



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
[www.nj.gov/bpu](http://www.nj.gov/bpu)

CLEAN ENERGY

IN THE MATTER OF THE STATE ENERGY PROGRAM- )  
FOR PROGRAM YEAR 7/1/10-6/30/11 )

ORDER

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DOCKET EO10050320

Cynthia Holland, DAG, Division of Law, Dept. of Law & Public Safety, 124 Halsey Street, Newark, NJ 07102

BY THE BOARD:

By this Order, the Board of Public Utilities ("Board") considers the 2010-2011 State Energy Program plan prepared by the Office of Clean Energy ("Staff") and submitted to the United States Department of Energy ("USDOE") on May 18, 2010. Staff has submitted the SEP plan to the USDOE at a budget level of \$1,581,865. This budget is comprised of \$768,000 in new federal SEP funds allocated by USDOE; \$163,377 in state matching funds; and approximately \$650,488 in carryover funds<sup>1</sup> from the 2009-2010 SEP plan.<sup>2</sup> Staff now seeks approval of the 2010-2011 SEP plan, as within time, from the Board.

In 1996, the SEP was established by consolidating two existing programs: the State Energy Conservation Program ("SECP") and the Institutional Conservation Program ("ICP"). 61 Fed. Reg. 35,890 (July 8, 1996). Both the SECP and ICP came about during the energy crisis of the early 1970s. Events during that time period increased the nation's awareness of its dependence on foreign oil. Congress responded with legislation that established a broad range of conservation programs, provided support for the development of new and more efficient sources of energy, and required the USDOE to lead and administer the effort. The SECP was established under the Energy Policy and Conservation Act of 1975, Pub. L. No. 94-163, 89 Stat. 901, to address energy conservation in the states. The SECP provided funding to the states for

<sup>1</sup> The estimated \$650,488 in carryover funds from the 2009-2010 SEP projects carryover funds are based on completed projects which did not expend all dollars, invoices not being submitted, barriers to participation and lack of staff to administer projects.

<sup>2</sup> Funding is subject to State appropriations law.

a variety of energy efficiency and renewable energy activities. 61 Fed. Reg. 35,890 (July 8, 1996). The ICP provided schools and hospitals with a technical analysis of their buildings and identified the potential savings from proposed energy conservation measures. Ibid. In creating the SEP, the USDOE combined SECP and ICP in order to make it easier for states to apply for grants and more efficient for both the USDOE and the states to manage the grants. Id. at 35,891. Thus, the USDOE currently provides federal financial assistance and technical support to the states for energy programs by means of the SEP. 10 C.F.R. § 420 et seq.

The SEP is a joint state-federal initiative whose purpose is to promote the conservation of energy, reduce the rate of growth of energy demand, and reduce dependence on imported oil. These goals are sought to be attained through the development and implementation of comprehensive state programs that are financially supported by the USDOE. Federal laws and regulations establish set criteria for participation and define, in general terms, how funds may and may not be used. 42 U.S.C. § 6321 et seq.; 10 C.F.R. § 420 et seq. States must comply with the USDOE rules governing these financial awards.

SEP funding from the USDOE requires the annual submission of an application executed by the Governor, or his designee, and other necessary documents, such as an amended State Plan. 10 C.F.R. § 420.13(a). The USDOE reviews state applications and amended State Plans in accord with 10 C.F.R. § 420.14. The USDOE will then approve or disapprove funding through the SEP within 60 days from the date of a timely filed application packet. Staff submitted the application packet to the USDOE on May 18, 2010.

The State of New Jersey has been allocated federal monies each year in support of its USDOE-approved State Plans. The USDOE allocates funds to New Jersey each year in accordance with its own formula. New Jersey's 2010-2011 SEP allocation is \$768,000.

Pursuant to USDOE regulations, New Jersey is required to match this amount either in cash, in-kind contributions, or both, in an amount totaling not less than 20 percent of the federal allocation. 10 C.F.R. § 420.12. Each state can propose how it intends to use its allocated share of funds to address both national criteria and the specific environmental conditions within that state. Staff proposes that the State of New Jersey's 20 percent match for these federal funds come from state salaries and New Jersey Clean Energy Program ("NJCEP") administrative costs.

Staff now seeks Board approval of the 2010-11 SEP plan and authorization to submit the Plan to USDOE, as within time. The proposed 2010-11 SEP plan includes a budget level of \$1,581,865. This budget amount would be comprised of \$768,000 in new federal SEP funds allocated by USDOE, \$163,377 worth of state matching funds, and approximately \$650,488 in carryover funds from the 2009-10 New Jersey SEP plan. The new allocation of funds is the same as the State's allocation of last year. The required match of 20% will come from state salaries and NJCEP administrative costs and slightly exceeds the requirement to total \$163,377.

The 2010-11 SEP plan should further State and federal energy conservation and efficiency goals. In particular, the SEP plan, as proposed, will supplement or expand the Board's popular Home Performance with Energy Star ("HPES"). HPES offers "whole house" solutions for existing buildings to reduce both energy costs and carbon footprint. This program will target existing single-family and multi-family homes, providing assessments, energy conservation recommendations, and incentives dependent upon the level of energy savings achieved. At this

time, HPES has been suspended because all budgeted NJCEP funds have been spent or committed. The proposal to allocate funding contained in the 2010-2011 SEP plan would allow the resumption of this popular program. Although the federal funds through the SEP are few, they will allow the Board to reopen the HPES program, which furthers both State and federal energy conservation goals. The plan provides that Home Performance with Energy Star would continue to be managed under the NJCEP.

Previous SEP plans utilized SEP funds primarily to focus on alternative and renewable fuel projects. The 2009-2010 SEP plan funded the Alternative Fuel/Hybrid Electric Vehicle Rebate Program ("AFV Program"); the Biodiesel Fuel Rebate Program; the NJ Hydrogen Learning Center; and the Alternative Fuel Infrastructure Program, solely in order to complete the payment process for a maintenance contract. All of these programs were also included in the 2008-09 SEP plan approved by the Board. Payment of invoices under the Alternative Fuel Infrastructure Program from last year has been completed and Staff anticipates that payment will be made prior to June 30, 2010 on any outstanding invoices submitted for an eligible project, so it has not been proposed here or in the carryover amount.

Program experience has shown that, in current economic conditions, local governments are not buying alternative fuel vehicles, electric hybrids, and biodiesel fuel despite the existence of program rebates. Therefore the number of applications has been low and the bulk of allocated funding has not been used, which has resulted in carrying over a significant portion of the SEP funds. Given the ongoing economic difficulties, Staff proposes that it is appropriate to defer the rebate programs at this time and allocate the funds to programs experiencing higher demand. Moreover, administration of these programs with limited support has proven to be neither efficient nor an effective use of the USDOE allocation. Therefore, Staff recommends that funding for the AFV Program, the biodiesel fuel program, and the NJ Hydrogen Learning Center be limited to the amounts necessary to fund previously awarded rebates and contracts where the entities to which they were awarded need to complete the payment and invoice process.

In light of the foregoing, Staff seeks Board approval of the proposed 2010-11 SEP plan composed of the projects identified below. Proposed program amounts include federal funds, State matching funds, and funds carried over from 2009-10.

1. Alternative Fuel Vehicle/Hybrid Electric Vehicle Rebate Program: This program permitted the Board to provide rebates to local government agencies, state colleges and universities, school districts and governmental authorities for the incremental cost of purchasing alternative fuel vehicles ("AFVs") or hybrid-electric vehicles ("HEVs"). The program will only process outstanding invoices from 2009-2010 SEP plan. Proposed budget: \$233,144
2. Bio-diesel Fuel Rebate Program: This program provided rebates to local government agencies, state colleges and universities, school districts and governmental authorities for the purchase of bio-diesel fuel, in lieu of all-petroleum diesel. The program will only process outstanding invoices from 2009-2010 SEP plan. Proposed budget: \$215,942
3. NJ Hydrogen Learning Center (NJH<sub>2</sub>LC). The Hydrogen Learning Center project was designed to strengthen the emerging network of hydrogen and fuel cell-related activity in New Jersey to inform policymakers, business leaders, and other stakeholders as they decide on the role hydrogen will play in the State's energy

portfolio. CEEEP administered the Hydrogen Learning Center's efforts and coordinated its website and quarterly events held throughout the state. The program will only process outstanding invoices from 2009-2010 SEP plan. Proposed budget: \$90,982

4. Home Performance with Energy Star: The proposed allocation will support 152 applications to NJCEP Home Performance with ENERGY STAR Program. Trained and BPI certified technicians assess the entire home, testing: heating and cooling equipment; insulation levels; air sealing opportunities; windows and doors and appliances and lighting, recommending energy conservation measures and providing incentives. The assessment includes a visual inspection of your house, as well as combustion appliance testing. The contractor will identify any potential health and safety issues during the initial assessment. Participating customers receive incentives based on the level of energy savings achieved. Proposed budget: \$1,041,797.

Staff recommends that the Board approve the 2010-11 SEP Plan. In Staff's view, all the proposed initiatives for the 2010-11 program year further the SEP goals of energy efficiency and conservation, and are reasonably budgeted at levels designed to achieve these goals. Specifically, the HPES emphasis on "whole house" solutions to reduce both energy costs and carbon footprint, as well as its grading of incentives to reflect actual energy savings is fully consistent with the federal and State policies underlying the SEP. At this time, it is unknown whether invoices exist for any or all of the three programs whose funding is limited to amounts intended to pay any outstanding invoices from the 2009-10 SEP plan. Staff further recommends that, in the event any funds proposed for the Alternative Fuel Vehicle/Hybrid Electric Vehicle Rebate Program, the Biodiesel Fuel Rebate Program, and the NJ Hydrogen Learning Center are not spent for the payment of invoices, the Board approve the use of these unspent funds in the Home Performance with Energy Star program. Finally, if additional state funding becomes available to the HPES program, Staff further recommends the use of that state funding prior to the use of the SEP funding to ensure compliance with federal law.

As stated above, Staff executed and submitted the SEP application packet to the USDOE on May 18, 2010. Staff now seeks Board approval as within time. In addition, Staff recommends that, if the Board approves the SEP plan as within time, the Board also authorize the submission of an updated application duly executed by the President of the Board.

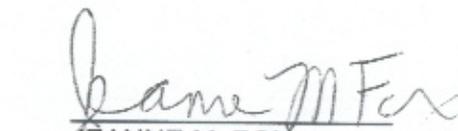
After review of the proposed 2010-11 SEP plan and Staff's recommendations, the Board **HEREBY FINDS** that the programs detailed above will contribute to the conservation of energy, reduction of the rate of growth of energy demand, and reduction of dependence on imported oil.

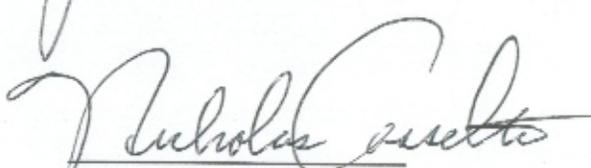
The Board **FURTHER FINDS** that these programs are designed to advance State and federal energy conservation and efficiency goals in accord with State and federal law. The Board **HEREBY FINDS** that the SEP application package was submitted to the USDOE on May 18, 2010. The Board **HEREBY APPROVES** the SEP program budget of \$1,581,865. The Board **FURTHER APPROVES** the recommendations of Staff and **ALSO APPROVES** the 2010-11 SEP Plan, as within time. The Board **HEREBY AUTHORIZES** the submission of an updated application duly executed by the President of the Board.

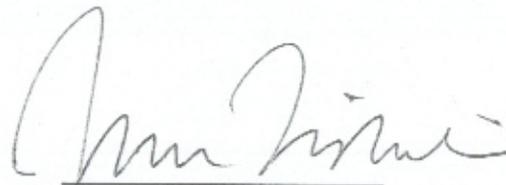
DATED: 6/7/10

BOARD OF PUBLIC UTILITIES  
BY:

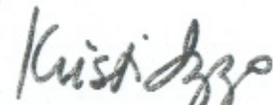
  
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ATTEST:  
  
KRISTI IZZO  
SECRETARY

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