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December 7, 2007

VIA HAND DELIVERY

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Re: 2008 Clean Energy Programs

Dear Secretary Izzo:

On behalf of Atlantic City Electric Company, Jersey Central Power & Light Company, New Jersey Natural Gas Company, Pivotal Utility Holdings, Inc., d/b/a Elizabethtown Gas Company, Public Service Electric and Gas Company, Rockland Electric Company and South Jersey Gas Company (collectively, the "Utilities"), enclosed for filing with the Board of Public Utilities ("Board") is a description of the Clean Energy Programs that the Utilities are being asked to continue to manage (collectively, the "Programs"), primarily under new contractual arrangements with the New Jersey Department of the Treasury ("Treasury"), including budget information for 2008 (original and 11 copies). In particular the Utilities are being asked to manage the Residential Low Income Program, known as "New Jersey Comfort Partners", and would support the Clean Power Choice Program as described in the enclosed description.

Past Board Orders related to Clean Energy Program management and the Utilities' regulatory status with respect thereto, together with certain elements of the new contractual arrangements with Treasury, raise potential concerns that the Utilities are requesting the Board to address in the context of these new arrangements. Specifically, in its Order dated April 30, 2004 in Docket Nos. EO04030178 & EO02120955, the Board found (at 5) that the Utilities' Clean Energy "Program Manager function constitutes a competitive service within the meaning of N.J.S.A. 48:3-56(c)". Further, the new contractual arrangements that are being negotiated with Treasury could result in an imbalance of revenues and costs (positive or negative) that is expected to be minor, but must nonetheless be addressed.

The Utilities are therefore requesting assurance from the Board concerning two aspects of the Utilities' continued management of the Programs. First, the Utilities request Board confirmation that the Utilities' Program management services are not competitive services under N.J.S.A. 48:3-56(c) or otherwise, and are exempt from all competitive service rules, including, without limitation, the Affiliate Relations standards that are proposed to be re-adopted as N.J.A.C. 14:4-3.1 et seq. This finding is supported by the fact that the Utilities are being asked to continue to manage the Programs as regulated entities under the jurisdiction of the Board and have not solicited this business in the competitive arena. Second, because the Utilities acknowledge that under the new arrangements with Treasury the Utilities would no longer be permitted to "net" their costs for managing the Programs against funding payments they are to transfer to Treasury in accordance with the Board Order dated December 23, 2004 in Docket No.

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EX04040276, the Utilities also request Board assurance that they will be entitled to recover through their respective Societal Benefits Charges any imbalance reflecting the amount by which (i) the internal and external costs incurred by the Utilities' in connection with the Programs under the new contractual arrangements with Treasury, exceed (ii) the Program-related revenues received by the Utilities from Treasury, all as discussed in more detail below. The Utilities believe that both of these concerns can be resolved through appropriate Board Orders.

Pursuant to the new contractual arrangements being negotiated with Treasury, it is expected that Treasury would reimburse the Utilities for each year's budgeted internal costs in 12 equal monthly payments. The Utilities' monthly invoices would include these internal costs as well as requests for reimbursement of actual external costs incurred in administering the Programs during the previous month. On or before March 31 of each year, the Utilities would reconcile their actual costs incurred under the Programs for the prior year (both internal and external) with the invoiced costs and payments received from Treasury and would submit such reconciliation to Treasury and the Board. The Utilities request that any imbalance between actual Program costs and the revenues received from Treasury continue to be addressed through deferred accounting, including interest on any outstanding deferred balances consistent with applicable Board Orders and Board-approved tariffs, all subject to audit and review by the Board. To the extent any imbalance results from the revenues received from Treasury exceeding a Utility's actual Program costs, the Utility shall issue a credit for such difference to Treasury against amounts due on a subsequent monthly invoice. If the imbalance results from a Utility's Program costs exceeding the revenues received from Treasury, the difference shall be recoverable through the deferred accounting procedures of the Utility's Societal Benefits Charge ("SBC"). The Utilities request Board confirmation of this SBC recovery mechanism for under-recovered Program costs.

Two copies of this letter and the enclosure have also been served on Stefanie A. Brand, Esq., Director, Division of Rate Counsel.

Kindly stamp the enclosed copy of this letter as "filed" and return it to the undersigned in the enclosed, self-addressed stamped envelope.

Respectfully submitted,

Marc B. Lasky

Marc B. Lasky

MBL/kl
Enclosure
cc: Stefanie D. Brand
Michael Ambrosio
Michael Winka
Mona Mosser

New Jersey's Clean Energy Program
2008 Program Descriptions and Budget

Residential Low Income Program

&

Utility Support for the
New Jersey Clean Energy Campaign:
Clean Power Choice Program

Program Description and Budget
December 7, 2007

Residential Low Income Program
"New Jersey Comfort Partners"

Description

The Residential Low Income Program known as Comfort Partners, managed by Atlantic City Electric, JCP&L, New Jersey Natural Gas, Elizabethtown Gas, PSE&G, Rockland Electric Company, and South Jersey Gas, is designed to improve energy affordability for low-income households through energy conservation. To achieve this objective, several market barriers must be overcome. Key among these are: (1) lack of information on either how to improve efficiency or the benefits of efficiency; (2) low income customers do not have the capital necessary to upgrade efficiency or even, in many cases, keep up with regular bills; (3) low income customers are the least likely target of market-based residential service providers due to perceptions of less capital, credit risk and/or high transaction costs; and (4) split incentives between renters and landlords. The Program addresses these barriers through:

- Direct installation of all cost-effective energy efficiency measures.
- Comprehensive, personalized customer energy education and counseling.
- Installation of health and safety measures as appropriate.

Target Market and Eligibility

The Program is targeted at participants in the Universal Service Fund. By definition this target population is characterized by high-energy burdens based on their income. Program participation will be prioritized by energy use with the highest energy users being served first.

The Program is available to any household with income at or below 175% of the federal poverty guidelines. Customers who receive Federal Supplemental Security Income (SSI), Home Energy Assistance (HEAP), Lifeline, Pharmaceutical Assistance to the Aged and Disabled (PAAD), Temporary Assistance to Needy Families (TANF), or Section 8 Housing also may be eligible.

A participant must be a customer of record with a separately metered electric or gas account, and live in a building with 1-14 units. Customers who heat with fuel oil will be referred to the Department of Community Affairs' Weatherization Assistance Program agencies for services.

Offerings and Customer Incentives

Among the measures to be considered for each home are efficient lighting products; hot water conservation measures (water heater replacement and tank temperature turn-down); replacement of inefficient refrigerators and freezers; energy saving thermostats; insulation up-grades (attic, wall, basement, etc.); blower-door guided air sealing; duct sealing and repair; heating/cooling equipment maintenance, repair and/or replacement; and other "custom" measures.

Failed or failing heating systems can be replaced for efficiency and/or health and safety reasons, on a case-by-case basis. Procedures for HVAC system replacement have been significantly refined and enhanced to provide clear direction to all contractors. Requests for repair or replacement of oil-fired equipment will be referred to the DCA Weatherization Assistance Program (WAP).

Incentives

All cost-effective efficiency measures will be installed in each home. Cost-effectiveness will be assessed on a measure and site-specific basis. All efficiency measures and energy education services will be provided free of charge. The selection of measures designed to reduce heating and cooling will be guided by a spending calculation based on past energy consumption which is a guide for contractors and is not an absolute or prescriptive target or cap. If the site needs are greater than the calculated spending guideline, the contractor will confer with the appropriate utility after documenting reasons for going beyond the spending guideline. The utility will decide to what extent additional work can be performed.

Refrigerator or freezer replacement will be based on on-site monitoring of the energy use of the existing unit. Consumption thresholds for cost-effective replacement vary according to size. Any refrigerator or freezer with measured consumption above the threshold values is eligible for free replacement with a new energy-efficient model. These values and procedures will be updated periodically to reflect changes in refrigerator costs and/or efficiency.

The cost-effective installation of energy-efficient lighting products will be based upon the wattage and the estimated average daily burn time for the existing lamp.

Domestic hot water and other custom measures will be installed according to program guidelines for determining measure cost effectiveness.

Delivery Methods

Electric and gas utilities with overlapping service territories will jointly deliver efficiency, health and safety and education services so that customers receive both gas and electric efficiency measures simultaneously. Selection of program delivery contractors and program delivery costs will be shared between the participating gas and electric utilities. Three-year implementation contracts were competitively bid and negotiated in October 2005. Utilities will conduct statewide competitive bids during 2008 with contract extensions as necessary to support continuity.

The utilities are using the JCP&L web-based CP System as the statewide platform to track all program participants, measures and energy savings. The system is used by all utilities, BPU Clean Energy staff, multiple program delivery vendors and inspection vendors. Maintenance and enhancements to the system will be paid by JCP&L and are incorporated in the budget in Appendix B.

Quality Assurance Provisions

A minimum of 10 percent of randomly selected treated homes will be subject to verification and inspection by an independent contractor(s) hired by the utilities.

Budgets

A detailed budget for this program for 2008 is attached in Appendix B. Allocation of costs in different cost categories may appear to be inconsistent among utilities; for example PSE&G

covers the cost of statewide printing and JCP&L covers the cost for statewide CP System administration, etc..

Goals and Energy Savings

Goals

Electric Service customers –7,600
Gas Service customers – 7,095

The 2006 APPRISE Inc. evaluation of the Universal Service Fund recommends "high use households should be targeted by the Comfort Partners and WAP programs to ensure that clients have affordable bills."(Executive Summary page iv) It further recommends that "The BPU should work with the utilities to standardize their system for referring USF clients to the Comfort Partners program and establish official guidelines for coordinating these two benefits." (Executive Summary page xxii)

The Comfort Partners program has served more than 43,000 homes since it began in 2001. In order to reach the above goals for 2008, utilities strongly recommend that in approving the Comfort Partners program, the Board also directs that participation in either the Comfort Partners or Weatherization Assistance Program (WAP) be an eligibility requirement for receiving monthly USF subsidy and arrears forgiveness. This requirement should not, however, preclude customer eligibility for USF benefits if: 1) their landlord refuses energy conservation services or 2) there is a delay in scheduling delivery of energy conservation work under the Comfort Partners or WAP programs.

Energy Savings

Following approval of the above goals, energy savings will be calculated consistent with the goals. Energy saving estimates will be calculated using the protocol revisions sent to Applied Energy Group to be included in a separate filing.

Minimum Requirements for Program Administration

Not Applicable.

Comfort Partners/Weatherization Assistance Program Partnership

The "Weatherization Assistance Program and Clean Energy Program Partnership Proposal" was approved by the Clean Energy Council and was implemented in 2005. A Memorandum of Agreement was developed between the BPU and the Department of Community Affairs, which will allow the Weatherization Assistance Program to perform the installation of electric baseload measures and replacement of heating systems in the homes of clients the program serves. Funding for this will come from the NJ Clean Energy Program.

Home Performance with Energy Star Partnership

Customers above 175 percent of federal poverty guidelines who do not qualify for the Comfort Partners program will be referred to the NJ Home Performance with Energy Star program and likewise, that program will make appropriate referrals to Comfort Partners.

New Jersey Clean Energy Campaign:
Clean Power Choice Program

Description

Utilities will support the Clean Energy Campaign for the Clean Power Choice Program. The Clean Power Choice program will offer retail electric customers the option of selecting an energy product or products with higher levels of renewable energy than is required by the Renewable Portfolio Standards.

The program will be delivered through a collaborative utility and clean power marketer program hosted by the four investor owned electric utilities. The 'host' utilities will provide a delivery platform to enable enrollment and billing, with oversight by the Office of Clean Energy. The program will be offered as an add-on subscription of clean power supplied by a qualified third-party Clean Power marketer without interruption to customer's basic electric service. The Office of Clean Energy will play a lead role in marketing the program to customers in cooperation with electric and gas utilities and Clean Power marketers.

The 2008 budget for this program in Appendix B is intended to reimburse utilities for expenses necessary to:

- Make or maintain the Information Technology changes needed to support a line item on customer bills
- Develop and maintain systems to support EDI transactions with Clean Power Marketers
- Facilitate customer sign ups through bill stuffers or other marketing mechanisms

Appendix A:
SALES AND MARKETING PLAN

Low Income (Comfort Partners) Program

Statewide Marketing Activities		Estimated Cost
Telemarketing of program	**Description**: Telemarketing of program **Targeted Audience**: Customers identified as high-energy use USF participants, low-income residential customers on utility databases and NJ Office of Information Technology USF lists and other lists. **Expected Date of Implementation**: Telemarketing will be conducted on a continual basis to meet production goals. Increased effort has been required due to USF participant high rejection rate. **Vendor Participants**: Honeywell, CMC, EIC. Utilities will continue to staff & train call centers to respond to incoming telephone customer inquiries about the program.	$250,000
Comfort Partners marketing and collateral materials	**Description**: These materials are used at various customer-focused events, directly with customers during service delivery and included in direct mail campaigns. Estimated cost includes updating and reproducing the existing brochures and forms in both English and Spanish. Materials include: brochure, folders, applications, landlord agreements, partnership agreements, action plan savings strategy, health and safety release form, income guidelines, energy saving tips sheets, envelopes, etc. **Targeted Audience**: Low-income residential customers **Expected Date of Implementation**: Second quarter 2008 **Vendor Participants**: TraynorKirk/CGI North America	$97,000
Direct Mail Campaigns & Utility Bill Inserts	**Description**: In addition to the contractor telemarketing, JCP&L and contractors will direct mail a cover letter, Comfort Partners application and landlord agreement to USF recipients to improve response rates. Some utilities will also include Comfort Partners articles in bill inserts. **Targeted Audience**: High-use USF and HEAP recipients on the utilities' databases, and NJ Office of Information Technology USF lists. **Expected Date of Implementation**: Ongoing throughout 2008. **Vendor Participant**: Honeywell, EIC, CMC, and in house for utilities.	$19,000

Fact Sheet on Winter Shut-off	**Description**: Include in the Fact Sheet on Winter Shut-off a paragraph describing Comfort Partners with an 800# contact number. **Targeted Audience**: Residential customers receiving a shut-off notice **Expected Date of Implementation**: During the 2008 heating season **Vendor Participant**: In house for utilities	$ 0

Appendix B:
2008 Program Budgets

COMFORT PARTNERS	Total	Admin & Prog Developmt	Sales, Marketing, Call Center, Website	Training	Rebates, Other Direct Incentives	Rebate Processing, Inspections & QA	Evaluation & Research	Performance Incentives
ACE	**$ 1,199,000**	$ 93,725	$ 9,000	$ 10,000	$ 1,015,275	$ 67,000	$ 4,000	
JCP&L	**$ 4,047,000**	$ 299,000	$ 135,000	$ 40,000	$ 3,218,000	$ 350,000	$ 5,000	$ -
PSE&G- Electric	**$ 7,797,500**	$ 263,544	$ 171,106	$ 36,730	$ 7,016,848	$ 304,272	$ 5,000	
RECO	**$ 7,500**	$ 1,200			$ 6,050	$ 250		
NJN	**$ 2,989,250**	$ 147,781	$ 35,000	$ 26,500	$ 2,705,969	$ 69,000	$ 5,000	
Elizabethtown	**$ 1,400,000**	$ 104,526	$ 40,836	$ 15,650	$ 1,132,927	$ 101,061	$ 5,000	
PSE&G-Gas	**$ 6,717,500**	$ 214,791	$ 138,775	$ 29,625	$ 6,082,864	$ 246,445	$ 5,000	
SJG	**$ 1,371,355**	$ 166,560	$ 19,400	$ 5,800	$ 1,136,095	$ 42,500	$ 1,000	
TOTAL	**$ 25,529,105**	**$ 1,291,127**	**$ 549,117**	**$ 164,305**	**$ 22,314,028**	**$ 1,180,528**	**$ 30,000**	**$ -**

Clean Energy Campaign: CLEAN POWER CHOICE*	Total	Admin & Prog Developmt	Sales, Marketing, Call Center, Website	Training	Rebates, Other Direct Incentives	Rebate Processing, Inspections & QA	Evaluation & Research	Performance Incentives
ACE	**$ 74,000**	$ 7,000	$ 67,000	$ -	$ -	$ -	$ -	
JCP&L	**$ 82,000**	$ 2,000	$ 80,000	$ -	$ -	$ -	$ -	$ -
PSE&G- Electric	**$ 100,000**	$ 5,000	$ 95,000	$ -	$ -	$ -	$ -	
RECO	**$ 46,000**	$ 1,000	$ 45,000	$ -		$ -	$ -	
NJN	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	
Elizabethtown	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	
PSE&G-Gas	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	
SJG	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	
TOTAL	**$ 302,000**	**$ 15,000**	**$ 287,000**	**$ -**	**$ -**	**$ -**	**$ -**	$ -

* Clean Energy Campaign Budgets include two bill inserts only. ACE and RECO budgets reflect outsourced IT support costs.