Discussion Points (Cont’d)

1. Organized “in but not of” the Department of the Treasury, the Board of Public Utilities (BPU) is a cabinet level regulatory authority with a statutory mandate (R.S.48:2-1 et seq.) to ensure safe, adequate, and proper public utility services such as natural gas, electricity, water, sewer, and telecommunications including cable television.

The BPU planned to close its Newark office and consolidate it into its Trenton office in FY 2011. In a written follow-up response to a question raised during the Department of the Treasury’s budget hearing before the Assembly Budget Committee on April 21, 2010, the Board asserted that the relocation would lower its space requirements by 59 percent from 97,334 square feet to roughly 41,000 square feet. It would achieve economies of scale notably by eliminating the 20 percent of the leased Newark space it considered to be “unused or common area” space (approximately 17,000 square feet) costing ratepayers over $500,000 in lease payments per year. In addition, the relocation would allow the Board to use other State properties for some of its activities. In all, the BPU projected that the move would reduce its annual lease expenses from $2.89 million to $847,000 for an estimated annual $2.0 million cost savings. The Board pegged one-time moving costs at an estimated $1.45 million.

- **Question:** Please indicate whether the BPU has completed the consolidation of its Newark and Trenton operations. If so, please share the amount of one-time moving expenses. What are FY 2012 and FY 2013 BPU lease payments?

- **Response:** The BPU has finished consolidating its operations. The consolidation will result in approximately $1 million of annual savings. Prior to the consolidation, BPU paid $2.561 million for its space in Newark. In fiscal 2013 Rent is projected to be $1.525 million. One-time construction and move costs totaled $867,000. BPU was responsible for $404,000 of these costs.

**Question:** How many employees worked in the Newark office and how many employees stayed with the BPU as their positions were moved to Trenton?

**Response:** Newark – 240 in Newark (as of 6/10/2010); 19 already located in Trenton – Total 259

35 employees left as a result of the relocation; BPU backfilled 29 positions including 2 positions for newly created State Energy Office. Eight currently filled ARRA positions will expire when Federal funds are depleted.

Current staffing: 252

- **Question:** Have any resignations caused disruptions in BPU operations? Is the BPU satisfied with the operations of the consolidated office?
Discussion Points (Cont’d)

- **Response:** There have been no disruptions in the Board’s operations. Consolidating operations in Trenton has improved the Board’s ability to perform its mission and is much more effective and efficient when working with the Administration and Legislature. From a management standpoint, consolidating operations in Trenton is much improved versus operating out of both Trenton and Newark.

- **Question:** Was the BPU budget reduced in FY 2011 and FY 2012 to reflect any lease savings?

  - **Response:** Rent savings are reflected centrally in the interdepartmental account in FY12.

- **Question:** Does the Governor’s FY 2013 Budget propose reducing the BPU appropriation to reflect any lease savings? If not, please identify to what purposes the cost savings were redirected in FY 2011 and FY 2012 and are proposed to be redirected in FY 2013.

  - **Response:** No. FY12 rent savings were realized centrally and not in BPU’s appropriation. No further savings are budgeted in FY13.

2. In its August 2007 audit report on the BPU, the State Auditor advised improving computer applications the BPU used in the management of underground utility safety programs. The State Auditor deemed inadequate the application tracking data on the location of interstate gas pipelines and their inspection status under the Pipeline Safety Program. The State Auditor also stated that meaningful analysis of incidents with underground facilities under the “Underground Facility Protection Act” pursuant to P.L.1994, c.118 (N.J.S.A.48:2-73 et seq.), was impossible because the current computer application could not provide adequate data. The law requires excavators to call a toll-free number three days prior to excavation and companies to mark their underground facilities near the excavation to prevent damage. Responding to Office of Information Technology Discussion Point #16 in the OLS FY 2011-2012 Department of the Treasury Budget Analysis, the Office of Information Technology noted that the BPU had worked with the office to develop a Request for Proposal to reengineer the existing databases, including the one-call database and the creation of a new pipeline safety database. At the time of the response, vendor submissions to the Request for Proposal were being evaluated.

  - **Questions:** Please provide an update on the status of the envisioned improvements of the computer applications the BPU uses in the management of underground utility safety programs. Has the project been completed? If not, at which development stage is the project currently and by which date does the BPU expect its completion?
Discussion Points (Cont’d)

- **Response:** In October of 2011, the State awarded the Database Re-Engineering Project RFP to CSI Technologies. BPU is in Phase I of the project which is data gathering, gap analysis, data flow evaluation, and draft design of screens and reports. Phase II will include the One-call Database and the creation of the Pipeline Safety System. This should begin in May of 2012; BPU will test a pilot system by the end of June 2012 and estimates completion of the project by December of 2012. The Database Re-Engineering Project will produce a comprehensive database system that will enable electronic filing, ad-hoc reporting, data analysis, and electronic storage of case files, inspections, site pictures, and notes.

3. Page 96 of the FY 2013 Budget Summary displays **key performance indicators for the BPU core mission area “Promote Affordable Utility Service.”** Three performance targets chosen concern the average monthly price of residential utility services. The target for the average monthly residential gas bill falls from $1.41 per therm in FY 2012 to $1.30 per therm in FY 2013, the target for the average monthly residential electric bill decreases from $0.18 per kilowatt hour in FY 2012 to $0.17 per kilowatt hour in FY 2013, and the target for the average monthly residential water bill rises from $48.00 in FY 2012 to $48.50 in FY 2013.

- **Questions:** Please expound on the reason(s) for the selection of utility service costs as key performance indicators for the BPU. To what extent does the BPU control electricity costs in a deregulated environment in which the BPU’s regulatory authority is limited to electric distribution companies (and does not extend to power generation and transmission)? Given the deregulated electricity market, is the BPU comfortable with tying its future budgetary allocations to the average monthly cost of residential electricity in a performance budgeting framework? Does the BPU have more control over residential natural gas and water prices than it does over residential electric prices?

- **Response:** One of the Administration’s five overarching goals for the 2011 Energy Master Plan is “driving down the cost of energy for all customers.” In support of this goal the BPU has been given the mandate to promulgate policies and initiatives which ensure the delivery of safe, adequate and affordable service by the State’s regulated utilities to the State’s ratepayers. Moreover, the BPU will advance initiatives and programs which are market-sensitive, timely, and which serve to keep ratepayers’ bills relatively stable and affordable. The average monthly cost metric is intended to provide an overall “measure” as to how well the local electric distribution companies (EDCs) are performing in the aggregate.

The BPU assists in effecting control over electricity costs via the annual BGS-FP and BGS-CIEP auctions. Further, the Board is aggressively and continuously engaged in
Discussion Points (Cont’d)

promoting the implementation of new transmission and generation-related initiatives at PJM and FERC, all with an eye on controlling costs to be borne by the State’s electricity consumers, while at the same time enhancing service reliability.

Both the electric and gas utilities are partially deregulated and there is no material difference in the level of regulatory control the BPU has over those residential rates. With respect to the water utilities, the Board has greater regulatory oversight.

4. The BPU spearheaded the development of the 2011 Energy Master Plan, which was released in December 2011 and superseded the 2008 edition. Serving as a blueprint for managing the State’s energy needs, the plan sets forth numerous initiatives and policy recommendations intended to ensure that New Jersey has a reliable supply of energy at a reasonable price that is produced and consumed in a manner consistent with the State’s environmental needs. The plans authors stress that achieving this multifaceted energy policy objective will save money, stimulate the economy, create jobs, and protect the environment.

The 2011 Energy Master Plan features a discussion of unanticipated legal complications that could jettison the Long-Term Capacity Agreement Pilot Program, authorized by P.L.2011, c.9. The BPU selected three gas-fired combined cycle projects for the pilot program that were supposed to add 1,950 megawatt to New Jersey’s generation capacity and provide an estimated $1.8 billion in net economic benefits on a present value basis over 15 years: the Old Bridge Clean Energy Center (proposed to be operational by June 1, 2015), the Woodbridge Energy Center (proposed to be operational by June 1, 2015), and the Newark Energy Center (proposed to be operational by June 1, 2016). A combined cycle power facility produces electric power via the combustion of fuel and uses the resulting waste heat by-product to generate additional electric power. To support the development of the combined cycle projects, P.L.2011, c.9 provides for “Standard Offer Capacity Agreements” (SOCAs). A SOCA is a contract in which eligible generators would receive payments from one or more electric public utilities for a defined amount of capacity at a fixed price for a term not to exceed 15 years.

PJM Interconnection objected that the SOCA price support system could distort the regional wholesale electric market by enabling subsidized generators to submit capacity price bids below actual cost at PJM’s capacity auctions. (PJM is the nonprofit organization operating the wholesale competitive electricity market and power grid across thirteen Mid-Atlantic and Midwestern states and the District of Columbia.) PJM’s regulator, the Federal Energy Regulatory Commission (FERC), agreed and implemented new rules in 2011 that require the three combined cycle projects to offer their capacity at an administratively set minimum offer price that may exceed the auction’s actual clearing price. The offer price constraints are waved once the new generation units have cleared one auction. But if any of the three combined cycle projects fail to clear...
Discussion Points (Cont’d)

the auction, the SOCAs will be void and the new generation capacity will not be available. A much-anticipated auction is scheduled for May 2012.

According to the authors of the 2011 Energy Master Plan, the State has pursued and will continue to pursue judicial remedies against FERC’s imposition of offer price constraints on the three combined cycle projects. In addition, they mention that New Jersey could opt out of PJM’s capacity market structure by adopting a so-called Fixed Resource Requirement, which is provided for in the PJM tariff. This way, New Jersey could bring new generation into existence outside of the PJM capacity market but doing so would necessitate extensive planning.

- **Questions:** How does the BPU assess the probability that the three combined cycle projects under the Long-Term Capacity Agreement Pilot Program will clear the May 2012 PJM capacity auction?

- **Response:** The Board has and continues to provide full support of the SOCAs underlying the three LCAPP winners but is unable to predict whether any or all of the proposed facilities will clear the May 2012 auction. The Board is optimistic that the three SOCA winners will be able to develop bids and financing strategies that will allow them a fair opportunity to clear and build as required by the SOCAs. Because of the competitive nature of the market, the Board has no inside information on the actual prices to be bid or the clearing price.

- **Questions:** If the projects are not expected to be operational before June 1, 2015, why is it important for them to clear the auction in May 2012?

- **Response:** The BRA is a three-year forward looking auction, and thus clearing the 2012 auction is necessary for payment in 2015.

- **Questions:** Could the projects fail to clear the May 2012 auction but pass at a later auction without jeopardizing the Standard Offer Capacity Agreements?

- **Response:** Yes and no. Failing to clear the 2012 BRA will disallow access to the 2015 capacity market, but the SOCAs may consider clearing at a later date for later entry into the capacity market. The exact nature of the impact of clearing at a later date is the subject of a current proceeding before the Board.

- **Questions:** Please provide a status update on New Jersey’s legal challenges to the Federal Energy Regulatory Commission (FERC) rule change that requires the three combined cycle projects under the Long-Term Capacity Agreement Pilot Program to submit bids at PJM’s capacity auctions at administratively set minimum offer prices. What venues has New Jersey pursued to date to protect its Long-Term Capacity Agreement Pilot Program? What venues are still available? Does the BPU feel that New Jersey’s case is sufficiently strong to justify filing a lawsuit against FERC’s rule change?
Discussion Points (Cont’d)

- **Response:** New Jersey is currently involved in three separate legal challenges. The incumbent power generators have sought judicial review in federal court and the Board is awaiting a decision on cross-motions for summary judgment in that action. The EDCs brought suit in the Superior Court of New Jersey, Appellate Division, challenging the Board’s implementation and cost allocation of LCAPP. This case is ongoing. Finally, the Board and other state commissions sought review of FERC’s MOPR rule on the Federal level, with the matter pending before the Third Circuit. The Board is currently unaware of any further venues for review and relief, but continues to defend the legislation to its fullest extent.

- **Questions:** Is the BPU laying the groundwork for adopting a Fixed Resource Requirement? If so, what is the earliest possible date by which the alternative to PJM’s capacity market could be in place and would in doing so save existing Standard Offer Capacity Agreements?

- **Response:** As noted in the Board Staff Report on New Jersey Capacity, Transmission Planning and Interconnection Issues, presented to the Board on December 14, 2011, and available at http://nj.gov/bpu/pdf/announcements/2011/capacityissues.pdf, all remedies, including a Fixed Resource Requirement program, remain possibilities for future relief in the event that New Jersey continues to be denied the ability to ensure reliable energy production. Details, such as the earliest possible date by which an alternative mechanism could be in place, have not yet been developed. As with many other participants, the Board is watching and waiting for the results of the 2012 BRA before any further decisions are made.

5. The 2011 Energy Master Plan includes two renewable energy goals. First, relative to the 2008 edition and without any reference thereto, the 2011 plan’s authors lower the proportion of electricity used in New Jersey that is to be sourced from carbon-free renewable energy sources by 2021 from 30 percent to 22.5 percent, which is the State’s current regulatory Renewable Portfolio Standard (RPS) as formulated in N.J.A.C.14:8-2.3. Second, the authors of the 2011 plan aspire that “clean” energy sources generate 70 percent of the electricity used in New Jersey by 2050. The term “clean energy sources” refers to renewable resources as well as electricity generated by nuclear, natural gas, and hydroelectric facilities.

The 2011 plan outlines numerous policy options that the Administration means to pursue to reach its renewable energy goals. But the document intentionally does not lay out a concrete, comprehensive strategy with specific targets and action steps for renewable energy sources that are intended to contribute to meeting the overarching goals: “[a]gainst the backdrop of high energy costs, New Jersey’s current fiscal challenges remind policymakers that the method for achieving the RPS should be flexible – neither rigid nor absolute. New Jersey should formulate the incentives and portfolio of renewable energy sources that result in the most cost-effective energy.
alternatives possible. Mid-course corrections to achieve the RPS objectives that safeguard New Jersey’s need for reliability and economic benefits are encouraged.”

- **Questions:** Please explain the motivation behind abandoning the 2008 Energy Master Plan goal that 30 percent of the electricity used in New Jersey be sourced from carbon-free renewable sources of energy by 2021 and replacing the target with the 22.5 percent goal of the Renewable Portfolio Standard. Is the reduction the result of an economic impact analysis? If so, please summarize its findings and provide a copy of the analysis. Would the 30 percent target have been achievable without causing economic disruptions? Is the updated 22.5 percent target achievable without economic disruptions? In the BPU’s estimation, what is the likelihood that the 22.5 percent target will be attained? Is the BPU concerned that implementing the 22.5 percent target might erode the competitive position of New Jersey-based energy-intensive businesses? What will be the financial impact on ratepayers of meeting the 22.5 percent target?

- **Response:** The 2011 EMP maintained the RPS, adopted by regulation in 2006, of 22.5% of the State’s electricity needs from renewable sources by 2021, one of the most aggressive standards in the nation. The 2011 EMP calls for the development of clean energy resources, including renewables, that confer net economic and environmental benefits to New Jersey, including the reduction of emissions, reduced or stabilized energy and capacity prices, the creation of jobs and investment in new manufacturing and supply chain capability.

The Board considers the 22.5% RPS to be a minimum goal and will strive to exceed this goal by 2021. To this end, the Administration, and the Board, have taken the following action:

1. Proposed a temporary acceleration of the solar RPS, as mandated in the Solar Energy Advancement and Fair Competition Act, to provide interim relief to the currently oversubscribed market for solar renewable energy certificates; enacted the Offshore Wind Economic Development Act, which requires a minimum 1,025 MW of offshore wind by 2020;
2. The Board supports the development of in-state biomass and on-shore wind with a number of incentives including rebates, grants, and net metering and renewable energy certificates; and
3. The Board supports advancing innovative renewable energy technologies.

- **Questions:** Does the State have a concrete, comprehensive strategy with specific targets and action steps for specific renewable energy sources to implement the Renewable Portfolio Standard that 22.5 percent of the electricity
Discussion Points (Cont’d)

used in New Jersey be sourced from carbon-free renewable sources of energy by 2021? If so, please outline the concrete steps, subject to future modification, the State intends to take to attain the 22.5 percent target.

Response: The Board has adopted strategies for achieving the 22.5% RPS, which include:

1. Develop and implement financial incentives to promote solar, including solar renewable energy certificates (SREC), and take action to stabilize the SREC market, as described above.
2. Develop and implement financial incentives to promote Class I renewables, including renewable energy certificates (REC).
3. Provide a financial mechanism to support the development of offshore wind energy facilities through offshore wind REC (OREC).
4. Promote energy efficiency, conservation and demand reduction programs.

6. On May 26, 2011, the Administration announced New Jersey’s withdrawal from the multi-state Regional Greenhouse Gas Initiative (RGGI) by the end of 2011. In support of its decision, the Administration contended that RGGI was ineffective in reducing greenhouse gases notably because an oversupply of emission allowances made them too inexpensive to impel energy producers to substitute less carbon-emitting fuels and production technologies for those currently used. Without inducing such a substitution effect, the Administration alleged that RGGI amounted merely to a tax on electricity use that inflated New Jersey rates beyond the regional average.

New Jersey was among ten Northeastern and Mid-Atlantic states comprising RGGI. Members pledge to cap annual regional carbon dioxide emissions from power plants at their projected 2009 level from 2009 through 2014 and to lower emissions by ten percent from 2015 through 2018. RGGI created a mandatory cap-and-trade program effective as of January 1, 2009 under which participating states first auction off carbon dioxide emission allowances and power plant owners then trade them in a secondary market so as to match emissions with emission allowances. Cumulatively, New Jersey reaped $113.3 million from the auctions.
Discussion Points (Cont’d)

P.L.2007, c.340 provided the statutory authority for New Jersey’s participation in RGGI and mandated that all proceeds from the auctioning of emission allowances be deposited in the “Global Warming Solutions Fund”. The law instructed the BPU to use 20 percent of the proceeds to support programs reducing the electricity demand or costs of low- and moderate-income residential ratepayers primarily in urban areas. The New Jersey Economic Development Authority and the Department of Environmental Protection were to use the remaining 80 percent to provide financial assistance to commercial, institutional, and industrial entities to support energy efficiency projects, combined heat and power production facilities, and new efficient electric generation facilities; to manage the State’s forests and tidal marshes; and to support local government initiatives designed to lower greenhouse gas emissions. In actuality, however, language provisions in the annual appropriations acts redirected most of the balances in the dedicated fund to other purposes.

- **Questions:** Given that the “ineffectiveness” of the Regional Greenhouse Gas Initiative (RGGI) in inducing electricity generators to substitute less carbon-emitting fuels and technologies for those currently used has been rooted in part in RGGI’s lavish carbon dioxide emission caps that resulted in an oversupply and relatively immaterial price of emission allowances; did the BPU lobby RGGI, prior to the State’s withdrawal therefrom, to tighten the supply of allowances so that prices rise to material levels? If so, what was RGGI’s response to the request? If RGGI was considering a tighter cap, for which reasons did New Jersey pull out of RGGI before seeing the effect of the tighter cap on RGGI’s effectiveness in reducing carbon dioxide emissions?

- **Response:** The BPU did not lobby RGGI prior to the State’s withdrawal.

The veto message from the Governor related to Senate Bill 2946 provides an explanation of the rationale for the State’s withdrawal from RGGI. The veto message can be found at:

http://www.njleg.state.nj.us/2010/Bills/S3000/2946_V1.PDF

The Administration continues to work to reduce emissions from all sources through a variety of programs administered by DEP, and through the development and support of clean energy sources as detailed in the 2011 Energy Master Plan.

- **Questions:** What is the effect of New Jersey’s RGGI withdrawal on emission allowances already sold? Does New Jersey have to buy back previously sold allowances? If the State has conducted such a buyback, please indicate the number of allowances bought back and the amount expended thereon. What does the BPU estimate will be the final cost of any allowance buyback related to the RGGI withdrawal?
Discussion Points (Cont’d)

- **Response:** New Jersey does not have to buy back any previously sold allowances. The individual CO2 Budget Trading Programs of each participating state are linked through allowance reciprocity. Regulated power plants can use an allowance issued by any of the participating states to demonstrate compliance with the respective state program. Taken together, the ten individual state programs function as a single regional compliance market for carbon dioxide emissions. Since New Jersey was considered a participating state during the first control period of the program, allowances sold during this period are recognized by the other, remaining participating states.

- **Questions:** Please comment on the impact, if any, of New Jersey’s RGGI withdrawal on attaining the goal of the Renewable Portfolio Standard that 22.5 percent of electricity used in New Jersey be sourced from carbon-free renewable energy sources by 2021. Does the withdrawal make compliance with the Renewable Portfolio Standard goal more difficult, all other things being equal? Is the State pursuing policy alternatives to compensate for the loss of RGGI’s contribution to meeting the goal? If so, please outline the compensatory measures.

**Response:** New Jersey adopted the Renewable Portfolio Standard of 22.5% prior to joining RGGI, and the Administration made the decision to withdraw from RGGI prior to adopting the 2011 EMP which reaffirms the 22.5% RPS. New Jersey’s withdrawal from RGGI will have no impact on the State’s ability to reach the goals set forth in the 2011 EMP, including the 22.5% RPS by 2021.

- **Questions:** Please indicate the impact of New Jersey’s RGGI withdrawal on the BPU initiatives funded through the Global Warming Solutions Fund. What has been the total amount that the BPU has received from the fund? Which programs has the BPU supported with these resources? Will the BPU replace the RGGI funding for these programs with other resources? If so, what are the new funding sources? If not, please describe the impact of the loss of Global Warming Solutions Fund moneys on the programs previously funded thereby.

**Response:** BPU was to receive 20% of the proceeds from the Global Warming Solutions Fund, which would have been used for energy conservation measures and utility assistance for low and moderate income households.

- BPU received a total of $10,185,525 from the CY 08 and 09 RGGI allowance auctions and used these funds to create the Residential Electric Limited Income Emergency Fund (“RELIEF”) Program to provide temporary assistance to utility customers who faced difficulty paying their electric bills due to a crisis such as job loss or a health issue.
Discussion Points (Cont’d)

While the BPU no longer administers this program, it does manage similar programs that perform similar functions.

P.L. 2009 c. 207 provided for the allocation of $25M in Societal Benefits Charge money to be used for utility assistance grants. As a result, in 2010, the Board issued a request for proposals for an administrator of the Temporary Relief for Utility Expenses (TRUE) program, which provides temporary assistance to low and moderate income utility customers who face difficulty paying their electric and gas bills. After an open and competitive process, in March of 2011, the Board awarded a $25 million grant to the Affordable Housing Alliance to fund the TRUE program. Accordingly, since the Board is funding the TRUE program, there has been no impact upon low and moderate income customers due to the end of the RELIEF program.

7. The Governor’s FY 2013 Budget includes a proposal to newly divert $200 million in Clean Energy Fund balances into the State General Fund in FY 2013. The diversion would be in addition to $54.0 million in recurring transfers of Clean Energy Fund balances to the State General Fund that are also authorized in FY 2012: $42.5 million to defray the cost of utilities in State facilities, $10.0 million to cover the cost of energy efficiency projects in State facilities, and $1.5 million to pay for the administrative expenses of the Clean Energy Fund.

The BPU oversees the Clean Energy Program, created as part of P.L.1999, c.23 (N.J.S.A.48:3-49 et seq.) and operative since April 2001, through which the State seeks to promote increased energy efficiency and the use of renewable sources of energy including solar, wind, geothermal, and sustainable biomass. The program’s financial incentives support residents’ purchases of high efficiency heating and cooling systems, commercial energy efficiency projects, and installations of solar electric or other renewable energy systems, among other initiatives. New Jersey ratepayers finance the program via the societal benefits charge included in their electric and natural gas bills. The Governor’s FY 2013 Budget anticipates $604.3 million in available Clean Energy Fund resources in FY 2013, which is composed of $314.9 million in new revenues and an opening balance of $289.4 million. On the other side of the ledger, the Governor’s FY 2013 Budget anticipates $603.5 million in expenditures, which is comprised of $349.5 million in expenditures and $254.0 million in transfers to the State General Fund. A $809,000 projected fund balance would remain at the end of FY 2013 (page H-24).

• Questions: Please comment on the likely impact on the Clean Energy Program of the Governor’s proposed lapse of $200 million in fund balances into the State General Fund. Has the BPU raised or will it raise the Clean Energy Fund component of the societal benefits charge to cover this additional expense? Absent the proposed FY 2013 diversion, how would the BPU expend the $200
Discussion Points (Cont’d)

million? Will alternative resources be allocated for these purposes? To what extent will any shift in moneys among BPU programs, prompted by the proposed lapse, reprioritize renewable energy and energy efficiency programs? If the BPU did not anticipate spending the $200 million on specific spending purposes, was it contemplating drawing the sum down to temporarily lower the Clean Energy Fund component of the societal benefits charge?

Response: The Clean Energy Program has enough funding to run current programs in support of the Energy Master Plan. In each of the past two years, the Clean Energy Program carried over into the following year unspent funds in excess of $200 million:
  o $241 million was carried over from the CY 2010 budget into CY 2011
  o $206 million was carried over from CY 2011 into CY 2012.

The BPU is undertaking a comprehensive review of the Clean Energy Program, with the goal of identifying the most effective of its over 20 component programs, consolidating or eliminating under-performing programs, and streamlining administrative processes and reducing administrative costs. As part of this review, the BPU shortly will issue a Request for Proposal for a single program contractor, rather than the current multiple contractors, further reducing administrative costs, and proving greater efficiency, flexibility and responsiveness.

The State of New Jersey allocates hundreds of millions of dollars in the annual State budget for Clean energy-related projects, particularly to support the mass transportation system, capital projects to promote energy efficiency statewide and preserving and expanding the State’s commitment to mass transportation and energy efficiency.
Discussion Points (Cont’d)

8. The authors of the 2011 Energy Master Plan report that the BPU was looking to **restructure the Clean Energy Program**, which is the umbrella for the State’s sundry energy efficiency and renewable energy programs. Accordingly, the Board would release a Request for Proposal in early 2012 for the Clean Energy Program that would increase the use of revolving loans, consolidate program administration from three contractors to a single contractor, and use performance-based contracting as well as other incentives designed to reduce costs and improve the delivery of energy efficiency programs. Irrespective of the Request for Proposal, the authors of the 2011 Energy Master Plan emphasize two areas for reform. First, they support funding the Clean Energy Program through a revolving loan program in lieu of the societal benefits charge. Second, they recommend that the State only operate energy efficiency programs that do not just benefit program participants but all ratepayers, for example through a lowering of peak energy demand that would drive down energy rates for everyone.

It is unclear whether the BPU continues to study reform proposals it had considered prior to the release of the 2011 Energy Master Plan. Notably, the Energy and Utilities Subcommittee recommended in its January 2010 report to the Transition Team of Governor-Elect Christie that the overall management of the Clean Energy Program be improved and that the responsibility for its administration be transferred to the Economic Development Authority (EDA) so that the BPU could focus on its regulatory functions. In reply to a FY 2010-2011 Discussion Point, the Board stated that it was reviewing the possibility of transferring the financial management of some programs under the Clean Energy Program to the EDA. In addition, a year prior, the BPU had planned shifting the energy efficiency programs under the Clean Energy Program to the electric and natural gas utilities in accordance with a recommendation in the 2008 New Jersey Energy Master Plan. Accordingly, utilities had to submit utility-specific energy master plans to the BPU by the end of 2009, but the Board deferred their production pending its review of the New Jersey Energy Master Plan.

Notably, the Clean Energy Program’s current four-year funding level will expire at the end of 2012 (Board Order dated September 30, 2008 Docket number EO07030203). The BPU therefore has to adopt this year a program budget for calendar years 2013 through 2016.

**Questions:** Please comment on the envisioned restructuring of the Clean Energy Program. Does the BPU intend to use the need for the adoption of a program budget for calendar years 2013 through 2016 as the vehicle through which to implement any reforms? Which agency will bear the administrative
Discussion Points (Cont’d)

responsibility for the program? Has the Board already shifted, or does it intend to shift, the administrative responsibility for some renewable energy and energy efficiency programs from the BPU to the EDA and individual utility companies? If any program has migrated, or will migrate, from the BPU, please indicate the move’s target date as well as the rationale for doing so. If a decision has not yet been made as to the vesting of responsibility for the Clean Energy Program, please indicate a date by which a determination is probable. Have all utilities submitted their utility-specific energy master plans to the BPU? Has the BPU reviewed and approved them? What oversight and control mechanisms would the BPU impose on the utilities’ operation of the programs? Would the BPU have to approve a utility’s program and funding level annually?

• Response: The BPU and EDA have and will continue to collaborate on delivery of several of the programs funded by the Clean Energy Program. As part of BPU’s long term goal to shift a larger percentage of Clean Energy funding away from rebates and toward other financing mechanisms such as revolving loans, BPU has worked with EDA to administer $20 million to finance development of small scale combined heat and power plants (under 1 MW). In addition we are currently working with EDA on additional financing for larger CHP facilities as part of a 2-phased program totaling $55 million. Phase One of this funding availability was announced on April 25, 2012. Additionally, BPU is establishing a revolving loan fund using unspent ARRA funds for energy efficiency projects at State-owned facilities and buildings.

The BPU is working cooperatively with EDA on these projects and will share the responsibilities for technical and administrative functions as appropriate, with the BPU providing most of the technical review. Following the transition of the OCE program to a single program administrator, plans will be developed which will identify additional opportunities for sustainable financing that may involve the EDA. In addition, the Funding Level for the 2013 through 2016 NJCEP has not yet been established. Details of the sustainable financing programs will not be developed until a new program Administrator is selected under the RFP process and the Funding Levels for 2013 through 2016 are finalized both of which are expected this summer.

The Administration published an Energy Master Plan (EMP) and did not require the utilities to submit individual EMP’s. The BPU has and will continue to work with the utilities to implement the 2011 EMP.

Utilities have developed and implemented infrastructure upgrade investments which have been reviewed and approved by the BPU. In addition, as authorized by the Global Warming Response Act, utilities have developed and BPU has approved proposals for energy efficiency (EE) and renewable energy (RE) programs. These proposals are filed with the BPU and subject to a public review and a negotiated
settlement process involving the utility, Rate Counsel, the BPU and any intervenors. Any extension or additions to these programs have to be reviewed through the above noted process and approved by the Board. The cost is recovered as a line item (noted as RGGI) on customer’s utility bills. This is a discrete and separate charge from the Societal Benefit Charge (SBC). Each of the utility EE and RE programs require performance reporting of the funds expended including administrative cost and incentive costs, the number of participants and the energy saved or generated by these programs, similar to the reporting within the CEP. These factors are reported monthly and reviewed monthly by BPU staff to determine compliance with the Board’s Orders approving the programs.

The BPU is evaluating alternative methods to deliver EE programs, including utility managed market managers (OCE current model), EE utility revolving loan funds, and/or combinations of these alternatives. The Board’s objective is to provide cost effective programs that benefit ratepayers at the lowest cost.

As a more specific plan evolves including the required public process performance metrics will be incorporated. Currently BPU tracks the kW, kWh and BTu savings and energy conservation as well as the administrative costs for implementing each of the CEP programs. For renewable energy, BPU tracks the MW of installed capacity and the MWh of energy produced; in particular, the SRECs are based on producing a MWh of electric power (or 1000kWh).

- **Questions:** Has a decision been made as to the future financing source of the Clean Energy Program? If so, please indicate whether the societal benefits charge will continue to be used or whether a different financing structure will be put in place. Has the BPU already culled any energy efficiency programs under the Clean Energy Program because they fail to sufficiently benefit all ratepayers? Please list those programs and provide a brief justification for ending any program. Please provide a status update on the Request for Proposal for the Clean Energy Program that would increase the use of revolving loans, consolidate program administration from three contractors to a single contractor, and use performance-based contracting as well as other incentives designed to reduce costs and improve the delivery of energy efficiency programs. Has the Request for Proposal been issued? If not, please indicate a target date by which the BPU intends to release it. If so, please describe the central goals formulated in the document.

- **Response:** The BPU’s Clean Energy Program will continue to utilize the SBC as the funding mechanism for program delivery. As BPU transitions the program over the coming year, additional financing mechanisms will be used, such as revolving
Discussion Points (Cont’d)

loans, thus allowing those SBC funds to be re-paid and reused. The long term goal of the Office of Clean Energy (OCE) transition is to reduce the SBC charges.

The OCE currently offers multiple programs to residential, municipal and commercial/industrial customers so that all rate payers have an opportunity to participate.

The RFP is undergoing review by Treasury and the Board expects to authorize its release as soon as review is complete.

• **Questions:** Within the scope of adopting a Clean Energy Program budget for calendar years 2013 through 2016, does the BPU intend to revise the comprehensive strategic plan and performance metrics and targets for the Clean Energy Program? What will be the top priorities of any new strategic plan?

• **Response:** The Clean Energy Program will propose, for Board review and approval, a Comprehensive Resource Analysis (CRA) for the 2013-2016 calendar years, using several years of performance data on the programs delivered. A separate high level performance assessment of the OCE’s energy efficiency programs will be completed in time to inform the CRA proposal.

The annual budgets for the OCE will then detail program modifications, consolidation and financing transitions. The top priority for the OCE will be to transition to a single Program Administrator (PA) following the RFP process. Following this, the new PA will submit a plan that will outline recommendations and plans for consolidation or elimination of programs as well as alternative financing options. This plan will be informed by the above-mentioned program assessment, input from OCE staff, a market potential study administered through Rutgers CEEEP, and additional detailed residential and commercial/industrial program performance assessments (RFPs under development).

9. Page 97 of the FY 2013 Budget Summary displays key performance indicators for the BPU core mission area “Promote Clean Energy Sources.” Two indicators represent substantial one-year increases in reduction targets for natural gas and electricity consumption attributable to the residential, commercial, and industrial energy efficiency programs operated by the Office of Clean Energy. Notably, the gas savings target more than quadruples from 346,000 decatherm in calendar year 2012 to 1,506,000 decatherm in calendar year 2013. Similarly, the electric savings target also more than quadruples from 152,000 megawatt hours in calendar year 2012 to 649,000 megawatt hours in calendar year 2013.

• **Questions:** Please explain the factor(s) motivating a quadrupling of the performance targets from calendar year 2012 to calendar year 2013 for the amount of natural gas and electricity consumption saved that is attributable to the residential, commercial, and industrial energy efficiency programs operated by
Discussion Points (Cont’d)

the Office of Clean Energy. How confident is the BPU that the calendar year
2013 targets will be attained?

• **Response:** Preliminary projections for natural gas and electric savings of the
NJCEP were used to determine targets for calendar year 2012 and 2013. The Board
has subsequently provided new information that reflects the current and corrected
projections and the targets have been updated

The CEP goals were achieved in CY 2011 and the BPU expects the goals for CY
2012, as approved by the Board to be achievable.

10. New Jersey must expand its solar capacity substantially to meet its long-term solar
targets under the statutory Renewable Portfolio Standard (RPS). The authors of the
2011 Energy Master Plan expressed concern, however, that the recent drop in
Solar Renewable Energy Certificates (SRECs) prices might deter the creation of additional
solar capacity. Accordingly, they proposed accelerating the RPS’ statutory solar
targets over the next three years so as to boost medium-run SREC demand and
prices.

New Jersey experienced significant growth in solar capacity during 2010 and the
first half of 2011 on the heels of high SREC prices, the federal Business Energy
Investment Tax Credit of 30 percent of a business’ investment in solar facilities, and
decreasing prices for photovoltaic panels. According to the 2011 Energy Master Plan,
New Jersey is estimated to have 500 megawatts of installed solar capacity by the
end of 2011, which would put the State 18 months ahead of its RPS solar goal.
Moreover, it took only two months to meet the RPS-driven demand for SRECs in
energy year 2012. This surging supply collapsed SREC prices. Average monthly
prices plummeted from $600 to $617 per megawatt-hour for the months in energy
year 2011 (June 2010 through May 2011) to a monthly average of between $353
and $410 per megawatt-hour in energy year 2012 through December 2011. The
regulatory upper limit on SREC prices was $675 per megawatt-hour in energy year
2011 and is $658 per megawatt-hour in energy year 2012.

P.L.1999, c.23 (N.J.S.A.48:3-49 et seq.) established the State’s RPS, which
determines a minimal percentage of total kilowatt hours sold in New Jersey by each
electric power supplier and each basic generation service provider that must be from
renewable energy sources. P.L.2009, c.289 revised the RPS so as to require
electric utilities to purchase at least a specified number of kilowatt-hours from solar
electric power generators each year. The minima rise gradually from 306 gigawatt
hours in energy year 2011 to 5,316 gigawatt hours in energy year 2027
(N.J.S.A.48:3-87). They increase by another 20 percent for the remainder of the
schedule if the amount of solar energy generated and sold as SRECs meets or
Discussion Points (Cont’d)

exceeds the required level for three consecutive years, starting with energy year 2013, and if the average SREC price falls contemporaneously.

SRECs are the vehicle through which electric utilities meet the RPS solar requirement. They reflect a “feed-in tariff” mechanism under which electric utilities are obliged to buy power generated by owners of solar electric generation systems with a capacity of at least 50kW at prices that reflect the higher cost of generating renewable energy. BPU calculations of SREC price ranges assume a twelve percent internal rate of return so that solar power system investors can break even on their investments after six years. Installations may only produce SRECs for fifteen years. To limit the solar incentive’s cost to ratepayers, the board established a gradually declining price ceiling for SRECs. In Board Order No. EO07030203, the BPU estimates that SRECs would cost ratepayers $42.2 million in 2009 and $268.5 million in 2012. The average residential ratepayer would pay $4.37 in 2009 and $15.96 in 2012.

The authors of the 2011 Energy Master Plan lamented the cost of meeting RPS solar targets in general. They cite an analysis by the Center for Energy, Economic, and Environmental Policy concluding that solar energy would represent 2.6 percent of New Jersey retail electric costs in 2012 and less than one percent of electric power generated. By 2025, solar power would represent 6.5 percent of retail electric costs and 5.4 percent of electric power. Meeting the solar RPS target for 2015 would cost ratepayers an estimated $525 million in that year. The authors of the 2011 Energy Master Plan warn that in order to achieve the 2026 RPS solar target “the State would need to indefinitely postpone or cancel other renewable energy and [energy efficiency and demand response] programs because funding is limited.” Unable to lower the solar targets of the statutory RPS unilaterally, the authors announced that the BPU would revise the regulatory SREC price ceiling schedule instead.

- **Questions:** Please indicate whether the BPU has already proposed a revised regulatory price ceiling schedule for Solar Renewable Energy Certificates (SRECs). If not, please set forth a date by which the BPU anticipates publishing and adopting a revised schedule. If so, how does the revised schedule compare to the previous schedule? What will be the impact of the revised schedule on ratepayers, the solar industry, and the economy as a whole?

- Given that ratepayers pay for the cost of SREC’s through their electric bills and that the Renewable Energy Manufacturing Incentive is the only other solar incentive program currently in effect, please substantiate the assertion on pages 98 and 99 in the 2011 Energy Master Plan that in order to achieve the 2026 RPS solar target “the State would need to indefinitely postpone or cancel other renewable energy and [energy efficiency and demand response] programs because funding is limited.” What limited State funding is supporting or is projected to support the SREC program and other solar programs? What other State renewable...
Discussion Points (Cont’d)

energy and energy efficiency and demand response programs are imperiled because of State-supported solar programs?

• Please explain the reasons for the simultaneous concern of the authors of the 2011 Energy Master Plan over the high cost of meeting the solar targets under the Renewable Portfolio Standard (RPS) and the plummeting SREC prices. Instead of proposing an acceleration of RPS solar targets so as to boost the price of SRECs, are the lower SREC prices not a welcome reduction in the cost of meeting RPS solar targets? In light of the annually growing RPS solar targets, how significant is the risk that the long-term SREC supply will be insufficient to meet statutory requirements, and what would be the consequences of not meeting the RPS solar targets? Considering the existing aggressive RPS schedule, is it possible to meet the first “overarching goal” of the 2011 Energy Master Plan of lowering the cost of energy relative to other states in the region?

• Is the estimate contained in Board Order No. EO07030203 that SRECs would cost ratepayers $268.5 million in 2012 (or $15.96 for the average residential ratepayer) still realistic? What will be the estimated annual cost to the average residential ratepayer of meeting the RPS solar targets in 2012 through 2015?

• Please indicate whether the BPU has already proposed a revised regulatory price ceiling schedule for Solar Renewable Energy Certificates (SRECs). If not, please set forth a date by which the BPU anticipates publishing and adopting a revised schedule. If so, how does the revised schedule compare to the previous schedule? What will be the impact of the revised schedule on ratepayers, the solar industry, and the economy as a whole?

• Given that ratepayers pay for the cost of SRECs through their electric bills and that the Renewable Energy Manufacturing Incentive is the only other solar incentive program currently in effect, please substantiate the assertion on pages 98 and 99 in the 2011 Energy Master Plan that in order to achieve the 2026 RPS solar target “the State would need to indefinitely postpone or cancel other renewable energy and [energy efficiency and demand response] programs because funding is limited.” What limited State funding is supporting or is projected to support the SREC program and other solar programs? What other State renewable energy and energy efficiency and demand response programs are imperiled because of State-supported solar programs?

• Response: Board staff proposed a SACP schedule for Energy Years 2016 through 2026 and the Board held a public hearing on October 4, 2011 to receive comments on the below schedule.
Discussion Points (Cont’d)

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In the meantime, the Administration proposed amendments to the Solar Energy Advancement and Fair Competition Act, including lowering the SACP schedule for Energy Years 2013 through 2026. The Board has, at this time, not proceeded with considering staff’s SACP schedule deferring instead to the legislative process.

In the 2011 EMP, the Administration proposed the following measures to provide relief to the solar industry and give certainty to the financial community, provide continued opportunities for market participation in all sectors, and have minimal impact on ratepayers while leaving room for ratepayer investment in all technologies:

1. Accelerate the solar RPS;
2. Reduce the Solar Alternate Compliance Payment (SACP);
3. Return the solar RPS to a percentage obligation for solar instead of a fixed GWh requirement;
4. Promote solar installations that provide both economic and environmental benefits by limiting SREC eligibility in certain areas;
5. Increase transparency of the SREC pipeline; and

BPU staff has, accordingly, proposed an extension of the electric distribution company (EDC) SREC program. Staff’s straw proposal for the extended EDC programs included an increase in the solar RPS in Energy Year 2016 and lowering staff’s proposed SACP in 2017 through 2025. A public hearing was held on this proposal on March 22, 2012. A proposal will be presented to the Board later this spring.

Since the SACP is a cap on the maximum value of an SREC, lowering the SACP could lower the cost impact to ratepayers. Two studies, the 2006 Rutgers CEEEP Study, based on a 2.12 percent solar RPS requirement, and the 2008 Summit Blue Report, using the current SACP schedule, found a negligible impact on economic development. A reduction in the SACP schedule should not impact economic development.

The solar RPS for Energy Year 2011 was 306,000 MWh. The latest reporting indicates that 95 percent of the solar RPS was met through SRECs procured by the
suppliers and providers and only 5 percent was met using SACPs. At the EY 2011 weighted average price for SREC of $600/MWh and the SACP of $675/MWh, the cost for the SREC program in EY 2011 was approximately $184,733,995. This was less than a 2% impact on rates.

As of 2011, the solar RPS for Energy Year 2026 is 5,316,000 MWh. The cost to meet the RPS through the purchase of SRECs selling at or near the SACP would be almost $2,000,000,000. This cost would be borne by ratepayers and, given limited resources, could impact decisions on development of other energy programs like energy efficiency, offshore wind, combined heat and power or other renewables.

Lower SREC prices are good for New Jersey ratepayers. At the current pace of project installations, the BPU projects that the SREC market will be long through Energy Year 2016. In a supply and demand market, this should keep SREC prices down through 2016, meeting the solar RPS at a lower cost to the ratepayer.

Given the current lower SREC price, the estimated $268.5 million cost to ratepayers is not correct. At the current SREC price, the overall cost for the SREC program in Energy Year 2012 may be approximately $90,000,000. If the SREC price stays in the $200 range, the SREC costs to ratepayers for Energy Years 2012 through 2015 would be:

1. 2012 approximately $90,000,000
2. 2013 approximately $120,000,000
3. 2014 approximately $150,000,000
4. 2015 approximately 190,000,000

11. The “Offshore Wind Economic Development Act,” P.L.2010, c.57, mandates that the BPU establish an offshore wind renewable energy certificate program as a means to ensure that at least 1,100 megawatts of New Jersey energy generation stem from qualified offshore wind projects by an unspecified date. The 2011 Energy Master Plan endorses this approach. However, it does not reaffirm the 2008 Energy Master Plan’s calling for the production of 3,000 megawatts of electricity from offshore wind and of at least 200 megawatts from onshore wind by 2020.

In December 2008, the BPU awarded three offshore wind developers each a $4 million rebate towards the construction and operation of meteorological towers to support offshore wind projects, provided a meteorological station was operating at each site by the end of 2009 and supported a wind farm generating at least 200 megawatts of energy. Two complications have snarled the construction of offshore wind power facilities off New Jersey’s shores. First, the three meteorological towers
Discussion Points (Cont’d)

would be constructed in federal waters, which begin three miles off the State’s coast. The Minerals Management Service (MMS) in the United States Department of the Interior must hence approve these projects under the Energy Policy Act of 2005. But the MMS did not issue final rules for offshore wind energy activities until April 2009, which became effective in June 2009. Second, in February 2009, the New Jersey Department of Environmental Protection released draft Ocean/Wind Power Ecological Baseline Studies, a report concluding that the construction and operation of offshore wind turbines and transmission lines will harm avian species, fish, marine mammals, and turtles. Addressing BPU Discussion Point #6 in the OLS FY 2010-2011 Department of the Treasury Budget Analysis, the Board related that the delay in the adoption of federal rules for offshore wind energy activities prompted the Board to extend the original deadline by which the meteorological stations had to be operational by one year to the end of 2010.

• **Question:** Please specify by which date the BPU expects New Jersey to have 1,100 megawatts of energy generation capacity from qualified offshore wind projects.

• **Response:** At this time, 1,100 megawatts of energy generation capacity from qualified offshore wind projects is a number of years away. Serious offshore wind developers have made clear that the development of an offshore wind facility is dependent upon the development of an offshore wind renewable energy certificate (OREC) process and the issuance by the federal government of development leases on the Outer Continental Shelf. The Board retained Boston Pacific to assist in the development of the OREC program and continues to work with all stakeholders to develop a viable and functional program. The Board cannot predict when the federal government will hold the auction for leases offshore New Jersey.

• **Question:** Is the BPU in negotiations regarding the creation of offshore wind renewable energy certificates? Have any certificates been created? If so, please indicate the negotiated price of the certificates, the amount of electricity to be produced, and the duration of the agreement.

• **Response:** No. Offshore wind renewable energy certificates (ORECs) can only be created upon the production of offshore wind energy, and at this time no offshore wind facility exists in the United States.

One entity, Fishermen’s Energy, currently has an application pending before the Board for approval of an OREC price and associated offshore wind facility.

• **Question:** Please comment on the motivation behind abandoning the 2008 Energy Master Plan goal that 3,000 megawatts of electricity stem from offshore wind by 2020.
Discussion Points (Cont’d)

- **Response:** The Offshore Wind Economic Development Act (OWEDA), P.L. 2010, c. 57, sets a goal of 1,100 megawatts of offshore wind energy. The BPU is confident that the 1,100 MW target is achievable and, depending on the scale, the projects currently proposed could reach 3,000 MW.

- **Question:** Is the elimination of the goal the result of an economic impact analysis? If so, please summarize its findings and provide a copy of the analysis.

  See above

- **Question:** Would the 3,000 megawatts target have been achievable without causing economic disruptions? Is the current 1,100 megawatts target achievable without economic disruptions?

  **Response:** As the Legislature is aware, a specific component of OWEDA is the requirement that any applicant provide a cost-benefit analysis, N.J.S.A. 48:3-87.1(a)(10), and that such analysis “demonstrates positive economic and environmental net benefits to the State,” N.J.S.A. 48:3-87.1(b)(1)(b). Because the Board has the statutory obligation to pass judgment and approve or deny OREC applications, it would be inappropriate to make any conclusions with respect to the overall cost-benefit impact of offshore wind. Nevertheless, the Board intends, and is statutorily required, to ensure that offshore wind does not create economic disruption, and the Board commits to operating within that framework.

- **Question:** In the BPU’s estimation, what is the likelihood that the 1,100 megawatts target will be attained? What will be the financial impact on ratepayers of meeting the 1,100 megawatts target?

  **Response:** As above, the Board will be required to pass judgment on the applications for ORECs, and thus will ensure that any application meets the positive benefit requirement set forth in the statute. Beyond that, the Board remains committed to the development of at least 1,100 megawatts of offshore wind, and continues to believe that the 1,100 megawatts set forth in statute serves as a floor, not a ceiling, on offshore wind development.

- **Question:** Please comment on the status of the construction of the meteorological towers for three wind farms for which the Board has awarded wind turbine facility developers a $4 million rebate each. Were the towers built and operational as of the end of 2010, as required by the rebate agreements? If not, what factors have accounted for the delay, and has the Board extended the deadline again? By which date are the meteorological towers now projected to be installed and operational?

  **Response:** Three meteorological towers were awarded rebates by the BPU:
Discussion Points (Cont’d)

a) Fishermen’s Energy: The proposal was modified by the developer to move from a meteorological tower to a buoy which necessitated a reduction of the rebate from $4 million to $3 million. The Board approved the payment of the rebate and the buoy is currently deployed in the Atlantic Ocean.

b) Garden State Offshore Energy: The proposal was modified to move from a meteorological tower to a buoy which required a reduction of the rebate from $4 million to $3 million. However, the developer has technical issues with the buoy and plans to deploy in July 2012.

c) Bluewater – NRG: The developer has requested an extension for a move from a meteorological tower to a buoy. The extension is currently under review by BPU staff.

12. On December 14, 2011 the BPU released its “Hurricane Irene Electric Response Report” on the service restoration performance of electric utilities in the wake of Hurricane Irene, which made landfall in New Jersey on August 28, 2011, and the October 29, 2011 snowstorm. Hurricane Irene disrupted service to 1.9 million of the State’s 3.9 million electric customers with some not having their electricity restored for eight days. The snowstorm, in turn, caused 1.0 million customers to lose power with the most unfortunate being without electric service for seven days. Although the BPU noted that all electric utilities faced challenges in their storm response, it singled out Jersey Central Power and Light (JCP&L) as having been particularly deficient. The board also found that some practices established in accordance with prior BPU actions were ineffective when the State experiences large-scale events such as a hurricane. Some of these practices concern the management of trees and vegetation. Over 9,500 tree-related trouble reports filed with the utilities across the State for Hurricane Irene attest to the significant damage that trees caused to the electrical infrastructure. In its report, the BPU thus made several recommendations so as to avert similar widespread and lengthy power outages in the future. Some recommendations touch the practices of electric utilities in the areas of communications, estimating outage restoration, supplemental crew mobilization, and mitigation of tree-related damages. The board intends to hire a consultant to further investigate issues raised in the report.

• Questions: Please describe the methods the BPU employs in evaluating the preparedness of electric utilities for large-scale weather events in terms of the utilities’ policies, procedures, and use of recent technology. Please elaborate on the costs of improving the preparedness of electric utilities for severe weather events. Since the costs will presumably be passed through to consumers, what tests will the BPU use in balancing the costs of improved preparedness with the objective of ensuring competitively priced electric service in New Jersey? In the
Discussion Points (Cont’d)

BPU’s estimation, what would be a reasonable amount of time until the last customers have their power restored after a large-scale bout of severe weather?

- **Response:** As a regular course of business, BPU Staff reviews the storm plans of the electric utilities. Electric utilities also hold and report on annual storm drills, which BPU Staff periodically observe or, at a minimum review. Staff typically queries electric and telecommunication utilities in advance of large scale weather events to guage their readiness. Staff will inquire about the inventory of repair parts, whether the utility is preparing to activate a staging areas for crews and inventory, whether the utility has reached out to county and local officials to advise them of preparations, the status of utility repair crews and whether or not the utility is marshalling contract tree, contract repair crews and mutual aid crews from other utilities.

One of the major factors in expediting a restoration is the availability of specially-trained repair personnel to assess and fix the weather-related damage to infrastructure. Electric utilities maintain adequate workforce to conduct routine maintenance and repairs and respond to small scale weather events but, when a major weather event occurs, the industry relies on independent contract workers and mutual aid from other electric utilities. Therefore, it is critical for an electric utility to be proactive in obtaining vegetation, repair and mutual aid crews in advance, and in the early stages, of a large scale weather event. The costs associated with these actions are subsequently evaluated for prudency in the base rate case proceeding. We note that there have been recent instances, including in the state of Connecticut, where utilities did not take a proactive approach to obtaining additional manpower, which led to restoration delays of multiple days.

Every weather event is different in terms of variables such as wind, ice, flooding and tree damage. Therefore, it is difficult to quantify an exact amount of time that a restoration should take. However, experience has shown that in a statewide disaster such as Tropical Storms Floyd and Irene, electric restoration can take multiple days, and even up to a week. If New Jersey was subjected to a Category 3 or stronger hurricane, it is quite conceivable that the restoration would take from two weeks to a month. Since New Jersey has not been subject to this type of storm in recent history, this estimate is based upon results that have been seen in other parts of the country. Nonetheless, these are worst case scenarios which we need to plan for.

As a result of Tropical Storm Irene, the BPU is reviewing the efficiency of the utilities’ crew restoration/mobilization processes and has made specific recommendations. These include improving communications with customers and communities through expanded use of alternate communications techniques, such as social media, and providing better estimates of restoration times. Staff is working with a consultant to complete this review, the goal being to ensure that electric utilities restore service in the shortest time possible, while keeping the public and government continuously informed about the status of restoration efforts.
Discussion Points (Cont’d)

• **Questions:** To what extent will electric utilities be authorized to charge ratepayers for the additional cost of service restoration after Hurricane Irene and the October 29, 2011 snowstorm? Given the unusually deficient response of JCP&L to the 2011 storms relative to other utilities, will the BPU take any actions against the company to compensate ratepayers for the harm caused by the company’s failings?

• **Response:** Additional costs of service restoration will be evaluated for prudency by both Board staff and the Division of Rate Counsel as part of the EDCs’ next base rate case proceedings. In those instances when an EDC incurs extraordinary storm-related expenditures, and no base rate case proceeding is anticipated, the EDC does have the option of petitioning the Board for deferred accounting treatment for these extraordinary expenditures. JCP&L’s “unusually deficient response...to the 2011 storms” will be considered by the Board as part of its overall review of the storm-related response, but it is otherwise premature to identify further compensatory “action” the BPU may elect to undertake relative to recent past performance.

• **Questions:** Has the BPU hired the consultant to review the preparedness and response of electric utilities to Hurricane Irene? By what date does the BPU anticipate receiving the consultant’s evaluation and recommendations? Given that the board is hiring the consultant to also look into whether electric utilities have been in compliance with vegetation management rules (N.J.A.C 14:5-9.7 concerns vegetation management cycles and N.J.A.C. 14:5-9.9 requires a public education program around vegetation management), please indicate the scope and intensity of BPU’s routine monitoring of compliance by electric utilities with vegetation management rules. Is a consultant being used because the board does not have sufficient internal resources to verify compliance with these rules?

• **Response:** Treasury has hired a consultant to supplement and assist BPU staff with reviewing the EDCs’ preparedness & response to the 2011 storms. The consultant’s final report is due to the BPU 120 days from award, or by July 31, 2012.

With regard to transmission system vegetation management plans, federal regulation mandates all electric utilities have a written maintenance plan, provide periodic status reports, and arrange for an annual field inspection. The Board receives annual vegetation reports from each electric utility. The Board is provided with an in-depth analysis on each company’s vegetation maintenance programs on their distribution system when each is audited by the Board. Staff has requested the vegetation scope be included in the annual utility report, given the significant role downed trees played in 2011 storm restoration efforts. Furthermore, given the recent experiences...
Discussion Points (Cont’d)

of some neighboring states, particularly Maryland and Connecticut, staff is recommending a more detailed investigation of the challenges caused by vegetation, especially during extreme weather situations.

13. The Oyster Creek nuclear power plant in Lacey Township, Ocean County, is expected to be decommissioned at the end of 2019. Because nuclear power is a carbon-free electricity generation resource the authors of the 2011 Energy Master Plan contend that the closure of Oyster Creek jeopardizes the greenhouse gas reduction targets of the Global Warming Response Act, P.L.2007, c.112: 2020 New Jersey greenhouse gas emissions are not to exceed their 1990 level and 2050 emissions 20 percent of their 2006 level. Reaching the targets will necessitate the creation of additional in-state nuclear power generation, conclude the authors of the 2011 Energy Master Plan. They thus relate that a planning process has begun to explore substitution options for Oyster Creek’s generation capacity and that a State agency panel will be established to assess the role of nuclear power in New Jersey’s future electricity generation.

Oyster Creek is one of four licensed nuclear power plants in New Jersey. Its 615 Megawatt (MW) of capacity represents 15 percent of 4,108 MW in total statewide nuclear power generation capacity. In 2011, nuclear power plants accounted for 51.9 percent, or 39 million Megawatt Hours (MWh) of the 75 million MWh of electricity generated in New Jersey.

• **Questions:** Please indicate to what extent the 2019 decommissioning of the Oyster Creek nuclear power plant is projected to increase annual New Jersey greenhouse gas emissions. Please provide the information in metric tons of carbon dioxide equivalent (MMTCO₂E), as a percentage of current total State wide emissions, and as a percentage of the 2020 and 2050 emission targets.

• **Response:** The Energy Master Plan (EMP) does not state that additional in-state nuclear power generation will be necessary. The EMP does explain the difficulties with meeting carbon-free targets without significant technological advances for renewables (such as storage technologies) and other alternative sources and if nuclear is excluded from the energy portfolio.

The EMP also acknowledges that nuclear represents a significant carbon free base load generation capacity for the State now and should be evaluated for future new capacity. The closure of the Oyster Creek plant in and of itself will not increase GHG emissions.

• **Questions:** Please comment on the planning process that has begun to explore substitution options for Oyster Creek’s generation capacity. Which agencies, entities, and stakeholders are involved? By which date is the planning process
supposed to yield a strategy for replacing Oyster Creek’s capacity?  If already available, please explain the strategy that will be used and the reason(s) for selecting that strategy.

- **Response:** In 1999, EDECA deregulated the generation component of electricity service in New Jersey. Consequently, the PJM Interconnection now has responsibility to provide for the reliability of the grid. PJM uses a variety of mechanisms to ensure that New Jersey has sufficient generation resources.

- **Questions:** Has the State agency panel been established that is supposed to assess the role of nuclear power in New Jersey’s future electricity generation pursuant to the 2011 Energy Master Plan? If so, please outline the composition of its membership and set forth by which date the panel is supposed to submit a report or make recommendations.

- **Response:** The Christie Administration supports the consideration of new nuclear generation as a potential base load resource, and the delineation of lessons learned from New Jersey, U.S. and global nuclear experiences. The Governor’s Office, together with congressman Runyon’s Office have initiated process to bring together all of the relevant state and local agencies and officials to begin discussions regarding the closure and redevelopment of the region around the Oyster Creek facility. Utilizing the principals of the new State Strategic Plan the group will consider how to establish an energy enterprise zone which can serve to help develop new energy capacity and create new jobs. Following the identification of a state agency lead it is expected that the committee will reconvene to begin developing a plan.

14. **Questions:** According to evaluation data in the Governor’s FY 2013 Budget, the number of registered energy agents is projected to increase from 16 in FY 2012 to 45 in FY 2013. An energy agent is a person who is registered with the BPU pursuant to the "Electric Discount and Energy Competition Act," P.L.1999, c.23, and who acts as a broker for the sale of retail electricity or electric related services or retail gas supply or gas related services between electric power or gas suppliers and government or private sector clients.

- **Question:** Please explain the reason(s) for which the number of registered energy agents is projected to increase from 16 in FY 2012 to 45 in FY 2013.

- **Response:** The projected increase in the number of registered energy agents was based upon the increase in applications to register as energy agents at the time the budget data was prepared.
In 2011, the Administration created the “State Energy Savings Initiative Oversight Committee” to develop the framework of an energy savings improvement program for State-owned and -operated buildings in accordance with P.L.2009, c.4. Such programs represent a financing mechanism for projects that are intended to lower buildings’ energy needs. Under the State initiative, the State would contract with energy service companies that would assume the up-front cost of infrastructure improvements that are designed to reduce the energy consumption of State buildings. The State would then repay its debt to the companies out of the energy cost savings it would realize from the investments over a period not exceeding 15 years (or 20 years in certain cases). The ability to defray the up-front cost of energy conservation projects over several years ought to enable the State to increase the number of projects it undertakes.

The Administration also established the State Energy Office in the BPU’s Division of Economic Development and Energy Policy in 2011. The office is to identify opportunities for reducing the energy consumption in State facilities. As part of that mission, the office would implement and manage the State’s energy savings improvement program. It is not clear whether the office is the successor to the Office of Energy Savings. Executive Order #11 of 2006 established the Director of Energy Savings in the Department of the Treasury to study and implement energy efficiency measures for State government. Subsequently, Executive Order #54 of 2007 instructed the director to develop specific targets and implementation strategies for reducing energy usage at State facilities and the State vehicle fleet’s fuel consumption. It is also not clear whether the State Energy Office obviates the need for the Solar and Wind Energy Commission. P.L.2009, c.239 created the commission to study the feasibility of solar and wind energy installation on State owned property. The commission, however, has never been constituted.

**Questions:** Please provide a progress report on the State’s energy savings improvement program for State-owned and -operated buildings. How many energy savings improvement contracts have been signed? For each contract please detail the State buildings benefiting from energy-savings infrastructure improvements, the improvements being undertaken, their capital cost, the amortization period, the projected amount of energy cost savings over the amortization period, and the debt service payments the State is anticipated to make out of the projects’ energy savings.

**Response:** No energy savings improvement contracts have been signed to date, however, multiple projects are underway and in the planning stages (see attached spreadsheet).

**Question:** Please describe the organizational structure of the State Energy Office, detailing the number of subdivisions, if any, the hierarchy, and the number of employees within each job title category. What is the office’s budget for FY 2011 and its recommended budget for FY 2012? Please describe the office’s
Discussion Points (Cont’d)

activities since inception in 2011. Is the office the successor to the Office of Energy Savings in the Department of the Treasury? If not, please describe the interplay between the Office of Energy Savings and the State Energy Office and delineate the responsibilities of each office. Does the State Energy Office obviate the need for the Solar and Wind Energy Commission created by P.L.2009, c.239? If not, please indicate whether and by which date the commission will be constituted.

• **Response:**
  The State Energy Office (SEO) is part of the BPU Division of Economic Development and Energy policy.
  There are 3 full time staff in the SEO:
  One Senior Level Manager
  One Project Manager
  One Program Manager

  Additionally, SEO uses other staff within the Division of Economic Development and Energy Policy as needed to support the work of the office.

  The SEO budget for FY 2011 covered 1 full time staff person (Senior Manager) however the remaining 2 staff will also be funded by BPU by the end of April. The Project Manager is a transfer from Treasury and the Program Manager began employment with the Board in April 2012.

  Since June 2011, the SEO has performed the following functions: implement energy audits; revise prior audits with current data; develop scopes of work for ESIP projects; assist agencies with capital budget requests; review energy funding requests with OMB (Energy Capital Committee); negotiate lower pricing on the natural gas contract ($3.7 million savings over 20 months); negotiate blend and extend pricing for lower rates on the electrical supply contract($6.2 million over 36 months); work with agencies to determine energy and energy-related needs for FY 13.

  The State Energy Office is the successor to the Office of Energy Savings.

  The State Energy Office does NOT obviate the need for the Solar and Wind Energy Commission created by P.L.2009, c.239.

16. Imposed pursuant to N.J.S.A. 48:3-60 as a component of the "Electric Discount and Energy Competition Act" (P.L.1999, c.23), the **societal benefits charge** is embedded in, but separately delineated on, electric and natural gas ratepayers’ monthly utility bills. Proceeds finance nuclear plant decommissioning, manufactured gas plant remediation, utilities’ uncollectible debts, energy consumer education, energy assistance programs to low-income utility customers via the Universal Services Fund
Discussion Points (Cont’d)

(page H-38 of the Governor’s FY 2013 Budget, available in the online version only), and energy demand management programs including BPU’s Clean Energy Program (page H-24 of the Governor’s FY 2013 Budget, available in the online version only). In calendar year 2009, the charge yielded $783.1 million in revenues, $140.1 million, or 21.8 percent more than the $643.0 million collected in calendar year 2008. The Universal Service Fund (a $61.4 million increase from $256.6 million to $318.0 million) and the Clean Energy Program (a $49.6 million increase from $279.8 million to $329.4 million) accounted for most of the growth. Depending on the utility, the societal benefits charge represented between 2.6 percent ($35.10) and 4.72 percent ($57.07) of the annual bill of the average electric ratepayer as of March 2010 and between 2.82 percent ($32.95) and 4.39 percent ($63.65) of the annual bill of the average natural gas ratepayer.

- **Questions:** Please indicate the amount the societal benefits charge raised in calendar years 2010 and 2011, as well as the amount of societal benefits charge collections that financed each program supported by the charge. Please list, by utility and by societal benefits charge component, the 2010, 2011, and 2012 rates of the charge and present the reasons for any increase. The charge represented what percentage of an average ratepayer’s annual energy utility bill in calendar years 2010 and 2011 and represents what estimated percentage in calendar year 2012?

CY2010 SBC Revenues, including SUT ($million)

<table>
<thead>
<tr>
<th></th>
<th>NJRE</th>
<th>NJRUE</th>
<th>MSRE</th>
<th>MSRU</th>
<th>SUT3</th>
<th>NRE</th>
<th>NRU</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Consumer Education</td>
<td>-51.00</td>
<td>66.48</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>44.49</td>
</tr>
<tr>
<td>DSM/Clean Energy</td>
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<td>464.14</td>
<td>146.52</td>
<td>4.21</td>
<td>7.25</td>
<td>72.75</td>
<td>12.00</td>
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<td>USF</td>
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<td>41.31</td>
<td>92.28</td>
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<td>7.42</td>
<td>91.73</td>
<td>0.00</td>
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<tr>
<td>Lifeline</td>
<td>7.13</td>
<td>13.45</td>
<td>33.63</td>
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<td>37.12</td>
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<td>3.03</td>
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<tr>
<td>Uncollectible</td>
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<td>0.06</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Nuclear Decommissioning</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>ERC</td>
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<td>na</td>
<td>13.91</td>
<td>0.00</td>
<td>0.21</td>
<td>24.61</td>
<td>10.20</td>
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<tr>
<td>Social Programs</td>
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<td>na</td>
<td>44.22</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Temporary Rate Adjustment</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Reconciliation</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Total Revenues</td>
<td>532.26</td>
<td>378.20</td>
<td>126.16</td>
<td>9.71</td>
<td>22.18</td>
<td>199.22</td>
<td>94.90</td>
<td>15.79</td>
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</table>
Discussion Points (Cont’d)

### Societal Benefit Charge (SBC) Rates - March 2010

<table>
<thead>
<tr>
<th>SBC Components</th>
<th>Electric ($/kWh)</th>
<th>Gas ($/Therm)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PSE&amp;G</td>
<td>JCP&amp;L</td>
</tr>
<tr>
<td>Clean Energy Program/Demand Side Management</td>
<td>0.003930</td>
<td>0.003930</td>
</tr>
<tr>
<td>Manufactured Gas Plant Remediation</td>
<td>0.004200</td>
<td>0.004200</td>
</tr>
<tr>
<td>Universal Service Fund w/ Lifeline</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Nuclear Plant Decommissioning</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Uncollectible/Bad Debts</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Consumer Education Program</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Reconciliation</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Temporary Rate Adjustment</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>TOTAL (without Sales and Use Tax)</td>
<td>0.004730</td>
<td>0.004730</td>
</tr>
<tr>
<td>TOTAL (w Sales and Use Tax)</td>
<td>0.005105</td>
<td>0.005105</td>
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</table>

### Societal Benefit Charge (SBC) Rates - March 2011

<table>
<thead>
<tr>
<th>SBC Components</th>
<th>Electric ($/kWh)</th>
<th>Gas ($/Therm)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PSE&amp;G</td>
<td>JCP&amp;L</td>
</tr>
<tr>
<td>Clean Energy Program/Demand Side Management</td>
<td>0.004200</td>
<td>0.004200</td>
</tr>
<tr>
<td>Manufactured Gas Plant Remediation</td>
<td>0.004200</td>
<td>0.004200</td>
</tr>
<tr>
<td>Universal Service Fund w/ Lifeline</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Nuclear Plant Decommissioning</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Uncollectible/Bad Debts</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Consumer Education Program</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Reconciliation</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Temporary Rate Adjustment</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>TOTAL (without Sales and Use Tax)</td>
<td>0.004673</td>
<td>0.004673</td>
</tr>
<tr>
<td>TOTAL (w Sales and Use Tax)</td>
<td>0.005048</td>
<td>0.005048</td>
</tr>
</tbody>
</table>

**Definitions:**
- Clean Energy Program Demand Side Management: Includes costs for the Clean Energy Program, as approved by the SFU in the Comprehensive Resource Analysis, as well as other Demand-Side Management programs.
- Manufactured Gas Plant Remediation: Includes the costs for investigations, testing, and acquisition, remediation and migration associated with manufactured gas plants. Also includes third party claims.
- Universal Service Fund w/ Lifeline: Low income energy assistance.
- Nuclear Plant Decommissioning: Includes the costs of safely removing nuclear plants from service.
- Uncollectible/Bad Debts: Includes costs associated with uncollectible accounts.
- Consumer Education Program: Includes costs associated with the Low-Income Consumer Education Program.
- Reconciliation and Temporary Rate Adjustment for RECO: Includes costs associated with unaccounted recoveries from prior SBC periods.

**Note:** Some utilities may not have a rate for a certain component because that component is not applicable to them. For example, JCP&L and PSE&G have no Manufactured Gas Plant Remediation costs. This is because they held interests in this type of plant at some point, whereas ACE and RECO did not. For other components (consumer education, etc.), when rates have recouped their costs and no longer need their specific rate component.

### Annual Impact of SBC Rates

**Electric (1):**

<table>
<thead>
<tr>
<th>Mar-10</th>
<th>Mar-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE</td>
<td></td>
</tr>
<tr>
<td>SBC Portion of Annual Bill</td>
<td>$57.07</td>
</tr>
<tr>
<td>Average Annual Bill</td>
<td>$1,209.35</td>
</tr>
<tr>
<td>SBC% of Annual Bill</td>
<td>4.72%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>JCP&amp;L</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SBC Portion of Annual Bill</td>
<td>$44.28</td>
</tr>
<tr>
<td>Average Annual Bill</td>
<td>$1,328.00</td>
</tr>
<tr>
<td>SBC% of Annual Bill</td>
<td>3.34%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PSE&amp;G - Electric</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SBC Portion of Annual Bill</td>
<td>$52.08</td>
</tr>
<tr>
<td>Average Annual Bill</td>
<td>$1,327.97</td>
</tr>
<tr>
<td>SBC% of Annual Bill</td>
<td>3.96%</td>
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</table>

<table>
<thead>
<tr>
<th>RECO</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>SBC Portion of Annual Bill</td>
<td>$35.10</td>
</tr>
<tr>
<td>Average Annual Bill</td>
<td>$1,315.42</td>
</tr>
<tr>
<td>SBC% of Annual Bill</td>
<td>2.80%</td>
</tr>
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</table>

**Gas(2):**

<table>
<thead>
<tr>
<th>Mar-10</th>
<th>Mar-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETG</td>
<td></td>
</tr>
<tr>
<td>SBC Portion of Annual Bill</td>
<td>$32.95</td>
</tr>
<tr>
<td>Average Annual Bill</td>
<td>$1,169.50</td>
</tr>
<tr>
<td>SBC% of Annual Bill</td>
<td>2.83%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NJNG</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SBC Portion of Annual Bill</td>
<td>$43.05</td>
</tr>
<tr>
<td>Average Annual Bill</td>
<td>$1,420.10</td>
</tr>
<tr>
<td>SBC% of Annual Bill</td>
<td>4.87%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SJGS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SBC Portion of Annual Bill</td>
<td>$43.05</td>
</tr>
<tr>
<td>Average Annual Bill</td>
<td>$1,420.10</td>
</tr>
<tr>
<td>SBC% of Annual Bill</td>
<td>4.87%</td>
</tr>
</tbody>
</table>

**NOTE:** The rates and bill impacts include Sales and Use Tax of 7%

(1): The following usage was used: Residential- 7000 kWh per year
(2): The following usage was used: Residential- 1000 therms per year
Discussion Points (Cont’d)

17. New Jersey ratepayers fund the **Universal Service Fund** (USF) via the societal benefits charge included in their electric and natural gas bills. The USF finances several State energy assistance programs: the USF, the “Fresh Start”, and Lifeline credit programs, the Tenants’ Assistance Rebate Program, as well as energy assistance payments under the Temporary Assistance for Needy Family (TANF) program. The Governor’s FY 2013 Budget anticipates $327.1 million in USF expenditures for FY 2013 (page H-38, available in the online version of the Governor’s FY 2013 Budget only). Of this amount, the Governor proposes $247.8 million in direct fund expenditures as well as a transfer of $79.4 million to other funds, of which $63.8 million would finance the “Lifeline Credit Program” (N.J.S.A.48:2-29.15 et seq.) and the "Tenants' Lifeline Assistance Program" (N.J.S.A.48:2-29.31 et seq.), under which 299,735 low-income households would receive up to $225 in gas and electric utility credits in FY 2013. An additional $6.9 million would finance energy assistance payments for Work First New Jersey recipients (Work First New Jersey is the State’s TANF program).

The USF credit program is an energy assistance program seeking to ensure that eligible utility customers pay no more than six percent of their annual income for their natural gas and electric service. The “Fresh Start” credit program, on the other hand, allows first-time USF credit recipients with at least $60 in arrears on their energy bills to retire their outstanding balances by paying their USF-adjusted affordable energy bill in full for 12 consecutive months following program admittance. The BPU carries the financial responsibility for the programs, the Department of Community Affairs (DCA) administers them, and the electric and natural gas utilities credit the benefits to customer accounts. In program year 2009-2010, the operation of the two programs cost $195.6 million.

Addressing BPU Discussion Point #13 in the OLS FY 2010-2011 Department of the Treasury Budget Analysis, the Board disclosed that, along with DCA, it had just reviewed bids by consulting companies for a contract to provide a performance audit of the USF and the Home Energy Assistance Program (a program unrelated to the USF). The BPU and DCA would implement the measures recommended by the chosen contractor to improve services and maximize existing resources. It is unclear whether the initiative would entail the establishment of performance measures and annual targets to allow for an assessment of the program’s effectiveness and efficiency.

- **Questions:** For each of the USF credit and “Fresh Start” programs, please provide actual expenditures for the 2009-2010 and 2010-2011 program years and estimated expenditures for the 2011-2012 program year.
Discussion Points (Cont’d)

- Actual Combined Expenditures 2009-2010: $206,924,945
- Actual Combined Expenditures 2010-2011: $216,255,381
- Estimated Combined Expenditures 2011-2012: $242,786,600
  (broken down below)

- **Questions:** What is the number of USF credit and “Fresh Start” beneficiaries in program years 2009-2010, 2010-2011, and 2011-2012?

- **Response:**

<table>
<thead>
<tr>
<th>Program Year (11/1-10/31)</th>
<th>USF Enrollment by Household</th>
<th>USF Enrollment by Utility Account</th>
<th>$ USF Credits Provided to Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>194,660</td>
<td>225,320</td>
<td>$193,477,000</td>
</tr>
<tr>
<td>2010-2011</td>
<td>223,088</td>
<td>254,100</td>
<td>$200,956,254</td>
</tr>
<tr>
<td>2011-2012*</td>
<td>192,040**</td>
<td>272,656**</td>
<td>$195,456,942**</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Program Year (11/1 – 10/31)</th>
<th>Fresh Start Enrollment by Household (estimated)</th>
<th>Fresh Start Enrollment by Utility Account</th>
<th>$ Fresh Start (Debt Forgiveness) Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>23,359</td>
<td>27,594</td>
<td>$13,447,945</td>
</tr>
<tr>
<td>2010-2011</td>
<td>26,770</td>
<td>32,753</td>
<td>$15,299,127</td>
</tr>
<tr>
<td>2011-2012*</td>
<td>21,124**</td>
<td>30,009**</td>
<td>$12,466,425**</td>
</tr>
</tbody>
</table>

* Estimated
** Based on November 2011 – March 2012 available reporting from USF/HEA system
Discussion Points (Cont’d)

* Estimated
** Based on November 2011 – February 2012 available reporting from utilities

- **Questions:** What are the USF rates built into the societal benefits charge for those years and what does the program cost the average residential and non-residential energy utility customer?

**Response:**

2009-2010: Residential Rates and Bill Impact

<table>
<thead>
<tr>
<th>Average Residential Customers</th>
<th>Gas</th>
<th>Electric</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates After Tax</td>
<td>$ 0.0135</td>
<td>$ 0.001876</td>
<td></td>
</tr>
<tr>
<td>Monthly Bill Impact</td>
<td>$ 1.35</td>
<td>$ 1.22</td>
<td>$ 2.57</td>
</tr>
<tr>
<td>Annual Bill Impact</td>
<td>$16.20</td>
<td>$14.63</td>
<td>$30.83</td>
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</table>

2010-2011: Residential Rates and Bill Impact

<table>
<thead>
<tr>
<th>Average Residential Customers</th>
<th>Gas</th>
<th>Electric</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates After Tax</td>
<td>$ 0.0142</td>
<td>$ 0.002052</td>
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<tr>
<td>Monthly Bill Impact</td>
<td>$ 1.42</td>
<td>$ 1.33</td>
<td>$ 2.75</td>
</tr>
<tr>
<td>Annual Bill Impact</td>
<td>$17.04</td>
<td>$16.01</td>
<td>$33.05</td>
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</table>

2011-2012: Residential Rates and Bill Impact

<table>
<thead>
<tr>
<th>Average Residential Customers</th>
<th>Gas</th>
<th>Electric</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates After Tax</td>
<td>$0.0134</td>
<td>$0.002567</td>
<td></td>
</tr>
<tr>
<td>Monthly Bill Impact</td>
<td>$1.34</td>
<td>$ 1.67</td>
<td>$ 3.01</td>
</tr>
<tr>
<td>Annual Bill Impact</td>
<td>$16.08</td>
<td>$20.02</td>
<td>$36.10</td>
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</table>
Discussion Points (Cont’d)

Commercial & Industrial Customers (C&I) Gas

<table>
<thead>
<tr>
<th>Program Year</th>
<th>Total Gas USF/Lifeline Revenues from all gas customers</th>
<th>GAS Revenues from C&amp;I</th>
<th>Bill Impact of USF and Lifeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>$99,730,885</td>
<td>$63,229,381</td>
<td>Not available*</td>
</tr>
<tr>
<td>2010-2011</td>
<td>$95,178,074</td>
<td>$60,342,898</td>
<td>Not available*</td>
</tr>
<tr>
<td>2011-2012</td>
<td>$73,258,315</td>
<td>$38,597,409</td>
<td>Not available*</td>
</tr>
</tbody>
</table>

Commercial & Industrial Customers (C&I) Electric

<table>
<thead>
<tr>
<th>Program Year (11/1-10/31)</th>
<th>Total Electric USF/Lifeline Revenues from all electric customers</th>
<th>ELECTRIC Revenues from C&amp;I</th>
<th>Bill Impact of USF and Lifeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>$170,301,705</td>
<td>$89,067,791</td>
<td>Not available**</td>
</tr>
<tr>
<td>2010-2011</td>
<td>$186,480,151</td>
<td>$97,529,119</td>
<td>Not available**</td>
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<tr>
<td>2011-2012 (Estimated)</td>
<td>$225,352,417</td>
<td>$142,860,432</td>
<td>Not available*</td>
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</tbody>
</table>

* Bill Impact on C&I customers is not available. C&I customers’ usage vary significantly for a variety of reasons, therefore this category doesn’t lend itself to an estimate of annual usage as does the residential customer class. Jurisdictional volumes, the projected amount of gas or electricity used in the year by all customers in a given service territory (and one of the factors considered in calculating the annual USF rates), are not broken down by residential and non-residential sales. In addition, the revenues listed above from C&I customers are for the USF and Lifeline utility assistance programs combined, not USF alone.

- Questions: Please provide a status update on the performance audit of the USF. Has it been completed? If not, when is it expected to be completed? If the performance audit has been concluded, please provide a copy of any report. If no report has been prepared, please set forth the contractor’s findings and recommendations. Please indicate which recommendations have already been implemented, are planned to be implemented, and will not be implemented.
Discussion Points (Cont’d)

Please explain why the BPU is rejecting the implementation of any recommendation.

Response:

- The two APPRISE, Inc. reports were completed in November 2011 and are attached. The Department of Community Affairs (DCA) is the USF Program Administrator and, as such, has jurisdiction over the county application agencies that process applications and conduct outreach. Most of the recommendations in the APPRISE reports relate to the operation of the county application agencies and will be implemented by DCA. The BPU will, however, continue to monitor the implementation and success of key recommendations, provide resources, and collaborate with DCA when needed.

- Questions: Has the BPU drafted performance measures and targets for the USF energy assistance programs? Have they been established and are they operational? If so, please disclose the performance measures, targets, and actual program performance.

Response:

- BPU monitors the success of the USF program on a daily basis in the following ways:
  - Regular communication between BPU Customer Service Division and BPU USF Staff as well as regular communication between DCA USF Staff and BPU Staff.
  - Review of annual audit reports of local Community Based Organizations (USF/HEA county application agencies) and County Welfare Agencies (application agencies for the Food Stamp/SNAP Program), as Food Stamp clients are automatically fed into the USF/HEA database system. Review of follow up corrective action reports.
  - DCA reviews weekly reports of USF Call Center/Hotline which can be modified as needed depending on the research needing to be done. DCA alerts BPU to any unusual issues or issues they target as needing immediate attention.
  - Administrative Budget review process includes justification narratives highlighting needs of local agencies.
  - Biweekly meetings with BPU, DCA, OIT and the USF/HEA Hotline Staff to review program issues and technical developments that would address any issues.
  - Monthly technical call meetings with seven utility companies and state agencies, Hotline Staff.
  - Working group meetings with interest groups, technical group and State agencies as needed on specific issues.
  - Reviewing communication strategies of DCA, county agencies and utilities at beginning of heating season (November 1st) and conclusion of Winter
Discussion Points (Cont’d)

Termination Program (March 15th) when USF clients can be shut off for non-payment of electric and gas bills.
- Addressing any customer service problems at any entry point to the program.

BPU, in constant collaboration with the DCA and the Office of Information Technology (OIT), has made significant improvements to the USF program over the past nine years. While the program has been running smoothly for some time, there is always room for improvement. As the APPRISE report lays out, however, the areas that need improvement are “on the ground” at county application agency level, not at the State level. The high level, high impact issues have been resolved. BPU is proud of the success of the USF program and will continue to oversee and work with the DCA to make sure the county application agencies are getting the resources they need and the technical needs of the program are properly maintained.