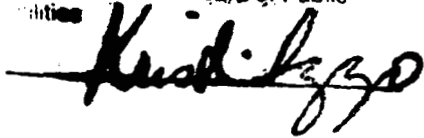
For all the foregoing reasons, I cannot support that portion of the ruling relating to the senior housing weatherization pilot program.


CAROL J. MURPHY
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



SERVICE LIST

IN THE MATTER OF THE PETITION OF THE FILINGS OF THE COMPREHENSIVE RESOURCE ANALYSIS OF ENERGY PROGRAMS PURSUANT TO SECTION 12 OF THE ELECTRIC DISCOUNT AND ENERGY COMPETITION ACT OF 1999

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