



State of New Jersey
BOARD OF PUBLIC UTILITIES
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May 8, 2013

Assemblywoman Bonnie Watson Coleman
226 W. State St.
Trenton, NJ 08608

Dear Assemblywoman Watson Coleman:

During the Department of Treasury's budget hearings before the Assembly Budget Committee on April 25, 2013 you requested written information on the energy assistance programs provided by the State of New Jersey. Enclosed is a description of each of the State's energy assistance programs.

I hope you find this information useful. Please do not hesitate to contact me if I can provide any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Robert M. Hanna".

Robert M. Hanna
President

Enclosures

2013 ENERGY ASSISTANCE PROGRAMS FOR NEW JERSEY RESIDENTS

PROGRAM NAME	ELIGIBILITY REQUIREMENTS	BENEFIT	MORE INFORMATION
<p style="text-align: center;">Universal Service Fund</p>	<p>USF provides electric and gas credits to low-income households which:</p> <ol style="list-style-type: none"> 1) Are income eligible (\$40,344 for a family of four); and 2) Spend more than 3% of annual income on gas or electric costs or more than 6% on electric heat. <ul style="list-style-type: none"> - USF enrollment is year round <p>Fresh Start is a component of the USF Program whereby first time USF participants may earn forgiveness of their pre-USF energy debt by paying bills on time and in full for 12 months. (Customers are automatically enrolled by utility company if eligible).</p>	<p>Monthly credit on electric and/or gas bill. Credit amount varies based on household size, income and energy usage. Maximum annual benefit for electric and gas credits combined is \$1,800.</p>	<ul style="list-style-type: none"> - Made possible by the Board of Public Utilities (BPU) - Administered by the Department of Community Affairs (DCA) - USF/LIHEAP applications and a list of county agencies where applications may be submitted are available at: www.energyassistance.nj.gov or call: (866) 240-1347 - Federally funded - Administered by the DCA - USF/LIHEAP applications and county agencies where applications must be submitted are available at: www.energyassistance.nj.gov or call: (800) 510-3102
<p style="text-align: center;">Low-Income Home Energy Assistance Program</p>	<ul style="list-style-type: none"> - LIHEAP/HEA household must be responsible for home heating or cooling costs, either directly or included in the rent and be income eligible (\$46,104 for a family of four). - Doctor's note required if applying for medically necessary cooling grant. - Applications are accepted from October 1st through April 30th of each year. 	<p>Heating grant amount varies based upon household size, income, county & fuel type. Medically necessary cooling grant available.</p>	<ul style="list-style-type: none"> - Made possible by the BPU - Administered by the Dept of Human Services (DHS) - Apply with PAAD application available at: www.state.nj.us/humanservices/ or call: (800) 792-9745
<p style="text-align: center;">Lifeline</p>	<ul style="list-style-type: none"> - Must be eligible for PAAD (Pharmaceutical Assistance for the Aged and Disabled). - 65 years of age or older or 18 years of age or older and receiving Social Security Title II Disability benefits - Annual income for 2013 must be less than \$25,743 if single or less than \$31,563 if married. 	<p>\$225 annual credit on utility bill for gas and/or electric customers, or check for those with electric and/or gas costs included in rent.</p>	<ul style="list-style-type: none"> - Made possible by the BPU - Administered by the Dept of Human Services (DHS) - Apply with PAAD application available at: www.state.nj.us/humanservices/ or call: (800) 792-9745

2013 ENERGY ASSISTANCE PROGRAMS FOR NEW JERSEY RESIDENTS

PROGRAM NAME	ELIGIBILITY REQUIREMENTS	BENEFIT	MORE INFORMATION
<p>Temporary Relief for Utility Expenses</p>	<p>TRUE grant is for moderate to low income gas and electric customers who are experiencing a financial crisis and have a notice of overdue payment from their utility company.</p> <ul style="list-style-type: none"> - Applicants must not have received USF or LIHEAP in the past 12 months and have a history of making regular utility payments. - TRUE income eligibility range is \$46,116-\$102,552 for a family of four from October 1, 2012 – Sept 30, 2013 	<p>Maximum grant of \$750 per commodity in a one year period. Grant amount is based on how much is required to avoid discontinuation of utility service.</p>	<ul style="list-style-type: none"> - Made possible by the Board of Public Utilities - Administered by the Affordable Housing Alliance - To apply on line or print an application go to: www.ahanjtrne.com or call: (732) 982-8710
<p>New Jersey SHARES</p>	<p>NJSHARES is a non-profit providing assistance for households who need temporary help in paying their energy bills due to a financial crisis. Applicants must have a history of good-faith payments on energy bills and not be eligible for welfare or other energy assistance.</p> <ul style="list-style-type: none"> - During the LIHEAP season, LIHEAP income ceiling is SHARES income floor and outside of LIHEAP season (May 1st – September 30th) USF income ceiling is SHARES income floor. SHARES income ceiling is 400% federal poverty level. (\$40,345/\$46,105 - \$92,208 for family of four). 	<p>Maximum of \$700 grant for heating and up to \$300 grant for non-heating electric.</p>	<p>For more information, go to: www.njshares.org or call: (866) 657-4273</p>
<p>WAP & Comfort Partners</p>	<p>The Weatherization Assistance Program (WAP) and Comfort Partners are two energy efficiency programs helping make energy bills more affordable for low income families. For a family of four the 2013 income limit for WAP is \$46,100 and for Comfort Partners is \$52,988. WAP is administered by DCA and Comfort Partners is overseen by the NJ Clean Energy Program.</p>	<p>Includes a free home energy audit and installation of free energy efficiency measures which may include appliance replacement.</p>	<p>To apply for WAP use the USF/LIHEAP application available at: www.energyassistance.nj.gov For Comfort Partners call: (888) 773-8326 or go to www.njcleanenergy.com</p>
<p>Winter Termination Program</p>	<p>WTP protects residential customers from disconnection of electric and natural gas from November 15th - March 15th each year if they participate in one of several assistance programs (including USF, LIHEAP and Lifeline) or are unable to pay their utility bills because of circumstances beyond their control.</p>	<p>Protection from service disconnection</p>	<p>Call utility to request WTP protection. If in danger of shut off, please contact the Board of Public Utilities at: (800) 624-0241 or www.nj.gov/bpu/assistance/</p>

How NJ Can Help:

Other Programs

NEW JERSEY SHARES (NJ SHARES)

NJ SHARES provides assistance to households in need of temporary help paying their energy bills due to a financial crisis. Applicants must have a history of good-faith payments with their energy company and not be eligible for LIHEAP, USF or TRUE. Call 866-657-4273 or go to www.njshares.org for more information.

WINTER TERMINATION PROGRAM (WTP)

WTP protects residential customers from disconnection of natural gas and electric service from November 15th - March 15th if they participate in: USF, LIHEAP, Lifeline Utility Assistance Program, Pharmaceutical Assistance to the Aged and Disabled (PAAD), Work First New Jersey/Temporary Assistance to Needy Families, or Federal Supplemental Security Income (SSI). Also, persons unable to pay their utility bills because of circumstances beyond their control may request the protection of WTP. Customers should make every effort to pay as much of their bill as possible during the WTP period to avoid a large overdue balance at the end of the WTP.

How do I enroll in WTP?

You must call your utility company and request protection under the WTP and explain why you need this protection. For more information about the WTP, or if you have a complaint about your utility company, please call the Board of Public Utilities at: 1-800-624-0241. You can also view the Utility Customer's Bill of Rights at the website: www.nj.gov/bpu/assistance/rights/

How NJ Can Help:

Have your Home Weatherized for Free!

What is Weatherization?

Weatherization is the installation of home energy efficiency measures to help reduce energy bills. Depending on the energy needs of the home, weatherization may include: insulation upgrades, heating/cooling equipment maintenance and appliance replacement.

Eligible participants are provided with:

- 1) A free "home energy audit" to see how energy efficient a home is and how much money can be saved on energy bills through weatherization;
- and 2) Installation of recommended free energy efficiency measures.

There are two free Weatherization programs in New Jersey:

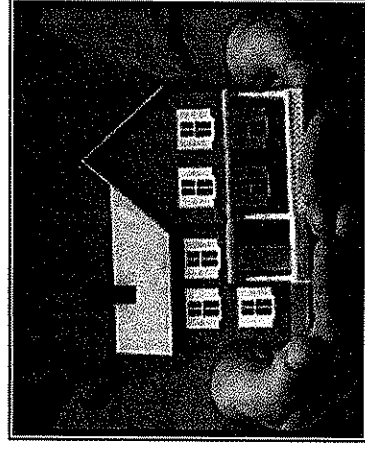
COMFORT PARTNERS: Sponsored by the Board of Public Utilities' Office of Clean Energy. Call 888-773-8326 for an application and eligibility requirements, or go to: www.nicleanenergy.com and click on "Residential" (electric and gas heat only).

WEATHERIZATION ASSISTANCE

PROGRAM: Sponsored by the Department of Community Affairs. Households that apply for USF or LIHEAP can check the box on the application to request weatherization. Visit our website at: www.energyassistance.nj.gov (click on "energy assistance programs") or call 800-510-3102 for more information.



DO YOU NEED HELP WITH YOUR HOME ENERGY BILLS?



*The State of
New Jersey
offers
assistance
programs
that can help!*

How NJ Can Help: Energy Assistance Programs

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

LIHEAP or HEA is a federally funded program that helps low-income households pay for heating costs (includes: electric, natural gas, oil and other deliverable fuels). Even if your heat is included in your rent, you may qualify. LIHEAP grants are also available for medically necessary cooling costs. Applications are accepted from October 1 through April 30. (See chart on next page for income limits). LIHEAP is administered by the Department of Community Affairs.

UNIVERSAL SERVICE FUND (USF)

USF is a program created by the New Jersey Board of Public Utilities to help low-income households pay for their electric and natural gas costs. To be eligible for USF, your household must: 1) Be income eligible (see chart on next page) and 2) spend more than three percent of household income on gas and/or electricity; (or spend more than six percent of household income on electric heating). Apply any time of the year. USF is administered by the Department of Community Affairs.

For USF/LIHEAP applications, a list of county agencies that accept USF/LIHEAP applications and more information, go to the website: www.energyassistance.nj.gov
(Click on "energy assistance programs") or call toll free: 1-866-240-1347 (USF)
call toll free: 1-800-510-3102 (LIHEAP)

INCOME ELIGIBILITY Monthly Pre-tax Income Limits 10/1/2012 - 9/30/2013

Household Size	USF Program	LIHEAP Program
1	\$1,629	\$1,862
2	\$2,207	\$2,522
3	\$2,784	\$3,182
4	\$3,362	\$3,842
5	\$3,939	\$4,502
6	\$4,517	\$5,162
7	\$5,094	\$5,822
8	\$5,672	\$6,482
9	\$6,249	\$7,142
10	\$6,827	\$7,384
11	\$7,404	\$7,538
12	\$7,982	\$7,692
If more than 12 add:	\$ 578 for each person	\$ 154 for each person

LIFELINE PROGRAM

The Lifeline Utility Assistance Program is for eligible low-income senior citizens and the disabled. Lifeline benefits help eligible homeowners and renters with electric and natural gas costs. You may apply for Lifeline by filling out the Pharmaceutical Assistance for the Aged and Disabled (PAAD) application. Call: 1-800-792-9745 for more information or go to the website: www.nj.gov/health/ and click on "Senior Benefits". Lifeline is administered by the Department of Health and Senior Services.

TEMPORARY RELIEF FOR UTILITY EXPENSES (TRUE) PROGRAM

TRUE was designed to help low to moderate income households pay their natural gas and electric bills. TRUE provides benefits to income eligible households who have not received USF or HEA in the past 12 months, have a notice of overdue payment for gas or electric service, and have a good payment history on utility bills. Apply online at: www.ahanjtruve.com or call 732-982-8710. The TRUE program is funded by the Board of Public Utilities and is administered by the Affordable Housing Alliance.

How NJ Can Help: Energy Assistance Programs



Así es como NJ ayuda: Otros Programas

PROGRAMA DE PROTECCIÓN DURANTE

EL INVIERNO (WINTER TERMINATION PROGRAM, WTP)

Este programa protege a las personas que tienen dificultad con el pago de las facturas de calefacción (gas o electricidad) durante el invierno. Previene la interrupción de servicio entre el 15 de noviembre y el 15 de marzo a participantes de los programas de USF, LIHEAP, Lifeline Utility Assistance Program, Asistencia de Farmacia a Envejecientes e Incapacitados (PAAD), Programa de Beneficiencia Pública (Work First New Jersey/TANF), o participantes del programa de Seguro Social Suplementario (SSI). También puede ayudar a personas que atraviesan una situación de emergencia temporera que les impida pagar sus gastos de calefacción. Los usuarios deben hacer todo lo posible por hacer pagos a sus cuentas de gas y electricidad durante este periodo para evitar la interrupción de servicios al concluir el periodo de protección.

¿Como participo en el programa WTP?

Usted debe llamar a la compañía que le provee su servicio y pedirle protección bajo el programa WTP y explicarle por qué necesita esta protección. Para más información sobre el WTP, o si Ud. tiene alguna queja sobre su compañía de servicio, por favor llame a la Junta de Servicios Públicos 1-800-624-0241 (973-648-2350 para llamadas fuera del estado). Ud. también puede revisar la carta de Derechos del Consumidor en el Internet www.state.nj.us/bpu/assistance/rights/.

NJ AYUDA NJ HELPS

NJHelps es un sitio de información gratis en el Internet que contiene información sobre los programas de asistencia que se ofrecen en el estado de Nueva Jersey y le permite evaluar si Ud. y su familia podrían recibir ayuda. La información está disponible en inglés y español. Para solicitar a los más de 20 programas que existen en Nueva Jersey visite: www.mynjhelps.com.

Como NJ puede ayudarle:
¡Obtenga insulación gratis
para su hogar!

PROGRAMA DE INSULACION

¿Que es el Programa de Insulación?

El programa de insulación (weatherization) incorpora la instalación de medidas para reducir los gastos en los servicios de electricidad y gas en el hogar. Según las deficiencias encontradas en el hogar el programa puede: instalarle mejor insulación, repararle los equipos de calefacción y aire acondicionado o reemplazarle algunos enseres electrodomésticos.

Familias elegibles pueden obtener:

1) Una "auditoría de energía" gratis para evaluar la cantidad de energía que se desperdicia en el hogar y cuanto dinero se puede ahorrar arreglando las fallas que puedan existir; y 2) la instalación de medidas preventivas recomendadas por la auditoría.

Existen dos programas que proveen estos servicios gratis en NJ:

COMPANEROS PARA LA COMODIDAD

(COMFORT PARTNERS) Auspiciado por el Programa de Energía Limpia de NJ (NJ Clean Energy Program). Llamar al 1-888-773-8326 para solicitar y obtener más información, o visite nuestra pagina electrónica: www.njcleanenergy.com y oprima "Residencial"

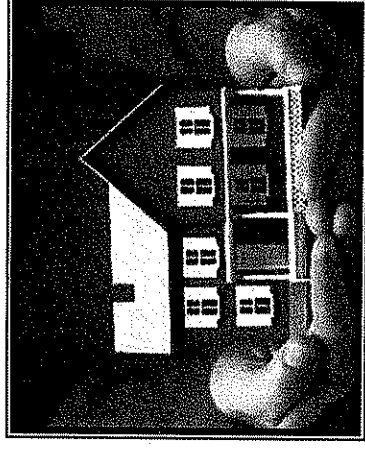
PROGRAMA DE INSULACION

(WEATHERIZATION) Administrado por el Departamento de Asuntos Comunales de NJ. Para ver la lista de elegibilidad de ingresos y agencias que proveen asistencia en su vecindad visite: www.energyassistance.nj.gov.



Producido por la Junta de Servicios Públicos / NJ Board of Public Utilities
(NJ BPU)

¡NECESITA AYUDA PARA PAGAR SUS CUENTAS DE ENERGÍA?



¡El estado de
Nueva Jersey
ofrece
programas de
asistencia
que le pueden
ayudar !

Así es como NJ Ayuda: Programas de Ayuda con los pagos de energía

PROGRAMA DE ASISTENCIA DE ENERGIA PARA HOGARES DE BAJOS INGRESOS (LIHEAP)

LIHEAP es un programa del gobierno federal que ayuda a los hogares de bajos ingresos a pagar sus cuentas de calefacción (incluyendo: electricidad, gas, aceite y otros combustibles). Inclusive si la calefacción está incluida en su renta, Ud. puede ser elegible. LIHEAP también esta disponible para sufragar los costos de aire acondicionado cuando es médicamente necesario. Se aceptan solicitudes para este programa desde el 1 de octubre al 30 de abril. (Ver tabla de ingresos). LIHEAP es administrado por el Departamento de Asuntos Comunales del estado de Nueva Jersey.

FONDO DE SERVICIO UNIVERSAL (USF)

USF es un beneficio creado por la Junta de Servicios Públicos de Nueva Jersey para ayudar a los hogares de bajos ingresos a pagar sus cuentas de electricidad y gas. Para ser elegible al USF, su familia debe: 1) cumplir con los requisitos de salario mínimo (ver siguiente página) y 2) gastar más del 3% del salario anual de la familia en costos de gas y/o electricidad; (o más del 6% del ingreso anual cuando la calefacción es eléctrica). Solicite para este beneficio durante cualquier mes del año. El USF es administrado por el Departamento de Asuntos Comunales del estado de Nueva Jersey.

Para solicitudes de USF/LIHEAP, lista de agencias del condado que aceptan las solicitudes del USF/LIHEAP y más información, visite la página del internet:
www.energyassistance.nj.gov
(revise bajo "energy assistance programs" o llame gratis al: 1-866-240-1347 (USF) o llame gratis al: 1-800-510-3102 (LIHEAP)

LIMITE DE INGRESOS Límites Mensuales antes de impuestos 10/1/2012 - 9/30/2013

Personas en el Hogar	PROGRAMA USF	PROGRAMA LIHEAP
1	\$1,629	\$1,862
2	\$2,207	\$2,522
3	\$2,784	\$3,182
4	\$3,362	\$3,842
5	\$3,939	\$4,502
6	\$4,517	\$5,162
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8	\$5,672	\$6,482
9	\$6,249	\$7,142
10	\$6,827	\$7,384
11	\$7,404	\$7,538
12	\$7,982	\$7,692
12 personas o más, añadir :	\$578 por cada persona	\$154 por cada persona

Así es como NJ Ayuda: Programas de Asistencia de Energía

CONEXIÓN DE VIDA (LIFELINE PROGRAM)

El Programa "Lifeline Utility Assistance" ayuda a personas de bajos ingresos que sean envejecientes o incapacitados. Este programa beneficia tanto a los dueños de casa como a personas que alquilan con los gastos de electricidad y gas. Ud. puede solicitar para este beneficio llenando la solicitud del PAAD (Asistencia de Farmacia Para Envejecientes e Incapacitados/Pharmaceutical Assistance for the Aged and Disabled) llamando al: 1-800-792-9745; para más detalles visite el internet: www.state.nj.us/health. El programa Lifeline es administrado por el Departamento de Salud y Servicios a Envejecientes.

AYUDA TEMPORERA PARA GASTOS DE UTILIDAD (TRUE SIGLAS EN INGLES)

"TRUE" es un programa que ayuda a familias de ingresos moderados con el pago de gastos de electricidad y gas natural. Este programa provee beneficios a familias elegibles que no hallan recibido beneficios de los programas USF y Asistencia de Energía durante los últimos 12 meses, que además tengan una notificación de cobro atrasado de gas o electricidad y que tengan un buen historial de pago de las cuentas de utilidad. Puede solicitar visitando a www.ahanjtrue.com o llamando al 732-982-8710. El programa TRUE es costeado por La Junta de Utilidades Públicas (Board of Public Utilities) y administrado por Alianza Para Vivienda Razonable (AHA).





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May 20, 2013

Assembly Budget Committee
c/o David J. Rosen
Legislative Budget and Finance Officer
Office of Legislative Services
State House Annex
P.O. Box 068
Trenton, New Jersey 08625-0068

Dear Chairman Prieto and Assemblyman Wimberly:

This letter is in response to the following questions that arose during the Department of Treasury's recent budget hearing before the Assembly Budget Committee.

- Please describe the options the BPU had been exploring in the wake of Hurricane Sandy to minimize the future risk of lengthy power outages at retirement and nursing homes, including any initiative involving the possible installation of on-site backup electric generators and the possible on-site construction of combined heat and power plants.

The New Jersey Clean Energy Program (NJCEP) currently provides incentives for improved energy efficiency (EE) and for renewable energy (RE), including incentives for combined heat and power (CHP) systems and fuel cell technology. Currently, the BPU has two incentive programs that assist in the development of CHP systems and fuel cells (FC) projects. One program is for systems less than or equal to 1 MW and the other is for systems larger than 1 MW. The incentives vary from \$4,000 per kilowatt (kW) to \$350 per kW installed depending on technology and fuel types. Last year's budget for both programs was \$49 million and we expect the same level of budget for this year. Any public or private entity, including retirement and nursing homes, can apply for the incentives provided they are a customer of one of the regulated utilities.

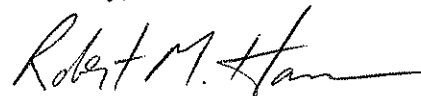
Moreover, the BPU is currently exploring potential new programs to further incentivize the deployment of alternative energy technology throughout the State, including making available financing options to amortize “up-front” installation and construction costs. The BPU is developing several financing mechanisms to provide for long term financing for alternative energy, including CHP, fuel cells, and other technology.

A complete review of the Electric Distribution Companies’ (EDCs) performance during Superstorm Sandy is ongoing. The BPU is separately requiring the EDCs to take over 100 specific actions to improve their preparedness and responses to major storms. The Board will also consider proposals by EDCs to make improvements and repairs to distribution systems.

The Board is currently working to develop a long term secure and stable funding/financing source to implement the 2011 Energy Master Plan CHP target of 1500 MW that includes both storm response CHP and dual economic and environmental benefit CHP. Enclosed is a copy of the straw proposal, Combined Heat and Power (CHP) Long Term Financing Incentive Mechanism: A “Smart” Portfolio Standard, BPU staff issued to the CHP-FC work group, as well as posted on the NJCEP website, on April 24, 2013 for review and comment by the stakeholder and interested parties. On April 30, 2013, BPU staff held a meeting to present the details of the CHP PS straw proposal and address questions and comments. The comment period on the CHP Portfolio Standard is open through May 30, 2013. Based on the comments received, the BPU will address and revise the straw proposal. Board staff will develop a final straw for a public hearing and accept comments and then present recommendations to the Board this fall.

I hope you find this information useful. Please do not hesitate to contact me if I can provide any additional information.

Sincerely,



Robert M. Hanna
President

Enclosure

c: Vice-Chair Gary Schaer
Assemblyman Christopher Brown
Assemblyman Anthony Bucco
Assemblyman John Burzichelli
Assemblyman Albert Coutinho
Assemblyman Gordon Johnson
Assemblyman Declan O'Scanlon
Assemblyman Troy Singleton
Assemblywoman Bonnie Watson Coleman
Assemblyman Jay Webber

Andrew Sidamon-Eristoff, Treasurer
Marybeth Brenner, BPU Chief of Staff
Tricia Caliguire, BPU Chief Counsel
Kristina Miller, BPU Legislative Liaison

Combined Heat and Power (CHP) Long Term Financing Incentive Mechanism

A “smart” Portfolio Standard

Goal: To develop a long term secure and stable funding/financing source to implement the 2011 Energy Master Plan CHP target of 1500 MW that includes both storm response CHP and dual economic and environmental benefit CHP.

Objectives: Develop CHP as part of the State's long term strategies for economic development.

Develop a near term CHP storm response program for critical public facilities.

Develop a non-lapsable funding source

No new certificate trading programs

The specifics of a long term financing mechanism would be established in detail through a stakeholder process the following is an initial straw for initial discussion purposes only.

As set forth at NJSA 48:3-87 g and h, the Board currently has the statutory authority to adopt, pursuant to the Administrative Procedures Act, an energy efficiency portfolio standard (EEPS) includes both an electric energy efficiency portfolio standard (EEEEPS) and a gas portfolio energy efficiency standard (GEEPS). As defined in the statute, the EEEPS and the GEEPS targets may be up to 20% below the electric or gas usage projected by the Board in 2020 without the EEEPS or the GEEPS. As provided in the statutes, the EEEPS would be set on the electric public utility (electric distribution companies EDC) to establish energy efficiency (EE) measures to reduce the electric usage.. The GEEPS would be set on the gas public utilities (gas distribution companies GDC) to establish EE measures to reduce the gas usage for heating.

An EEPS, as defined in the statutes, means a requirement to procure a specific amount of EE or demand side management resources as a means of reducing energy usage and demand by customers.

CHP is an energy efficiency measure. CHP, in addition to providing onsite generation of electricity, saves electricity through more efficient cooling equipment and processes; and saves gas through more efficient heating/cooling equipment and processes. The CHP can be developed as an EEEPS or a GEEPS or both as a CHP PS. The CHP PS simply takes the EMP goal for CHP and establishes it as a specific regulatory requirement.

The CHP PS would differ significantly from the current renewable energy portfolio standard (RPS). By directing the CHP PS to the utilities as set forth in the statutes to procure the PS obligation eliminates the need for a number of the provisions in the current RPS rules such as the alternate compliance payment (ACP) structure and penalties. The ACP structure and penalties are required because the current solar, Class I and Class II RPS is an obligation on the electric suppliers and basis generator providers and is a market-based structure.

The ACP is not a penalty. The ACP provides another means of compliance in a competitive market requirement structure. The ACP acts as a safety value in undersupplied market and is also available to prevent market manipulation by the renewable energy customer generators, marketers or aggregators. The Board, in terms of the EEPS, would directly regulate the utilities. These other mechanisms in the RPS can be built directly into the regulatory oversight of the utilities. The Board does not directly economically regulate the suppliers and providers, which is the reason for the ACP and penalties for non-compliance.

By directly regulating the electric and gas utilities under the EEPS provisions there would be no need for any additional incentives or penalties for the utilities to perform as required by the Board. The CHP PS provisions would include the ability of the utilities to recover their cost as currently provided for in the statutes and regulations, but eliminates the other provisions as required in a competitive RPS marketplace. The structure for recovery would be built into the overall EEPS regulatory structure.

As similar to the RPS the CHP PS would be set statewide annually as a percentage of the CHP EMP goal through energy year 2021. This annual statewide CHP percentage would be an obligation on the individual utilities based on annual retail sales of gas or electric and other factors which may include market conditions and supply and demand.

The main goal of the CHP PS is to develop and secure a stable and long term funding source for CHP that is not lapsable to the general funds. The CHP PS would be a long term financing incentive similar to the RPS structures. This long term CHP financing structure would be a "smart" portfolio standard. The CHP PS requirement would not be static requirement as in the solar, Class I and Class II RPS. In the RPS case, while the Class I and Class II RPS increases annually through 2021, to change the individual annual RPS, once it is set in rules requires rulemaking. In the case of solar which is set through 2028 it requires legislative action to decrease the RPS and can be increased through regulations. The CHP PS requirement would be a dynamic standard that responds and changes based on market conditions. The criteria for this change would be set as part of the CHP PS Order or rulemaking. Basically it would respond to market demand, overall system costs, overall environmental and energy benefits and overall economic condition to a cap and down to a floor.

Having a portfolio standard that does not change is required and workable in a competitive market like in the solar, Class I and Class II markets. However, in a relatively closed market like CHP it does not make economic sense to have a standard that does not respond to changing market conditions. The CHP capacity would float in terms of CHP supply and demand, costs, environmental/energy benefits and economic factors. These criteria would be designed into the Board's Order establishing the CHP PS requirement/program and the CHP PS rules. The Board

could revise through its Order the CHP- PS on a going forward basis. The Board would direct the utilities to submit a CHP PS compliance filing consistent with its Order and regulations. The CHP-PS would not be a filing pursuant to N.J.S.A 48:3-98.1 (RGGI filings). The utility CHP annual compliance filing would be based on the CHP-PS requirements established by the Board.

An increasing CHP system demand by customers could increase the CHP-capacity PS up to an annual capacity and cost cap. Likewise decreasing CHP system demand by customers would lower the CHP-PS capacity to a floor value. In addition, if the unit costs for a CHP system were decreasing the CHP capacity could increase to a capacity and cost cap and decrease to a floor if the overall cost for a CHP system were increasing. Likewise as the environmental or energy benefits decreased the CHP capacity could decrease and would increase the CHP capacity if the benefits increased. The Board, through establishment of the criteria for the increase and decrease, would essential regulate this regulated market. This method would minimize the up and down cycles of the market like in the solar market. The CHP PS would develop and implement the most cost effective amount of CHP at the time.

Basically this process of a more directly managed CHP PS would minimize or eliminate the vertical demand curve that impacts the RPS competitive markets in New Jersey. Competitive market based RPS system could result in big swings in the value of the certificates because of market responses to supply and demand. Because of the tens of thousands of potential customers in the solar market, the Solar certificate value changes can be addressed more readily through market forces. Because of the limited number of customers currently in the CHP field this market would benefit initially through a more managed market. This regulated management could change with the implementation of cost effective micro-CHP. At that point the CHP PS market could look more like a solar market for residential and small business market segments.

The CHP long term financing incentives would be limited and specific to new CHP only. The facility would have to generate both electric and useful thermal energy. The PS would define new electric energy and useful thermal energy from the new CHP systems. The CHP long term financing for the electrical EE would have to be more efficient both in terms of the electric energy generated onsite vs. the electricity purchased and the useful thermal energy would have to be more efficient than the central air conditioning it is replacing. In terms of the CHP long term financing for the gas EE, the useful thermal energy would have to be more efficient that the gas heating equipment it is replacing. In addition there would be a requirement for a additional percentage of efficiency above building energy codes. The CHP PS would not include the additional gas used to generate the electricity.

There would be two components to the CHP PS - long term financing structure: one for public critical facilities and another for private sector facilities with dual environmental and economic benefits. Because of the need to immediately address a response to Sandy, the Board could develop the CHP long term financing structure for public critical facilities and then based on experience of the initial program, the private sector component could be added. A public critical facility would be defined as a public facility that could operate 24/7 and either temporarily or long term house, feed and shelter evacuated victims from an emergency such as super storm Sandy.

While the EEPS for CHP could be on both the electric and gas utilities for the more efficient cooling and heating equipment it would be more effective and less confusing to initially address the CHP PS through one - the gas utilities. This current straw for long term CHP financial assistance would be to finance 100 percent of the CHP project through the EEPS obligation on the natural gas utilities. This would be through direct upfront financing by the utilities as a loan. The CHP PS would be a larger version of on the bill financing.

In the direct financing option a portion of the financing would be paid back to the utilities and to the ratepayer over time based on the positive cash flow from the energy saving of the project. This payback period could be limited to a set timeframe. A portion of the direct financing would be forgiven based on performance of the system over time. This performance incentive can be determined upfront in the process or after the end of the payback period.

Initially a feasibility study of the potential project could be performed either funded by the NJCEP or through some other mechanism such as through the state universities. A detailed engineering cost benefit analysis would be required of each project to be financed to document compliance with the payback period and positive cash flow requirements.

While the authority to develop this CHP PS will be through the EEPS provisions in EDECA, this new structure would be developed similar to the EDC SREC financing programs as opposed to the solar, Class I and Class II RPS structure. The natural gas utilities would solicit CHP projects from the public on a set and routine schedule- once every 6 months or once a quarter. Based on the responses to the solicitation the gas utility would select the most cost effective projects that meet the public critical facility criteria and up to their annual CHP PS limit.

The initial gas utility CHP compliance filing could provide for a long plan to achieve the CHP PS over several years. The subsequent gas utility annual CHP compliance filing approval could adjust the CHP-PS based on review of the criteria as established by the Board. The filing would not be RGGI filing.

The NJCEP rebate/grant structure would stay in place until the CHP long term financing is developed, implemented and available. The current NJCEP rebate/grant structure would transition to the new long term PS financing structure as they are developed. The incentive payment would transition from an up-front rebate/grant to a financing incentive either funded upfront or over time based on performance of electricity generated and energy saved. Moving to a performance based system allows for a more efficient payment of incentives over time.

Through a stakeholder process, the details of the CHP PS- long term financing structure criteria could be developed including but not limited to the following:

1. The eligible technologies and eligible fuel types;
2. The percentage of the facility installation cost covered by the financing incentive;
3. Initial financing or performance payments over time;
4. The cap on the size of the facilities;
5. The definition of public critical facilities;
6. The length of time for repaying the financing
7. The size of the incentive;

8. The value of the incentive (\$/MWh)
9. The criteria to annually revise the CHP capacity requirements including:
 - a. Market supply and demand;
 - b. Environmental and energy benefits;
 - c. Overall system costs; and
 - d. Statewide economic conditions.

In order to keep the rate impact for CHP projects neutral, a reduction in the overall Utility E3 and NJCEP SBC cost would be a part of the overall design of a CHP PS long term financing program. As the long term financing structure were developed and implemented the direct utility E3 CHP or NJCEP CHP rebate budgets would be reduced by an equivalent increment. This would result in a reduction of the E3 rate or the SBC rate to insure the net cost to the ratepayer over the same period were, at a minimum, a net zero sum gain. Basically this would result in adding no new cost to the ratepayer. .

Other Financing Options for Discussion

Another option for discussion for large scale private facilities is the SBC Credit program. This program has been approved by the Board and could provide up to 50% of the customers SBC funds that they pay in annually up to 50% of the cost. This would be limited to large scale (greater than 1 MW) for private sector facilities that document both environmental and economic benefits. This could include both CHP and fuel cell without heat recovery. . The SBC payment is after the facility is constructed and after payments of the SBC funds. The program rules for the SBC Credit program are attached.

Two other public financing options include:

Pool bond financing through the Environmental Infrastructure Trust with NJDEP. This would be limited to large scale projects at water and wastewater treatment facilities; and
Pool bond financing through the Counties using the allocation of Qualified Energy Conservation Bonds (QECCB). This would be smaller scale public projects.