

**New Jersey's Clean Energy Program
Energy Efficiency Committee Meeting
Tuesday, February 9, 2010
Hosted by Honeywell – BPU, Newark**

Attendees:

Mike Ambrosio (AEG)	Mark MaGrann (MaGrann)	Joe Gennello (Honeywell)
Mike Winka (BPU)	Roger Kliemish (TRC)	April Guillerme
Dave Wolk (Honeywell)	Linda Wetzel (AEG)	Mona Mosser (NJ BPU)
Dawn Chaplin (Honeywell)	Sherri Jones (BPU)	Elaine Bryant (PSE&G)
Siraj Shaikh (JCP&L)	Bob Kudrick (NJNG)	Kimberly Hoff (CSG)
Bruce Grossman (SJG)	Toria Williams (Honeywell)	Ron Reisman (NJ BPU)
Tori Williams (Honeywell)	Maria Grazul (CSG)	Brian Dolan (Intellidyne)
Rick Marx (EAM Associates)	Paul Romano (NJIT)	Jeffrey Miller (QuadrillionSolar)
Tom Pecora (Honeywell)	Joanne Bachmann (CSG)	Theresa Heller (CSG)
Joe Navarra (BC Express)	Stephen Carter (Rutgers Univ)	Julie deSeve (CSG)
Joe Carlamere (TRC)	May Li (Rimlife Green Tech)	Gabe Nathanson (NJ HMFA)
Tom Testa (Home Energy Diagnostics)	Arthur Pearson (The E Cubed Co LLC)	Tammy Gray (VEIC)
Walt Sparrow-Hood (PSE&G)	Dale Congo (5th Street Renewable Energy Holdings Inc.)	Matt Mason (Urban Energy & Insulation LLC)
Jim Price (Comfortable Energy Efficient Homes)	Don Kliemisch (Energy Consulting Group, LLC)	S. Lynn Sutcliffe (EnergySolve)

Via Phone:

Clif Payne (CMC Energy Services)	Eric DeGesero (Fuel Merchants Assn of NJ)	Kate Grossman (Greenwich Energy Solutions)
Nikki Kuhn (VEIC)	Diana C. DeAngelis (ACE)	Karen Paine (TRC)
Susan Ellman (NJNG)	Brian Bovio (Bovio Heating)	Don Flynn (TRC)
Darren Port (DCA)	Josh Craft NEEP	Marianne Graham (ICFI)
Diane Zukas (TRC)	Patrick Stanton	Dave DeForest (??)
Marie Campanile (Metro Energy Solutions)	Kyle Haddock (eic ComfortHome)	Karen Paine (TRC)
Bill Asdal	Tony Pugliese (Etown)	Cheryl England (Etown)
Alice Napoleon (Synapse Energy Economics (Representing Rate Counsel)	Pulin J. (National Spray Foam & Coatings, LLC DBA - GreenLife Energy Solutions)	Jaci Trzaska (Center for Energy, Economic and Environmental)

Introductions

Program Coordinator and Regulatory Updates

Presenters: Mike Winka, Mike Ambrosio and Mona Moser

1. Update on Filings –

- a. Mike Winka - Board approved budget order and approved filings. In the process of implementing. Currently going through the contract mods. As budget and filings are approved the next step is to submit to Treasury and make amendments to the contract and reviewing those. Negotiations first with AEG, then submit to Treasury and then Treasury does their review and it comes back to the Board. Not a whole lot of changes with the contract mods, but there may be some additional Federal programs in turns of how implementation will be done.

- b. Mike Ambrosio - Few items in Honeywell and TRC's filings that were to be new items this year. Such as adding retro commissioning and a couple of new positions contemplated and given the fact there is a new Administration coming in and State budget crunch, the decision was made to put the changes on hold until they get new direction from where the new Administration is coming from and status of State budget.
 - c. Mike Winka – Executive Order that puts a hold on all new regulations as this new administration puts their focus in place. Treasury is in the same place. Just putting the essential things in first. Once they have direction from new Administration they will reassess.
 - d. Mike Ambrosio – The vast majority is slated to around ARRA related programs, most of which are tied to a NJCEP programs so they are looking at all the contract mods.
 - e. Mike Winka – They have been managing and administrating them with TRC, HW and AEG all along. Programs are not delayed in the implementation, just exact determination of the allocation of funds.
 - f. Mike Ambrosio– One of the things they will see in some cases is requiring a substantially higher level of reporting
 - g. Mike Winka – There will also be an addendum to the applications related to the Federal programs. They did not want to change the actual applications, so they are adding an addendum to be able to keep track of some of the things that are required under the Federal to track.
2. **State Economic Stimulus Plan** – Mike Winka - Defers mostly to the utilities on this when they talk later on.
- a. Total funding of \$230M of supplemental funds mostly on top of NJCEP funds. JCP&L was denied by the Board. Unsure, but believes not proceeding with ACE, but no one attending able to confirm. Need to find out the status.
 - b. Working with AEG and the utilities to get that into the monthly report on the website, as well as the Retail Margin Fund, RGGI Funds so that there is one place to see where the budgets stand, what commitments made and how much spent.
 - 1) Question from attendee - Where are we on the summary reports? Mike Ambrosio advised they are waiting for some more information from the some of the utilities and Market Managers. Expecting it this week. Hoping to have the year end report issued by the end of Feb.
 - c. Per Mike Winka - Everyone is coordinating together.
 - d. Mike Ambrosio had a question for Rate Council and Alice Napoleon was on the phone to respond – Asked about EE CBG Grant saying issue came up that is related to the PSE&G Economic Stimulus stipulation. Language says something along the line of the combination of the utilities program, NJCEP and ARRA the efforts have to be less than 100% of the cost of the measure. One of the things they were hoping to do, particularly for the municipalities that are going to get the EE CBG grant, is to allow the combination of the incentive, plus the ARRA CBG grant to equal 100% of the cost of measures, but they believe that prevision of stipulation prevents this from happening. Would like Rate Council to consider for the muni's getting the ARRA grant, that the combination could equal 100% of the cost. Alice Napoleon said she would talk to them on. Alice to email Mike.
3. **Federal Stimulus Funding**
- a. Mike Winka - \$73M in SEP, \$75M in EE CBG that goes directly to local gov't. Gave more of a breakdown.
 - b. Joe Gennello – Launched other fuels for HVAC and WARMAdvantage application for oil and propane is available on the website already. They already have a number of applications for Home Performance as well. Looking for clarity on the prevailing wage issue of oil and propane merchants (e.g., data reporting).
 - c. **Prevailing Wage** – Mike Winka – There is no prevailing wage issue! Eric DeGesero (Fuel Merchants Assn of NJ) commented that it is ARRA funded so it is thought that prevailing wage does impact it. Mike Winka answered that the Fed reversed their position and now say that Davis-Bacon does not apply to residential. Notice was sent out about this recently. Mona added that this is a more recent understanding and this new stance was just decided and communicated in the last few weeks. Mike Winka said they argued from beginning that it should not apply, but it took to now to have the Fed

state this stance. Eric DeGesero asked for something to be sent to them. Mike Winka said they would get that to Eric ASAP. Julie deSeve also added that the Home Performance Team will also set up a webinar for the expressed purpose to communicate this to contractors, once they have more exact details. Joe Gennello added there is nothing that should prevent from work being performed though.

- 1) Mike Winka – There are a lot of questions on prevailing wage. There was a notice sent out and there will be follow up on the recent amendments signed by the Governor on Nov. 17th. They are working with Department of Labor.
 - 2) There is a proposal on our website, defining overall all the definitions and questions that there should be on prevailing wage. Mike Winka suggests that any/all questions if not already in the proposal be submitted to the Secretary of the Board noted in the proposal so they go on record. Stressed the importance of the official submission process to make sure questions and comments are seen by the appropriate persons.
 - 3) One of the contractors present says moving forward without definitions, puts them at risk for audits and potentially losing their business if not operating correctly. Mike Winka stressed that all the issues are in front of the Attorney Generals and they know the significance of getting clarity quickly. Mike Ambrosio concurs – Everyone needs to get there comments in on the real life implications of this law. Most importantly, the legislation exists and we all have to learn the details of it.
- d. Mike Winka – Say they are working with Senator Smith’s office and Assemblyman Chivukula on a Property Assess Clean Energy (PACE) Program which is a financing program on the local tax. Optional program. Currently have local law that allows this financing and want to open this up to energy efficiency and renewable energy. Noted that are a lot of PACE programs across the country. Hoping to shake that with legislature. The goal from Senator and Assemblyman to deliver sometime in this 1st session.
 - e. Lynn Sutcliffe (EnergySolve) – Asked if we have prevailing wage issues with the programs that are simply ARRA programs and not state funds. Mike Winka – Prevailing wage issues are with the ones that are related programs with state agencies.
 - f. Gabe Nathanson (NJ HMFA) – Asked if a project 5 stories or greater will require prevailing wage and gave some examples. Mike Winka reiterated to go to the legislation for all questions and definitions. Mike also suggested to Gabe to go to their attorney for understanding.
 - g. Another contractor question in the room about the contract threshold for muni’s of \$14,187 and how to interpret etc.. Mike Winka urged again for any concerns, questions or comments to go through the official routes and for everyone to read the proposal.

Commercial/Industrial Programs

Presenters: Roger Kliemish, Joe Carlamere & Don Flynn.

Presentation/Handout – C&I Market Manager EE Meeting Presentation 2.09.10

1. 2009 Program Results through December (Joe Carlamere) –

- a. New Construction Approved Apps – Exceed goals by 12.6%.
- b. New Construction Completed Projects – Goal of 96 and completed 95.
- c. Schools Approved Apps – Exceeded goals by 21 projects.
- d. Schools Completed Projects – Exceed goals by 8 units/7.2%.
- e. Exiting Construction Completed Projects – Continued to lag behind with the tough economy.
- f. Pay for Performance Approved – 2009 lagged behind as some of the logistics took more time than expected. However, applications and ERP’s continue to arrive.
- g. Direct Install not launched until late December. However, it is accelerating quickly. Initially allocated 70% of the budget to the current pool of contractors. Pre-inspections representing \$1,096,914 or 15.7% of the 2009 budget are underway from completed field assessments. Approval letters sent out

representing \$382,087 or 5.5% of the 2009 budget for gas and electric measures. There are a growing number of applications coming from assessments being completed daily.

- h. LGEAP Approved Audits - 339 energy audits compared to goal of 400.
 - 1) Thru January 31st - Received 2,197 applications (1 building) and 1015 applications approved. 511 buildings with audits reports received and 456 building audit reports reviewed and approved. 48 audit reports currently under review. There is an average incentive committed per building of \$6270. Total incentives committed and paid is \$6,364,402

2. General Program Update:

- a. Enhanced Technical Assistance as proposed in the 2010 will not be implemented.
- b. Retro-commissioning Pilot is on hold.

3. Direct Install Contractors (Don Flynn) – Mike Ambrosio opened up explaining the reason for this discussion is because the OCE has received inquiries and complaints from contractors asking why this program is not structured like Home Performance so that question has been asked and they want an open discussion as to why and what are the best choices moving forward and in the future.

- a. Review of initial approach to recruiting and qualification of contractors. Reasons for using a pre-selected network vs. open market approach.
- b. Processes began with Intent to Bid. Very healthy response of over 70 firms. From there an extensive review was performed and a short list was developed on weighted on criteria wanting contractors that could provide the full array of services, wanting to provide one stop shopping for customers. Final negotiations were made and they ended up with 8, with 1 of them offering refrigeration across all of NJ.
- c. Why use a prequalified network vs. open market approach? The object is to maximize customer satisfaction, minimize costs, including admin. costs and ensure the best program participation to achieve goals.
 - 1) This model has been proven; used historically for services to the small C&I sector. Examples include: National Grid, Con Edison, EnergyEast, CL&P, UI, PG&E, etc.. The LGEA Program uses similar model. Without this model there would not be the uniformity that they have now.
 - 2) Minimize customer confusion, maximize customer satisfaction
 - i. Multiple contractors not selling the same program to the same customers.
 - ii. In most cases, entity is dealing with one participating contractor who is able to offer full array of both electric and gas improvements
 - 3) Standard measure pricing state-wide, having pre-negotiated labor & material cost. The better pricing from contractors because based on anticipated volumes and known territory.
 - 4) Better Accountability - contractors are communicating well and regular basis. They have been able to establish time frames that are being met.
 - 5) Better Quality / Quality Control having contractors fully trained and familiar with energy assessment tool which is key for program turnaround time and keeping costs low. Nearly impossible to do if this was open.
 - 6) More control over quality, reporting and delivery. In addition, to performing the assessment and providing the report, they also use the tool as a means of uploading, having more control of reporting. Lower costs to administer and deliver the program. Project execution is faster. Contractors have an understanding of the volume of work and know how to gear and stock up.
 - 7) Lower Cost to Administer & Deliver
 - i. Training, tracking, quality control cost much higher for open market.
 - ii. Project execution is much faster with contractor network.
 - iii. No bidding required for each project.

- iv. Network contractors trained and highly proficient on energy assessment tool and process.
 - v. With expected volume, network contractors are geared up/stocked up for production.
- d. Per Don, program could lose comprehensiveness with open market. He feels NJ is truly a shining star for it's comprehensiveness across the country.
- 1) Participating contractors required to assess all measures - lighting, HVAC, motors, gas, and oil/propane – smaller firms might not.
- e. Alice Napoleon (Synapse Energy Economics (Representing Rate Counsel)– How often are these letters of intent issued or are they going to be issued again to add new contractors to the list as existing ones turn over? Don responded at this time they do not have any definite plans to reissue another Intent to Bid. They've only launched the program 2 months ago. They are watching performance and project volume they made need to added contractors. Alice asked if there were any adjustment mechanisms for changes in cost of the services. TRC – The pre-negotiated fees that they have for the various measures are for the entity existing contractor term which is for the end of the December 2010. They have the right to modify or terminate the contracts at any time. Right now they are of course concerned with prevailing wage issue which will impact this program dramatically. They will have to amend the contracts to account for prevailing wage. They did originally ask for bids with and without prevailing wage in anticipation of this.
- f. Mike Winka added that if project takes off wildly they have a provision to be able to add contractors. Don said they initially allocated among the contractors 70% of the budget and they will amend as necessary an increase. Each contractor has in their contract with they program a 'not to exceed' amount. It can be amended if needed based on performance. Incentive to the contractors to do well.
- g. Do contractors also handle the building envelope issues and how do they handle other measures not on the list, like compressed air system? Are they able to look at that and provide a solution to that? Don Flynn – Currently they do not have the building envelope as a measure category, but they will continue to evaluate additional measure categories and add measures. As far as measures like compressed air, those types are more custom type measures are not intended to be part of this program. If there is an opportunity, the customer could always look at including other programs as part of the overall project.
- h. Lynn Sutcliffe (EnergySolve) – Where is the standard measure list available? Roger said available in the compliance filing and on the web too. Lynn – What is the level of incentive? Roger said the program pays for 80% and customer pays the balance, however some utilities are looking at offering financing. Lynn – Have you done a cost effectiveness test for each of the measures at the 80% level and if so is it available? TRC responded that there were tests done at the 100% level.
- 1) Mike Ambrosio followed up with some answers to these questions saying the NJCEP Direct Install; PS has a similar program in its service territory so you may get slightly different answers for this program.
- i. May Li (Rimlife Green Tech) - Mentioned that it was good to hear this presentation. Said she has tried contacting TRC without any luck with anyone calling back. She expressed that the participating contractor way is too strict and restricts new companies that may even be more qualified. She also commented that her company does solar hot water and wanted to know why this program does not include solar hot water. Roger Kliemish responded saying this program does not including renewables and is focused more about replacing 'in kind' equipment. Also it probably doesn't pass the TRC test. He noted that the measures/items have to pass certain economic standards etc... May Li also had questions about a swimming pool project in her town. He asked May Li to have a further discussion after the meeting as they were running out of time.
- j. Bob Kudrick (NJNG) – Any movement on the letters for the towns not having to go out to bid with these contractors? Mike Winka responded saying the DCA is working on it and the DAG is evaluating it. The initial discussion was that because it was bid under state contract and that the subs are hired under the state contract that that covered the local bidding issue. Mike Winka says to check with the DCA on this. They are covering the entire cost so there are no competition issues. But again, need to get a ruling from the DCA on this.
- k. Question asked if small contractors are able to approach/work with participating contractors. Yes, they can and Roger noted that they have had smaller/non primary contractors hook up with the

existing contractors. Also noted, that Market Manager does not intervene or get involved. That a business decision between contractors.

- I. Brian Bovio – Commented that they sent in a bid and were told they were not selected and that it was also noted not to inquire anymore about it. He said there are 62 more contractors all wanting to get involved with this program and that all of them have customers that they have to refer out to one of these participating contractors and they are losing business because of it. TRC answered that one of the goals of the program is to choose contractors that allows for one stop shopping for customers. Mike Ambrosio added that these questions are the heart of why they are questioning and assessing this. Noting the small business customer is a hard group to reach and they need to see if they can find the best way to reach this group. He added that they need to keep in mind that the HP program went through 3 significant phases so this is an example of room for change.

Residential Programs

Presenters: Dave Wolk and Joe Gennello

Handout: Residential Programs Progress toward Goals

1. Results YTD, January 2010

- a. COOLAdvantage is at 49% of goal. They have sent out letters to about 4K contractors letting them know about the 2010 program as well. SEEARP (ARRA) Muni and Co-op offerings targeted for March.
- b. WARMAdvantage - Almost on target at 98%. SEEARP (ARRA) Oil & Propane are in place. A WARM oil and propane application is available on the website. May see some changes to it, but all cosmetic if any.
- c. Room A/C – Does not start until May.
- d. Clothes Washer – Has been very successful and this past December saw a spike and the high volume in January may be carry over from Dec. purchasing activity.
- e. Dehumidifiers – Is currently above goal by 387%
- f. CFLs – Also exceeds goals by 282%.
- g. Refrigerator/Freezer Recycling - Is also above at 426% of goal. This year the incentive amount from \$30 to \$50.
- h. ARRA Appliances not available until April.
- i. New Construction - Trending above budget and participant goal. Mark McGrann commented that everyone needs to understand our comparisons are delayed so some projections. He also noted that the program is challenged with the market place with housing sales, but projections look OK all things considered for 2009.
- j. Home Performance – 77 Tier 2 air sealing only jobs and 258 Tier 3 completions for January.
 - 1) 116 accredited companies and about 100 in the pipeline.
 - 2) Program to date per Julie deSeve:
 - i. 683 waiting for approvals with a little over a quarter of them with issues and they have to go back to the contractors on them. 52% are cash back and 22% have loans involved.
 - ii. 744 Work Completions in the pipeline. 32% are in queue for processing. 21% failed QC and 40% have a QC scheduled or to be scheduled.
 - iii. Question on the phone if the project only wants air sealing does it need be pre-approved. Julie says no, not on the air sealing only, but they will do QC inspections on those.
 - iv. Processed in January alone 657 work scope approvals. An average work scope approved amount of \$14,442 and an average customer cash rebate of \$6,777

Joe Gennello noted the 657 is an all time high for a month. Tremendous submittals from contractors in Dec. before knowing approved.

- v. Loan activity - Paid to date 443, Denied to date 513, sold 178, 134 withdrawn and pre-approved 863.
- vi. Yesterday had a contractor meeting where over 150 people attended. One of the key things gone over is the processing timeframe.
- vii. Program timing goals: 10 business days for work scope approvals, 10 days for work completion, but need 20 days if a failed QC inspection is involved. Bottle necking the process is incomplete paperwork. So they are going to start sending incompletes back to contractors and taken out of the queue.
- viii. Also working on a remediation process for contractors who have a high amount of QC issues with us.
- ix. The main questions were around ARRA Funding and Prevailing Wage, how's and when of the total energy savings switch and the integration of the HMFA loan.
- x. One of the changes this year is moving to total energy savings and integration of HMFA loan which was mentioned on the call. Mike Winka added that there are only 2 tweaks to the addendum that they need to get to HP (e.g., waste management item).
- xi. Mike Winka wanted to make clear that there is no NJ or Fed. Prevailing wage issues on residential side which is 4 stories or below.
- xii. Julie said she will have a contractor's webinar on this. Mona suggests trying to get one of the attorneys from the DOL on the call so contractors can ask questions.
- xiii. May Li – Is the program going to run out of the money mid year based on the current participation levels? Joe Gennello responded saying the program has seen an influx in January and have budgeted on the order for somewhere a little over 3k completions, but the program has moved to a system so they log the approvals as commitments and they are looking at the budget for an annual bases. The goal is to run the program through to the end of the year. He added they are cognizant of the demand and they are monitoring closely. He also said to be reminded that the goal of this program is for market transformation and achieve the goals of the EMP. It is thought that the market has jumpstarted and it has been successful and homeowners are more aware and have also built a contractor base. The program is not meant to achieve the EMP through these rebates, but to get the market place started. They will continue to look at the program and assess for viability.
- xiv. May Li also asked if this is the same structure as the Renewables program where there is pre-approval needed. Confirmed by Market Manager Staff that it is.
- xv. Stephen Carter (Rutgers Univ.) – They do BPI, LEED, RESNET etc. training and they have been trying for several months to get involved in the BPI training part of this program and would like to know what they can do to move it along. Joe Gennello asked to meet him after the meeting to discuss.

Utility Updates and Integration

1. Bruce Grossman (SJG):

- o Dovetailing from the HP program, the southern part of state now has 17 certified contractors. Last checked in December they had 116 loans approved, noted to keep in mind that goals were 320 over 21 months - Very successful.
- o On the enhanced rebate program there are about 25 out the door or about to go out the door, but that does not include the rebates Honeywell had in their system or through CSG.
- o The most recent version of an agreement with Honeywell was sent to Honeywell today, in principal though already accepted the scope of the agreement.
- o On the commercial side they just inked a financial deal with AFC First bank which will allow them to finance loans for Direct Install, SmartStart and P4P. Also working on agreement with TRC.

2. **Bob Kudrick (NJNG)** – They are very encouraged with the Direct Install Program as it is getting lots of attention. They had a couple of seminars over the last few months and customers are calling back seeing how viable a program it is. They are continuing to promote the program at a lot of different events. To date, NJNG had conducted 1,050 audits on its customers. Paid over 880 rebates of \$900. 0% proving still a little slow from what they were expecting. Home Performance has really taken off though.
3. **Eileen Bryant (PSEG):**
 - o Whole House Program which is very similar to Home Performance - in January 414 Tier 2 completions, compare that to all of 2009 1440 total. Do not have figures on Tier 3 completions at this time. In process of hiring 2 additional Tier 2 auditors.
 - o Direct Install programs, small business, municipal and non-profit for January performed 448 audits and made 225 proposals and completed 48 installations. The municipal nonprofit segment had committed almost 2/3rds of the available funding for 2010. Small business program still has plenty of head room.
 - o The Hospital Efficiency Program has 4 hospitals under contract and in the construction phase. Another 25 in various other stages. If proposals that are currently in the RFP stage come through they will have completely committed the program.
 - o Multifamily has over 40 apps in hand and have started the information gathering phase for 11 of the investment grade audits.
 - o Jeffrey Miller -On the municipal side, at this rate of commitment of funds when do you think you will be tapped out? Elaine says depends on the pipeline developing, but possibly by the end of this quarter, certainly by mid year.
4. **Lynn Sutcliff** – For those who are working in the Pay for Performance or SmartStart arena, if you are working on projects that the utilities can also come into, it behooves you to not work on those projects because there are instances of the utilities coming in and using their 80% against TRC rebates and basically displaces those who have developed the programs and in some cases have signed contracts. He says there is a really serious competition issue and interference with contracts issue going on here. Particularly in the municipal programs. Points out tremendous integration issue and the energy service industry that he represents is very concerned from this and may have to withdraw from the state if this continues to happen. Even noted possible litigation if people come in after a contract has been signed and cause that contract to be breached. Mike Winka – Clarification, PS can deliver this service as a tariff service and in that regard the program does not have to be bid and can be delivered as a tariff service so PS has a program that they can deliver without a bidding process. Says he believes everything was done to ask all the related parties to come to the table to talk about his before hand.

Other Business

Kim Hoff – Wants to invite everyone to the Affordable Comfort Inc. Conference on March 4th and 5th in Atlantic City. Audience is really for residential contractors and builders. Informational and educational sessions both day and an awards banquet. Info. under Events on www.njcleanenergy.com.

Next Meeting – March 9th - Location Location TBD.