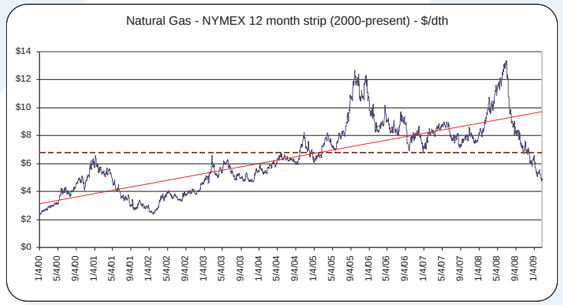
Natural Gas Freefall Results in Savings



The 12-month strip price for natural gas hit a high of just over $13.30/decatherm in early July 2008 due to multiple factors, including a weak dollar, oil trading above $140 a barrel, and maybe most importantly, speculators who pushed the market to record highs. Since that time, the natural gas market has been in a free-fall with the 12-month strip price now slightly below $5.00/dth, a level that hasn't been seen since December 2003. The fall in natural gas prices has offered a buying opportunity either through the procurement of a fixed contract or blending and extending existing contracts. This price decrease has not only opened the market to individual facilities, but has also been a boom for those that have aggregated together for the purchase of natural gas.

In December 2008 and January 2009, BSG-PMK secured multiple contracts or extended existing contracts for individual public and private facilities saving millions of dollars for our clients. We have also had tremendous success with the Public Housing Authority Cooperative Pricing System, an aggregation group of 20 housing authorities, as well as the County College Energy Consortium, which consists of 11 county colleges in NJ. Together it is estimated that over the next 21-24 months, as compared to the previous 2 years, these public entities will save in excess of $3 million.

Poor economic conditions have caused some companies to shut down their operations while others are experiencing a decline in sales. This decline in industrial demand has caused prices to continue to drop even though we have had a colder-than-normal winter. It appears as though we are getting very close to the bottom and many believe that natural gas prices will again start to move higher as economic conditions begin to improve.

ICFNJ Hosts NJ Energy and the Environment Forum

The Independent College Fund of New Jersey (ICFNJ), representing 14 private colleges and universities in New Jersey, held its Annual Meeting on October 30, 2008 to address the state's Energy Master Plan and the goals and challenges presented by the plan. The plan outlines a blueprint for a responsible energy future by addressing energy efficiency and conservation, renewable energy, and the reliability of our energy infrastructure. A distinguished panel of environmental stewards discussed the Energy Master Plan and various efforts being undertaken to lead NJ towards a sustainable future.

Panelists at the ICFNJ Energy and the Environment Forum were (l-r) Robert Gerard, Chief Marketing Officer at BSG (moderator); Laurence Downes, Chairman of the Board and CEO of NJ Resources; Kenneth Parker, President of the Atlantic City Electric Region; Rosemary Jeffries, RSM, PhD, President of Georgian Court University; Stephen Morgan, President of JCP&L; and David Daly, Vice President of Energy Acquisition and Technology at PSE&G.

IN THE NEXT ISSUE OF ENERGYADVISOR... RENEWABLE ENERGY ADVANCES

Bsg BIRDSALL SERVICES GROUP
ENGINEERS & CONSULTANTS
2100 Highway 35, Old Mill Plaza, Building 28, Sea Girt, NJ 08750

Bsg BIRDSALL SERVICES GROUP
ENGINEERS & CONSULTANTS

Corporate Office
2100 Highway 35
Old Mill Plaza, Building 28
Sea Girt, NJ 08750
888-335-BSGi
www.birdsall.com

ENERGYADVISOR
VOL. 7 | MARCH | 2009
A NEWS PUBLICATION OF BIRDSALL SERVICES GROUP, INC.

Green Funding for Public Buildings

COMBINED HEAT AND POWER FUNDING

New Jersey legislature has proposed appropriating $60 million from the NJBPU Retail Margin Fund for the purpose of funding grants to support the development of combined heat and power (CHP) facilities. The grants will be awarded on a first come, first-served basis.

Projects must benefit commercial, institutional, or industrial electricity customers in the state with electric demand of at least 750 kWh or such level of demand as it subjects the customer to payment of a retail margin.

Retail Margin Grants will require that electric output generated at a CHP facility be consumed by a facility located at the project site but will allow any surplus power to be sold into the interstate PJM grid. They must be designed to achieve a thermal efficiency of at least 65 percent for facilities with up to 20 MW of generation capacity, and at least 70 percent thermal efficiency for facilities with greater than 20 MW of generating capacity.

CHP grants are expected to become available in the summer of 2009.

Governor Corzine recently signed into law the public Energy Savings Improvement Program (ESIP) in an effort to protect the environment by reducing the release of greenhouse gases, promoting energy independence by reducing a public entity's consumption of energy, and saving overall public funds.

The new law authorizes a public entity at any level of government to implement an ESIP, which allows for the public entity to contract with an Energy Services Company (ESCO), through competitive contracting or public bidding, for the implementation of Energy Conservation Measures (ECM) through a lease-purchase agreement. The duration of the lease-purchase agreement may not exceed fifteen (15) years unless a combined heat and power or co-generation project is part of the agreement, in which case the term will not exceed twenty (20) years.

The key for public entities is to determine that the savings generated from reduced energy use from the ESIP will be sufficient to cover the cost of the ECM's as set forth in an Energy Savings Plan.

The Energy Savings Plan, which must be adopted by the governing body, shall consist of one or more ECM's and includes the following:

- **Results of energy audit**
- **Description of ECMs**
- **Estimate of GHG reduction resulting from ECMs**
- **Identification of all design and compliance issues that require professional services**
- **Assessment of risks concerning implementation of Energy Savings Plan**
- **Identification of eligibility for PJM demand response and curtailable service**
- **Cost schedule for ECM implementation and projected energy savings**
- **Identification of maintenance requirements**
- **Energy savings guarantee costs**
- **Energy Savings Plan to be posted on BPU and public website**

The energy audit component of the Plan shall be conducted by the public entity or by a DPMC qualified third party retained for that purpose. It may not be conducted by the ESCO hired to develop the ESIP. The independent third party may also provide commissioning services, verification of the Energy Savings Plan, and implementation of ECM's.

ECM's are defined as improvements that result in reduced energy usage and include the installation of energy-efficient equipment, demand-response equipment, combined heat and power systems, facilities for the production of renewable energy, water conservation measures, building envelope improvements, and related control systems.

The lease-purchase agreement and energy savings obligations may be used to finance the cost

CONTINUED ON NEXT PAGE

NJDEP Proposes New Greenhouse Gas Rules

In response to the Global Warming Response Act, which requires that the state-wide Greenhouse Gas (GHG) Emissions be reduced to the level of 1990 by the year 2020, on January 20, 2009, the NJDEP proposed regulations that would require facilities to monitor and report GHG Emissions. The two categories of facilities impacted are those that are required to submit an Annual Emission Statement (AES) and facilities that submit a Community Right to Know (CRTK) survey.

The proposed regulation will require that beginning with the 2009 reporting year all Major Facilities that submit Annual Emission Statements under Title V of the Clean Air Act will also need to report the emissions of additional GHG, as well as carbon dioxide and methane already being reported. A facility must report overall emissions that exceed an established reporting threshold.

Facilities that store listed GHGs in quantities that subject them to CRTK reporting will also be impacted. Such facilities, defined as "Greenhouse Gas Survey Reporters" include facilities that are prime suppliers of fossil fuels or facilities that store 50 pounds or greater of GHGs.

A Greenhouse Gas Survey Reporter must report in their CRTK survey any of the listed GHGs (other than CO2 or CH4), if stored in quantities of 50 pounds or greater annually. The location, type of storage container and amount of each GHG is to be reported.

In addition, prime suppliers of fossil fuel must report all types of fossil fuels sold in New Jersey. Fossil fuels include natural gas, kerosene, all fuel oil distillates, gasoline, coal, propane, and any other form of solid, liquid or gaseous fuel derived from such materials.

For any further information related to Greenhouse Gas reporting issues, please contact Richard Erickson of BSG-PMK at 908-497-8900 x6175 or rerickson@birdsall.com.

Regional Greenhouse Gas Initiative (RGGI) Provides Results

New Jersey, along with nine other Northeast and Mid-Atlantic States, participated in the second successful Co2 auction on December 17, 2008, resulting in $106.5 million in proceeds that will be distributed to the participating states based on the proportion of carbon dioxide (C02) allowances offered. New Jersey will receive $15,320,732.18 which will go to energy efficiency and renewable energy technologies and programs to benefit rate payers.

RGGI is the first market-based, mandatory cap-and-trade program in the U.S. to reduce greenhouse gas emissions. All participating states have regulations in place to cap and then reduce the amount of C02 the power plants in their region are allowed to emit, limiting the region's total contribution to atmospheric greenhouse gas levels. All of the 31,505,898 C02 allowances offered for sale were sold at a clearing price of $3.38 per allowance.

The RGGI auction was run on an on-line platform provided by World Energy Solutions, Inc. which operates online exchanges for energy and green commodities. BSG is a channel partner of World Energy Solutions, Inc. The next allowance auction is set for March 18, 2009.

For more information about RGGI, visit their website at www.rggi.org.

NJBPU Pay for Performance Program

The NJBPU has introduced a new Pay for Performance Program to comprehensively address the energy efficiency needs of the Commercial and Industrial sector with a peak demand of 200kw or more. The goal is to provide financial incentives in an effort to reduce energy usage by at least 15%.

Approved Program Partners that are qualified to develop an Energy Reduction Plan to improve the energy efficiency of existing commercial, industrial, and large multi-family buildings and facilitate the installation of energy efficient measures will be identified. A qualifying business may contract directly with the partner that clearly understands their needs. The selected partner will manage the initial application process with the NJBPU as well as the incentive requests throughout each stage of the process. Essentially, the program will start with an energy efficiency audit on a building by building basis. Following the audit, the program partner will prepare an Energy Reduction Plan. This plan will include aspects related to financing, construction, commissioning and measurement and verification of the energy savings.

The Pay for Performance program is structured into 3 phases with the first incentive payment made to the business upon submittal and approval of the Energy Reduction Plan. This NJBPU payment will offset the costs of the program partner's efforts in developing the energy reduction plan and is capped at $50,000. The second and third financial incentives are based on the energy saved and do not have a financial cap. The Phase 2 incentive will provide 60% of the projected construction and will be paid upon the completion of construction, based on projected energy savings. The Phase 3 incentive, paid 12 months after completion of construction, will target the remaining cost of construction and will be based on a verification that projected energy savings have been achieved.

AHS Sports "Green" Institute

In addition to securing the naming rights at the Jets corporate headquarters and training facility located in Florham Park, NJ, Atlantic Health System (AHS) will be developing the Atlantic Sports Health Institute and seeking Leadership in Energy and Environmental Design (LEED) Gold Certification from the U.S. Green Building Council (USGBC).

Rockefeller Group Development Corporation and The Gale Real Estate Services Company, through its joint venture partnership at The Green at Florham Park, will build to suit the 100,000-square-foot, four-story medical facility as part of an overall 268-acre master planned development.

BSG-PMK has been engaged by AHS to provide building commissioning and LEED consulting services for the building interior as part of the overall project team.

The LEED Green Building Rating System is a voluntary standard that defines high-performance green building – which are healthier, more environmentally responsible, and more profitable structures. BSG-PMK will provide LEED for Commercial Interiors (LEED-CI) consulting services to ensure an integrated design is used to minimize environmental impact and maximize occupant comfort and performance of the space. With LEED-CI, the design team can make sustainable choices and improve the indoor environment within the scope of their design.

By seeking LEED-CI certification, AHS is not only making an investment in ensuring that its employees are afforded a safe and productive workplace but ensuring that its patients receive treatment in an environmentally-friendly facility.

Green Funding for Public Buildings

CONTINUED FROM FRONT COVER

of an energy audit or the cost of verification of energy savings as part of adopting an Energy Savings Plan. The agreement may not be used to finance maintenance, guarantees, or verification of guarantees of the ECM's.

This new law not only supports New Jersey's Energy Master Plan and will lead to a reduction in greenhouse gases, but it will also allow the state, counties, municipalities, school districts, independent authorities, and public colleges and universities to benefit from the acquisition of new, efficient HVAC equipment as well as other energy saving improvements without the need for large upfront capital expenditures.

Somerset County Promotes Energy Efficiency

In late 2008, Somerset County Freeholder Robert Zaborowski announced the creation of a new Energy Audit Grants Program that will assist the 21 municipalities and 19 school districts in Somerset County in conducting energy-usage assessments of their various buildings.

"We have the opportunity to be in the vanguard of a significant national and, hopefully, global shift in attitudes toward energy use and the conservation of natural resources. It's vital to our future, and our children's future, that we work proactively and collaboratively to accomplish these goals" said Freeholder Director Peter S. Palmer.

A unique aspect of the county program is that, in addition to selecting priority facilities for energy audits, the program allows for energy data and building information to be entered into an Energy Star Portfolio Manager to better manage energy use and costs over time.

Somerset County's Energy Audit Grants Program will initially be funded in the amount of $1,000,000, with additional capital money proposed in 2009, and managed by County Planning Division staff and the newly formed Somerset County Energy Council. The program's intention is to promote no cost and low cost efficiency improvements and seek funding for all worthwhile investment opportunities and sustainable energy sourcing opportunities through New Jersey rebate programs and future budget allocations.

The Board of Freeholders will explore a range of innovative funding strategies to implement audit recommendations either by working with the BPU or by going through the Somerset County Improvement Authority to bond for the money. The Improvement Authority, for example, could be a source of loans to the towns or school districts later on if they need to borrow money to implement some of the improvements suggested in their energy audits.

BSG-PMK has been retained as an independent energy consulting firm to serve as the Program Management Firm ("PM Firm") to establish and manage the general framework of the audit program. The responsibilities of the PM Firm will include but are not limited to providing information and support to the program by interacting with applicants and recipients to stimulate energy awareness; motivating potential entities to participate in the audit program; facilitating completion and submission of applications and facility data for uploading into the Portfolio Manager tool; assuring the audit process is conducted in accordance with the audit program timeline and standards; maximizing the public entities' interest in implementing audit recommendations; and developing measures to demonstrate the success of the Program.

IRS Deduction for Energy Efficient Commercial Buildings

With the extension of the Energy Efficient Commercial Building Tax Deduction in 2008, if your company owns or leases commercial buildings and you have installed or retrofitted the property to be more energy efficient, you may be eligible for a deduction for part or all of the costs associated with the installation or retrofit. The deduction is limited to $1.80 per s.f. of the property, with allowances for partial deductions for improvements in interior lighting, HVAC and hot water systems, and building envelope systems. The deduction is allowed in the year in which the property is placed in service. For tax purposes, "placed in service" generally means the time at which the property is ready for its intended use.

Certain certification requirements must be met in order to qualify for the deduction. Before a taxpayer may claim the deduction, the IRS requires that they obtain a certification with respect to the property. Inspections must meet guidelines of the National Renewable Engineering Laboratory. Certification of the property must be made by a qualified individual not related to the taxpayer claiming the deduction and who is properly licensed as a professional engineer or contractor in the jurisdiction in which the building is located.