



STATE OF NEW JERSEY
Board of Public Utilities
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Newark, NJ 07102
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CLEAN ENERGY

IN THE MATTER OF THE COMPREHENSIVE)
ENERGY EFFICIENCY AND RENEWABLE)
ENERGY RESOURCE ANALYSIS FOR THE)
2009 – 2012 CLEAN ENERGY PROGRAM)
)
) DOCKET NO. EO07030203

(SERVICE LIST ATTACHED)

BY THE BOARD:¹

On February 9, 1999, the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et al. (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. 48:3-60a(3). EDECA further directed the Board of Public Utilities (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 and renewable energy 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 energy efficiency and Class I renewable energy programs (now called New Jersey's Clean Energy Program) 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 energy efficiency and renewable energy resource analysis proceeding. At the conclusion of this proceeding, the Board issued its initial comprehensive resource analysis order, dated March 9, 2001, Docket Nos. EX99050347 et al. (hereinafter referred to as the 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 and determined that the energy efficiency programs and customer-sited renewable energy programs would initially be administered by the State's utilities and that

¹ Commissioner Connie O. Hughes did not participate in the deliberation of or vote on this matter due to a potential conflict of interest.

the grid-connected renewable energy programs would be administered by the Board. The Board approved funding levels of \$115 million for 2001, \$119.326 million for 2002, and, \$124.126 million for 2003. By Order dated July 27, 2004, Docket Nos. EX03110945 et al., the Board adopted a final 2004 funding level of \$124.126 million.

By Order dated March 4, 2003, Docket No. EO02120955, the Board created the New Jersey Clean Energy Council and directed it to make recommendations on the final administrative structure of the New Jersey Clean Energy Program. The Board further directed that any future reorganization should recognize the distinction between administrative/implementation and planning/design. The Clean Energy Council released its Report: "New Jersey Clean Energy Program – Recommendation on Administration and Fund Management" ("Report") on July 21, 2003. By Order dated September 11, 2003, Docket No. EO02120955, the Board adopted the majority of the recommendations included in the Clean Energy Council's report including transitioning the administration of the programs from the utilities to the Board.

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. In this proceeding the Board directed the OCE to review the programs and budgets with advice from the Council. The Board also directed OCE to hold hearings and meetings to discuss programs and budgets.

By Order dated December 23, 2004, Docket No. EX04040276, the Board concluded its second CRA proceeding, set funding levels for the years 2005 through 2008, and approved 2005 programs and budgets. The Board approved funding levels as set out in the table below:

Year	Total (\$ million)	Energy Efficiency	% of Total	Renewable Energy	% of Total
2005	\$140	\$103	74%	\$37	26%
2006	\$165	\$113	68%	\$52	32%
2007	\$205	\$123	60%	\$82	40%
2008	\$235	\$133	56%	\$102	44%
Total	\$745	\$472	63%	\$273	37%

The Board's December 23, 2004 Order also established goals for the programs based on the funding levels noted above as follows:

- 1 With regard to renewable energy, the Board reaffirmed its goal of delivering to the grid 300 MW of Class I renewable electric generation capacity in New Jersey by December 31, 2008, of which a minimum of 90 MW AC will be derived from photovoltaics, and
- 2 By December 31, 2008, six and one half percent of the electricity used by New Jersey residents and businesses will be provided by Class I and Class II renewable energy resources, of which a minimum of four percent will be from Class I renewable energy resources.
3. With regard to energy efficiency, the Board determined that the goal was to increase energy savings over 2003 levels by the percent increase in funding plus 10%.

The Board's December 23, 2004 Order included the following table that summarized the specific MWH, Dtherm and MW goals based upon the above goals:

EE and RE Annual Goals based on the 2005 through 2008 funding Levels				
Years	Electric EE Goal	Natural Gas EE Goal	Solar RE Goal	Class I RE Goal
	MWh	Dtherms	MW	MW
2003 (Reported)	285,576	408,583	1.7	76
2004 (Reported)	To be reported after the close of the 2004			
2005	341,770	489,305	4	19
2006	409,454	586,206	14	38
2007	486,958	697,167	27	66
2008	575,568	824,028	39	89
Total	1,813,750	2,596,706	90**	300**
* Contracts issued- construction has not been initiated				
** Includes 2004 CORE installed or Grid under contract within Total				

By Order dated September 14, 2006, Docket No. EX04040276, the Board approved final 2006 budgets and programs. The Board directed each entity currently managing a program to submit to the OCE for review, and to the Board for approval, a detailed program filing hereinafter referred to as a Compliance Filing. By Order dated December 22, 2006, Docket No. EX04040276, the Board approved the Compliance Filings submitted by each of the program managers.

On August 19, 2005, the New Jersey Department of the Treasury, Division of Purchase and Property (Treasury) issued, on behalf of the Board, Request for Proposal 06-X-38052 for New Jersey Clean Energy Program Management Services. After an extensive review of the proposals submitted, including the submission of best and final price offers and negotiation of several price components, the Board selected Honeywell International, Inc. (Honeywell) as the Market Manager for residential energy efficiency and renewable energy programs and TRC Energy Services (TRC) as the Market Manager for commercial and industrial energy efficiency programs. On October 19, 2006, Treasury issued a contract to Honeywell and to TRC to provide program management services.

On January 17, 2007, the Board approved the release of the Request for Proposal for the New Jersey Clean Energy Program – Program Coordinator – Docket No. EO05070640. Bids were received on March 20, 2007.

By Order dated December 22, 2006, Docket No. EX04040276, the Board approved final programs and budgets for New Jersey's Clean Energy Program for 2007. The Board noted in that Order that it is in the process of transitioning many of the energy efficiency and renewable energy programs from the utilities and the Office of Clean Energy (OCE) to Market Managers selected through a competitive bidding process. Since the issuance of the contracts by Treasury, OCE has worked closely with Honeywell, TRC and the utilities to plan for and implement a smooth transition of the programs. Honeywell and TRC commenced management of all of the programs being transitioned by April 1, 2007.

Several programs provide incentives to projects with long lead times, such as residential and commercial new construction. The programs give projects up to two years for completion after

issuance of an incentive approval letter. However, given that the Board has yet to consider funding levels beyond 2008, commitments beyond 2008 cannot be made at this time. Therefore, the proceeding to determine funding levels beyond 2008 needs to be initiated as soon as possible.

As set forth at N.J.S.A. 48:3-60a(3), EDECA provides that after the eighth year the Board shall make a determination as to the appropriate level of funding for energy efficiency and Class I renewable energy programs. Furthermore EDECA provides that the Board shall determine, as a result of a comprehensive analysis, the programs to be funded by the SBC and the level of cost recovery and performance incentives for old and new programs.

As a result of the requirements in EDECA and the aforementioned Orders, the Board HEREBY ORDERS the OCE to initiate a third proceeding and public hearings on program funding and funding allocations for the comprehensive energy efficiency and renewable energy resource analysis programs for years of 2009-2012.

The Board has engaged Rutgers Center for Energy, Economic, and Environmental Policy (CEEPP) to perform a cost benefit analysis of the Clean Energy Program. Each of these studies will be included as part of the record in this proceeding and will be made available for comment prior to any public hearings. Summit Blue Consulting (Summit Blue) recently issued a draft Energy Efficiency Market Assessment report that includes a number of proposed modifications to the existing programs. An assessment of the renewable energy marketplace is also being performed by Summit Blue with a final report scheduled for completion in May 2007. These reports will be included as part of the record in this proceeding and will be made available for comment prior to any public hearings. As reports are finalized and available they will be distributed to the Clean Energy Council and Committees as well as posted on the Board and CEP websites.

The Board requests comments on a number of issues that may impact CEP funding levels and programs for 2009 through 2012. Interested parties may comment on any issue related to this proceeding, but should also consider the issues noted below in their comments.

The goals of the energy efficiency and renewable energy programs, as set forth in EDECA, are to reduce market barriers and transform the energy market, produce environmental benefits over and above those of existing standard offer programs, make energy services more affordable for low-income customers, and eliminate subsidies for programs that can be delivered into the market without SBC funding.

Moreover, the Board has commenced a process for developing a State Energy Master Plan. Numerous public meetings have been held and it is anticipated that the Energy Master Plan will be adopted by the Energy Master Plan Committee in the fall of 2007. The following objectives have been proposed for consideration in the State Energy Master Plan:

- 1 Reduce projected energy use by 20 percent by 2020;
- 2 Twenty percent of the State's electricity demand must be produced from Class I renewable sources by 2020.

In addition, Governor Corzine's Executive Order 54 calls for an aggressive reduction in greenhouse gas emissions in New Jersey through the stabilization of greenhouse gas

emissions at 1990 levels by 2020 and the further reduction of emissions by 80 percent below 2006 levels by 2050.

The Board requests comments on how New Jersey's Clean Energy Program can support these proposed objectives and the changes to programs and funding levels needed to achieve these objectives. Specifically, the following questions should be considered:

1. How should the current program goals and objectives, as discussed above, be modified or re-prioritized for the period 2009 to 2012, taking into consideration: economic development, cost-effectiveness, market transformation, affordability, resource acquisition, environmental, and other state, regional and federal initiatives?
2. What funding level should be established for the next four years to meet the policy goals with regard to:

Residential Energy Efficiency;
Commercial and Industrial Energy Efficiency;
Low Income Programs; and
Class I Renewable Energy Resources

3. How should funding be allocated to Class I renewable energy and energy efficiency programs?
4. Provide suggestions on how additional funding for new programs can be generated to meet the policy goals.
5. How should the Board modify existing programs?
6. How should the Board differentiate based on the location of the establishment (in or outside an area designated for growth) that is receiving a benefit?
7. Relationship of the policies being considered in this proceeding relative to the policies that will be in the adopted Energy Master Plan.
8. Should the Board spend more on research and development?

The following additional questions should be considered when commenting on the individual Energy Efficiency Programs:

1. How can energy efficiency resources be best implemented/utilized to achieve the goals/objectives stated above?
2. What criteria should be established for choosing among competing energy efficiency programs and objectives, given funding constraints for periods 2009 through 2012?
3. How can subsidies be eliminated for new and existing energy efficiency programs, e.g. implement by regulations?
4. What implementation activities should be considered for each program or technology?
5. Should the energy efficiency programs support green buildings, and if so, what would be the incentive structure to promote this?
6. What are the costs and benefits of the Combined Heat and Power (CHP) Program and should the CHP program be expanded? What should be included or excluded from this program?
7. What, if any, demand response programs should be available for residential, small business and large industrial customers?
8. Should the cap for Commercial and Industrial energy efficiency programs rebates and incentives be raised? Why and for what customer classes or types of customers?
9. Should the energy efficiency program rebates and incentives be targeted to specific locations to address congestion, reliability issues and other factors? What are those

- other factors? If so, what would the incentive structure be? How should locations be identified and the value of located Distributed Generation facilities be quantified?
10. Should the State continue to rely on market transformation programs or utilize resource acquisition programs similar to the Standard Offer Program or rebate program?
 11. Should there be a program for general technical design assistance for small Commercial & Industrial customers? If so, what should the incentive structure be?

A conceptual draft Energy Efficiency Portfolio Standard (EEPS) has been presented for discussion as part of the Energy Master Plan process. The EEPS would function in a manner similar to the existing Renewable Energy Portfolio Standards (RPS), in that suppliers would be required to procure a minimum level of energy efficiency as part of its supply portfolio. The following questions should be considered:

1. What impact would an EEPS have on the funding level required for energy efficiency programs?
2. Should an EEPS supplement or replace existing programs?
3. If an EEPS is to supplement existing programs, what market mechanisms should be considered to maximize the delivery of the programs in an EEPS environment and avoid confusion in the marketplace?
4. What standards should be used for measuring and verifying energy savings?

The following questions should be considered when commenting on the renewable energy programs:

1. Where should the Class I renewable energy (RE) resources needed to meet the Renewable Portfolio Standards (RPS) goal of 20 percent renewables by 2020 be geographically and physically located?
2. What Class I RE technologies should be installed to meet the RPS goal of 20 percent renewables by 2020?
3. What are the tradeoffs, advantages and disadvantages of establishing regional markets for renewable energy with more liquid Renewable Energy Credit (REC) markets, as opposed to structuring subsidies that encourage the installation of renewable energy facilities in New Jersey?
4. Should the solar set-aside in the RPS be expanded to include larger than 2 MW net metered "grid" supplied projects? What benefits or risks are involved in extending the Solar Renewable Energy Credit (SREC) eligibility criteria to include "grid"-supplied solar, i.e., interstate commerce challenges, oversupply and price reductions, etc.?
5. What challenges are posed by Regional Greenhouse Gas Initiative (RGGI) treatment of offsets, allowances, alternative allocation methods and auction proceeds in relation to the use of RECs to encourage the installation of new renewable energy facilities? How should CEP incentives be structured to maximize ratepayer investment when RGGI funds are involved?
6. What are the advantages and disadvantages of opening RPS eligibility to facilities outside of PJM, i.e., RECs processed in adjacent control areas, e.g. PJM, New York Power Pool and New England Power Pool?
7. What role should the CEP play in overcoming extra-economic barriers to more widespread adoption of renewable energy technologies in New Jersey? For instance, should CEP funds be used more extensively for initiatives such as, education and outreach to reduce municipal land use barriers or development of model zoning ordinances?
8. Can and should CEP funding be made available to encourage the manufacturing of renewable energy technologies in New Jersey.

9. Should the RE program rebates and incentives be targeted to a specific location to address congestion, reliability or other factors? What are those other factors? What would be the restructured incentive?
10. Do potential constraints from greater integration of renewables into the PJM Grid justify an expenditure of CEP funds on research into this topic?
11. Does the intermittent and variable nature of renewable energy sources justify an expenditure of CEP funds on research and incentives for energy storage technologies?

Anyone wishing to provide comments should submit by e-mail at oce@bpu.state.nj.us RE: 2009 – 2012 Funding Allocation for CEP or in hard copy to:

Michael Winka Director
 NJBPU - Office of Clean Energy
 POB 350
 Trenton, NJ 08625-0350
 Subject: 2009 – 2012 Funding Allocation for CEP

Comments may be submitted up through and including the last Public Hearing date. All submitted comments will be posted on the CEP and BPU website. Reply comments can be presented at the hearing or to the same above address prior to the hearing. All written comments should be provided in a Word document format to help facilitate postings to the website.

The Board **DIRECTS** Staff to develop a Straw Proposal for the 2009 – 2012 funding level, allocation and rate and bill impacts. This will be posted on the website at least 30 days prior to the first hearing.

In accordance with the foregoing, the Board **HEREBY DESIGNATES** President Fox as the Hearing Officer to oversee the hearing proceedings on program funding and funding allocation. The Board **HEREBY ADOPTS** the following procedural schedule:

September 25, 2007	Hearing on Funding Levels and Allocation for Clean Energy Programs for the years 2009 – 2012 1 – 4 in Newark, Board Hearing Room
October 16, 2007	Hearing on Funding Levels and Allocation for Clean Energy Programs for the years 2009 – 2012 1 – 4 in Trenton DEP PHR

Any changes to the above schedule will be posted on the NJBPU website and on the Clean Energy Program website.

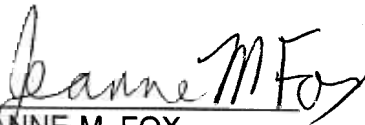
The Board **HEREBY ORDERS** that the seven electric and gas utilities respond to the issues below within thirty (30) days after the Board issues this Order.

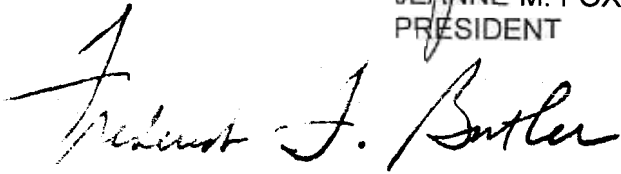
1. What is the current amount being collected in rates for each gas and electric utility: for the Clean Energy Program; for legacy programs?
2. How much was collected in rates for each gas and electric utility by rate class for the year 2006?

The Board **HEREBY AUTHORIZES** Staff to cause a public notice of these hearings to be published in New Jersey Register and in newspapers of wide circulation.

DATED: 4/27/07


BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT




FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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

