



State of New Jersey

DEPARTMENT OF THE TREASURY

DIVISION OF ADMINISTRATION

INTERNAL AUDIT UNIT

P O Box 211

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Richard J. Codey
Acting Governor

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December 8, 2004

MEMORANDUM TO: Caroline Ehrlich
Chief of Staff

Charles Chianese
Associate Deputy State Treasurer & Director and CFO

FROM: Jeffrey J. Seifert, Chief Auditor
Stephen M. Steinbergher, Planning Associate 3

SUBJECT: Draft Report – Office of Clean Energy/Board of Public Utilities

Background

The Office of Clean Energy (OCE) was established by the New Jersey Board of Public Utilities (BPU) in 2003. OCE is responsible for the Clean Energy Program that provides education, information, and financial incentives for renewable energy systems and energy efficiency measures. This Statewide program targets approximately \$125 million each year toward technologies that save electricity and natural gas, and increase the amount of electricity generated from clean renewable resources. This program was created as part of the New Jersey Electric Discount and Energy Competition Act.

In order to collect and distribute funds, OCE opened a checking account with Wachovia Bank in February 2004. Prior to having this checking account, OCE instructed the seven State utilities to directly pay OCE program costs. OCE's funding source is the societal benefits charge that the utilities collect. These funds are to be remitted to OCE for OCE's program costs.

The Clean Energy Program is still in transition, in that; the utilities have only partially transferred some of their programs to OCE.

CONFIDENTIAL

-2-

Scope

The scope of the review consisted of auditing the Clean Energy Program's Wachovia Checking Account established by OCE in February 2004; this account is not on the State's accounting system. The audit included determining the dollar amount of the funds remitted to OCE from the utilities to start the program, determining the disbursements made by OCE, determining OCE's obligations outstanding as of June 30, 2004, and to perform a review of OCE's internal controls.

Internal controls can be defined as a process, affected by the entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives such as the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Once objectives are established by management, it must also establish a process that encourages employees to follow and meet the established objectives.

Management is responsible for adhering to internal control policies and adapting them to their objectives.

Objective

The objective of our audit was to determine if the financial transactions related to OCE's Clean Energy Program were reasonable and properly recorded in the accounting system.

Methodology

This audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for the audit, OCE's detailed website was reviewed along with the legislation that created the program, BPU Board Resolutions, OMB Circular Letters, and discussions were held with OCE management. The audit included the examination of the Wachovia Bank Checking Account statements, available OCE payment and receipt schedules, payment process documentation, available policies and procedures, grant and rebate files with supporting documentation, and miscellaneous documentation. Flowcharts were created and reviewed where necessary to gain an understanding of OCE's systems.

Non-statistical samples were used to test the financial transactions and internal controls. The majority of the fieldwork was completed by October 25, 2004. Additional fieldwork was done for one of OCE's programs (CORE) and was completed on November 30, 2004.

CONFIDENTIAL

-3-

Scope Limitations

OCE provided one management report that highly summarized the costs for the utilities and OCE for the period ending 12-31-2003. No management report was created for March 31, 2004. And, the management report for June 30, 2004 was not prepared nor later available during our audit.

Other financial schedules provided had no names or dates created on them. In most cases, there were no page numbers on the schedules, and no reconciliations were performed. In summary, OCE does not have an accounting system, but it does maintain financial schedules which are not integrated or reconciled.

Before the Wachovia Checking Account was set up, OCE told the utilities to pay OCE's expenses. It could not be determined if all of OCE's costs, paid by the utilities, were located due to the weak internal controls and fragmented system maintained at OCE.

During 2004, the utilities were to make monthly "basic" payments into OCE's Wachovia Checking Account; however, these payments were not made through August 13, 2004. Compounding this situation, OCE permitted the utilities to "net" their expenses against the basic payments. These payments and expenses have not been reviewed or examined by OCE. It is estimated that OCE was due approximately \$23 million through June 30, 2004. With each passing month, the amount owed OCE increases by each month's net amount due from the utilities.

Due to the way OCE maintains its records, outstanding obligations could not be determined.

OCE is currently paying program expenses from the Wachovia Checking Account using the \$83 million in "carryover" funds remitted from the utilities. Additionally, OCE could not provide a breakdown for the carryover funds, which may or may not be fully obligated for the utilities' expenses. It is unknown if OCE's current spending is using funds already committed for the utilities' program expenses.

Conclusions

Due to the uncertainties created by the scope limitations and weak internal controls at OCE, the audit could not be performed as detailed in the Scope section of this report.

The amount due to the Wachovia Checking Account from the utilities could not be determined. Also, the expenses paid by the utilities on behalf of OCE, either before or after the Wachovia Checking Account was set up, could not be determined. And, OCE's outstanding balances owed could not be determined.

CONFIDENTIAL

-4-

As of June 30, 2004, what could be determined was the dollar amount transferred into the Wachovia Checking Account (\$83 million, consisting of carryover funds from utilities), interest earned (\$84,186), banking fees (\$6,500) and the OCE disbursements (\$9.3 million) made from the checking account. The checking account balance as of June 30, 2004 was \$73.9 million. These dollar amounts were determined by reviewing the bank statements.

OCE did not follow any OMB Treasury Circular Letters for procurement or the establishment of bank/investment accounts; kept inadequate accounting records; lacks an encumbrance system for recording purchases/contracts; lacks detailed policies and procedures manuals; lacks a system of internal controls; hired consultants with limited or no competition; paid grants based on time rather than percentage of project completed; paid questionable items on invoices that should have been disallowed; made payments to a consultant without a contract through another consultant's contract; and, OCE does not have a management information system to properly keep oversight of its operations. Management oversight is non-existent. Furthermore, potential areas of conflicts of interest and other matters were identified that require management review.

These conclusions are based on audit findings reported on the following pages. Recommendations are presented where applicable.

Based on the severity of the findings and conclusions made, **it is recommended** that the Department of the Treasury take over the financial operations of OCE to institute financial and operating policies and procedures in accordance with OMB Circular Letters.

It is further recommended that OCE's Clean Energy Program be placed on the State's accounting system to strengthen the internal controls and establish an integrated accounting system, which OCE lacks.

Consideration should be given to reconstructing the records from the beginning of the program to date. To determine the amount due from the utilities to the Wachovia Checking Account, **consideration should also be given** to having certified audits completed at all seven utilities.

This audit was performed with the objective to express an opinion on the financial statements. Accordingly, due to the scope limitations noted on the previous page, an opinion is not expressed on the financial statements.

The report is intended solely for the use of the Treasurer's Office and the management of BPU to implement corrective action at OCE.

CONFIDENTIAL

-5-

Observations and Recommendations

Circular Letters Not Followed

1. Wachovia Checking Account – OCE Opened Account not OMB

OCE opened the Wachovia Checking Account without assistance from OMB, which is not in compliance with Circular Letter 00-12. In reviewing the bank agreement, the OCE Director has the power to change the agreement, which should be reserved for BPU. Also, only one (1) signature is required to disburse a payment for up to \$100,000. It is recommended that two (2) signatures be required for all disbursements.

The cost of maintaining the checking account seems high in respect to the dollar balance kept at the bank (\$73.9 million as 6-30-2004). The bank is charging \$1,000 per month, and \$10 per wire transfer. Additionally, if a party wants a wire, OCE absorbs the cost which should be passed on to whoever wants a wire transfer.

Separately, the OCE Director receives copies of bank statement, not originals, from Wachovia bank. It is unclear why copies are received.

It is recommended that OCE contact OMB immediately to get in compliance with Circular Letter 00-12.

2. OCE is Investing Funds not the NJ Division of Investment

OCE arranged to invest the Wachovia Checking Account money with the bank's Evergreen Institutional Municipal Money Market Fund Number 696, which is a municipal money market account. And, the bank does not detail how interest is calculated for the account. Since only the Division of Investment is to invest the State's money, this investment account is not in compliance with Circular Letter 00-12.

It is questionable why OCE invested the funds in a municipal fund that seeks income exempt from regular federal income tax. OCE could have earned at least a third more interest had the funds been deposited in a taxable money market fund – the State pays no taxes.

continued

CONFIDENTIAL

-6-

It is recommended that OCE come in compliance with Circular Letter 00-12 and have the Division of Investment invest these funds.

3. R.E.E.D. Program Contracting Process – Did not follow Treasury Circular Letters

According to OCE's Director, R.E.E.D. (Renewable Energy Economic Development) grants were given out and did not follow Treasury's Circular Letters. The Director stated that he did not know he had to use Treasury requirements. No standard Treasury forms were used for grant contracts, ownership disclosure, etc.

It is recommended that OCE follow the OMB Circular Letters for the Clean Energy Program.

4. Improper Handling of R.E.E.D. Grant Proposals

In reviewing the proposals for the Solicitation that were due on April 1, 2003, the following was observed:

- 2 were date stamped with March 28, 2003
- 1 was date stamped with March 31, 2003
- 4 were date stamped with April 1, 2003
- 3 had no date stampings

The date stampings stated "received mail room". The envelopes the proposals came in were not available.

Proper handling of the proposals requires them to be opened together and time stamped within minutes of each other. This procedure clearly did not happen. It is recommended that OCE follow proper Circular Letter procedures for handling proposals.

CONFIDENTIAL

-7-

Accounting Records Inadequate

5. No Accounting Resources

OCE does not have/use an accountant for their \$100+ million dollar program.

It is recommended that adequate accounting resources be acquired to properly maintain financial records for the Clean Energy Program.

6. OCE has No Database

OCE does not have a database with all of its payment and contract information in it onsite at OCE. The OCE Director said that a database was planned for later. The Director stated that he planned on using an outside consultant to create the database.

Currently, the OCE's accounting system is composed of various fragmented financial schedules which are not integrated.

7. Improper Accounting for Utilities' Receipts

"Basic" payments of \$60 million from the utilities, of which \$38 million were expenses to be netted out for a net amount of \$22 million, were due the State and not received over the period starting January through June 2004. As of August 13, 2004, no "basic" payments were received from the utilities.

Originally, the utilities were to pay the \$60 million to OCE and get reimbursed from OCE for their expenses. However, based on a Board directive the Director changed the policy to allow the netting of costs against utility receipts, which caused confusion at Wachovia Bank. The bank was to originally receive exact dollar deposits from the utilities, not unknown netted deposits.

Accounting control was lost by letting the utilities net out their expenses. The entire \$60 million should have been sent immediately to OCE, and OCE should have disbursed the \$38 million for expenses. Such netting is not proper accounting and it **is recommended** that netting be discontinued.

CONFIDENTIAL

-8-

8. OCE Payment Report – Not Reconciled

A payment schedule was provided by OCE for expenses paid from the Wachovia Checking Account through 6-30-2004. This schedule had "no name" and was undated. It was stated that the payment report was reconciled to the Wachovia Checking Account through June 30, 2004, but was off by over \$100,000. This report also contained costs of \$1.5 million that did not belong to the checking account, but were paid by the utilities directly. OCE had no reconciliations available for review.

9. OCE Director's Contract Schedule to OMB - Awarded to Date Incorrect

The OCE Director submitted a contract schedule to OMB in mid 2004. For the "total awarded to date" for the Clean Energy Program by OCE, the OCE Director listed \$3,197,629. Included in the total was the Green Mountain Energy (\$200,000) contract that was never signed as of 9-2004, and appears it will not be issued. Also included was AeroVironment (\$500,000) which is still under review (not awarded) by EDA and OCE. Included in the column, but not in the total, was Advance Power Associates Inc (\$231,000) which is still under review by EDA and OCE.

The correct total obligated for this group was \$2,497,620, not \$3,197,629. Besides putting in the wrong contracts, the Director's total was off by \$9.

There are no schedules to show outstanding balances on the grants.

10. No Control over Wire Transfers

If a contractor wants a wire transfer, a paper sheet is attached to the payment form with the wire information. No special form or control numbers are used for wire transfers.

It is recommended that each wire transfer should require management approval and have control numbers on a standard form.

CONFIDENTIAL

-9-

11. Cassandra Kling's Files – Taken with Her

According to the current program manager, Cassandra Kling used a laptop computer at OCE and had all of her OCE files on it. Ms. Kling left State government and came back as a consultant for OCE and was allowed to keep the laptop to work at OCE. When Ms. Kling left as a consultant, the laptop was sent to Newark to BPU's IT unit.

The current program manager stated he has no files or written policies and procedures from Ms. Kling. He stated he had to start with nothing when he took over from her.

OCE Policies

12. Policies and Procedures – Few to None

Few written policies and procedures are maintained over accounting functions and none are maintained for programs such as CORE, R.E.E.D., etc. OCE does have program information, but OCE does not have operational policies and procedures for the programs.

It is recommended that written operational policies and procedures be established for all (accounting, budget, etc.) functions. Once prepared, the policies and procedures should be approved by management and kept up-to-date.

13. No PARs/PESs

OCE does not have PAR/PES forms for their employees.

It is recommended that PAR/PES forms be created for each OCE employee. These forms should relate to OCE's mission and objectives, and be specific for each employee's job responsibilities.

CONFIDENTIAL

-10-

Procurement

14. Limited Competition - Key Rutgers (CEEPP) Contract Treated as Sole Source Contract

The Rutgers (CEEPP) contract for \$3,692,404 was set up as a sole source contract per the Director of OCE. This key contract established how the Clean Energy Program was to operate. OCE's Director stated that the major reason Rutgers (CEEPP) got the contract was because only Rutgers (CEEPP) can do energy analysis and assessments that no other State schools could do.

When BPU assigned Rutgers (CEEPP) the first two (2) studies to do under this contract, Rutgers (CEEPP) did not perform the energy analysis studies, but contracted the work out to two (2) separate consultants, both from Burlington, MA.

Based on the actions taken by Rutgers (CEEPP), it is questionable why OCE made this a sole source contract.

1st Study – KEMA from **Burlington, MA** – “NJ Energy Efficiency and Distribution Generation Market Assessment”.

2nd Study – Navigant Consulting from **Burlington, MA** – “NJ Renewable Energy Market Assessment”.

According to OCE's Director, the contract was never signed and Rutgers (CEEPP) was not paid to date. A letter of intent was signed on October 22, 2003 between OCE/BPU and Rutgers (CEEPP) and was for the period of November 2003 to June 2004.

15. Limited Competition - Request For Consulting Services - Former BPU Employees Hired

Five (5) Requests for Consulting Services were located. The requests were for \$25,000 each. The numbers of hours to be worked or a rate of pay were not specified in the Requests.

The competition for each was limited. The Requests received limited distribution. At most, 4 potential bidders received each Request. In each case, the person getting the contract was a former BPU employee.

CONFIDENTIAL

-11-

16. R.E.E.D. Grant Awards – Questionable Criterion Used to Eliminate Competition

BPU authorized OCE to award 10 grants on January 8, 2003. The BPU meeting resolution stated that there were 33 proposals submitted under the solicitation. It was stated that each proposal was reviewed by a team of external reviewers and Board Staff consistent with the evaluation criteria in the solicitation. It was stated that 23 projects were deemed to be non-responsive to the solicitation or evaluated low by the external peer reviewers and the Board Staff. The major reason for a determination of non-responsiveness was a lack of co-funding within the proposal.

Although co-funding is mentioned, the solicitation does not state that if this requirement is not met, that it would be considered non-responsive. In reviewing 23 rejected proposals, 14 (60%) had co-funding, which means they should not have been rejected. It is questionable why this criterion was used to eliminate the proposals.

17. R.E.E.D. Grants - Venture Capital – State Receives No Profits if Occur

The R.E.E.D. Solicitation gives grants for the development of new products that are to be commercialized. OCE is really supplying venture capital and OCE does not get any percentage of the future profits to be made. And, the groups that get the money do not have anything in their proposals to give the State any future profits if any.

OCE's Director stated that future grants will have a provision that the State will get ½ of future profits. To our knowledge, no grants have been given out with this new language as of yet.

18. Solicitation for 1st R.E.E.D. Grant Proposal – Incorrect Date on Solicitation

The date on the 1st R.E.E.D. Grant Solicitation was "January 9, 2002" and should have been January 9, 2003. This typographical error may have caused potential bidders not to respond thinking it was an old proposal. This solicitation generated 33 proposals for the R.E.E.D. Grant Program, of which, 23 were rejected.

CONFIDENTIAL

-12-

19. Critical Procurement Records – shredded by Cassandra Kling

For the R.E.E.D. program, the OCE Director stated that a “solicitation” (RFP) was used and OCE received 33 responses. An evaluation committee reviewed the proposals and 10 grants were approved for award; only 9 grants were eventually issued. The evaluation committee’s documentation was requested. The Director stated he would provide it, but never supplied the information.

Two days later, OCE staff stated that the evaluation committee records were “shredded” by Cassandra Kling. Ms. Kling had been told not to touch any of her records after she announced she would be leaving, but she “tossed them” any way. Ms. Kling was hired by OCE’s Director as a consultant for OCE the day after Ms. Kling left State employment. Ms. Kling was the program manager for the R.E.E.D. program while she was at OCE. Recently, some files were later forwarded to the Treasury Department for review.

Payments

20. Details of \$83 Million “Carryover” Paid to the Checking Account – Not at OCE

The OCE Director was asked for the details of the \$83 million carryover funds from the utilities. These carryover funds were deposited into the Wachovia Checking Account and are being used by OCE to pay current bills. The carryover funds may contain obligations from the utilities which were turned over to OCE. The OCE Director does not have the detail for the \$83 million carryover funds.

As the Director of OCE, the Director should know what this detail is if he is properly controlling the program. But, the Director does not have this information.

21. Clean Energy Program over Budget

According to the Clean Energy Report submitted to OCE on June 3, 2004, as of 12-31-2003, the “Actual” + “Commitments” is over budget by \$40 million. The report does not address or report open contract balances.

Problems with this report showed that EDA made a payment of \$203,000 (shown in a total column), but did not reflect this expense in any expense category. Additionally, OCE was to reimburse EDA for the \$203,000. Eight (8) months later, OCE still has not made the payment to EDA. Another problem was that the report noted that the utilities forwarded to EDA during 2003 \$19 million. However, only \$5.7 million was received during 2003.

CONFIDENTIAL

-13-

22. BPU Board Resolutions – Order Utilities to Pay – Not for All Payments

BPU board resolutions were used to inform the utilities to pay “carryover” and “basic” payments to OCE.

In the case of other program costs, the OCE Director stated that the utilities were told to pay these costs directly for OCE, prior to the Wachovia Checking Account being set up. However, no BPU board resolutions ordering the utilities to pay for these costs could be located. This creates a lack of an audit trail and it could not be determined if all of the payments made by the utilities for OCE were found. It could be possible for duplicate payments to occur and for utilities to be told to pay bills which are not for OCE.

OCE has a consultant (Ambrosio) review the utilities’ billings. Since Mr. Ambrosio has a long term relationship with the utilities and is responsible for reviewing and approving the utilities’ billings submitted to OCE, sending confirmations to the utilities for payments made was considered problematic.

23. Payment Authorized from Wachovia Checking Account by Unlisted Signatory

Only OCE employee Ron Jackson’s signature authorized from the Wachovia Checking Account a payment for \$25,019.55 to World Water on June 1, 2004. Mr. Jackson is not an authorized signatory per the Wachovia Checking Account agreement.

OCE’s secretary was asked to provide the authorized signatory cards for the Wachovia Bank Checking Account. No such records are kept at OCE. The secretary was then asked to contact Wachovia Bank to get copies of the authorized signatory cards. Both Ron Jackson and Scott Hunter (his supervisor) are signing payment forms to authorize payments. To date, no response was received to numerous inquiries about this request.

24. Payment Authorization Level was Too High and One Signature Required

Before the Wachovia Checking Account was opened, utilities were told to make payments on behalf of OCE. The OCE Director had the authority to direct utilities to make large payments. For example, only his signature authorized a payment of \$150,117.28 to World Water on 11-03-2003.

CONFIDENTIAL

-14-

25. CORE Payments – Stamp Used for Signatures

From the CORE (Customer Onsite Renewable Energy) payments, 24 payments were selected for a sample. CORE payments are for solar rebates paid from the Wachovia Checking Account. It was noted that five (5) payment forms contained the Director's stamp signature; however, all five (5) were also signed by the BPU Chief of Staff. Of the other 19 payment forms, signatures were present for both the Director and the program manager.

It is recommended that the use of signature stamps be discontinued to strengthen the internal controls.

26. Consultant Paid through Another Consultant's Contract

Demme Mechanical Inspections performs services pertaining to the CORE program and forwards invoices to OCE which include charges for "E 3 Energy Services LLC"; E 3 Energy Services LLC had no contract with OCE at the point of engagement. It was recently provided and dated January 2004; it is questionable why the OCE Director did not have a copy of this document and it had to be obtained from Demme Mechanical Inspections; why it was dated January 2004; and why it was not signed by OCE. Mr. Demme could not explain what services the State received for the E 3 Energy Services LLC expenses billed in his invoices. Mr. Demme stated that he sends a check to E 3 Energy Services LLC for the charges this company emails him. Mr. Demme stated that OCE told him to pay E 3 Energy Services LLC this way. E 3 Energy Services received \$43,000 plus from Mr. Demme in 2004.

The nature of the E 3 Energy Services LLC charges could not be determined. If the services rendered to the State by E 3 Energy Services LLC can not be determined, it **is recommended** that senior management take the proper necessary actions. Additionally, a consultant without a contract should not be paid through another consultant's contract.

Note: Only the scope section of the RFP for the Demme contract could be located. Demme's proposal was located.

27. Consultant Employees who Appear to be OCE Employees

Mr. Demme stated that he was forced to put (2) two people on his payroll who work at OCE. Mr. Demme did not hire these individuals, but was told they were his to pay. Mr. Demme charges OCE for these (2) two individuals' payroll costs that has totaled \$63,000 plus from 2003 and 2004. Mr. Demme does not supervise these employees.

It appears that it is questionable whether or not these (2) two Demme employees are independent contractors to OCE or should be considered "employees" of OCE. **It is recommended** that management rectify this situation to resolve IRS and other issues.

CONFIDENTIAL

-15-

Contracting Issues

R.E.E.D. Grant Files – General Problems

In reviewing the R.E.E.D. (Renewable Energy Economic Development) Grant files that received a grant, the following general problems were found:

- Not all grants included the required reports of actual costs to budgeted costs.
- Not all grants contained project status reports on a consistent basis.
- There was no evidence that critical reviews were performed on status reports or financial reports received from the grantees.
- The files were unorganized and contained duplicate copies.
- 50% of the grants were paid at contract signing and the remainder on a quarterly basis for the period of the grant. If a project was behind schedule, the payments continued.
- The files did not contain any of the following forms: NJ-REG, Purchase Bureau standard terms and conditions, Ownership Disclosure, Affirmative Action Compliance info, MacBride Principles, or PB-Tax.
- The grants did not require an audit, but the contract stated that they may be subject to an audit. Because there was no audit required, there is no certainty that the grantees spent all of the grant money or spent it on the actual projects.
- In reviewing nine (9) grant award contracts for the R.E.E.D. program, it was observed that six (6) agreements had rubber stamp signatures instead of an original. Rubber stamp approvals should be discontinued to strengthen the internal controls.
- There appear to be no travel expense reports for employee field visits to projects. It is unclear why the employees never put in for reimbursement.
- There is no standard form used for making field trips to check on R.E.E.D. grant projects. Very few hand-written notes are in the files regarding field trips. In most cases, who spoken to, or the amount of time spent, or the purpose of the visit appeared unclear or non-existent.

continued

CONFIDENTIAL

-16-

It is recommended that corrective actions be taken to remedy these internal control weaknesses, along with the proper monitoring of the employees, grants, and program.

R.E.E.D. Grant Files – Specific Problems

28. Ocean Power Technologies, Inc. (OPT)

The grant award was for \$499,486. OPT's partner under this proposed project is Rutgers University's Institute of Marine and Coastal Sciences. As of June 30, 2004, OPT was paid \$332,989 and only spent \$29,920 of OCE grant money on the project. OCE pays grants on the basis of time past, not project completed. Separately, as of April 30, 2004, OPT had \$38.8 million in cash on their balance sheet.

It is recommended that OCE disburse grant money based on the percentage of the project completed, not time.

Separately in 2002, OPT was awarded a \$4.3 million contract with the US Navy to deploy a Powerbuoy wave generator in Hawaii. It appears the OCE grant is doing what was contained in the Navy contract, which questions the need for giving out this grant to this company in the first place.

29. Energy Photovoltaics, Inc

The grant award was for \$500,000.

As of June 30, 2004, OCE paid the company \$437,500, but the financial report submitted showed the company only spent \$228,845 of OCE money.

See prior grant for recommendation.

30. Sun Farm Ventures, Inc.

On March 28, 2003, Sun Farm Ventures, Inc. submitted a proposal for a grant of \$449,600. On August 6, 2003, the PBU board met and awarded the company a \$50,000 grant. However, the proposal for the \$50,000 is dated November 4, 2003, noting it was a revision to the original of March 28, 2003.

It is unclear how 23 proposals were rejected, while Sun Farm's proposal was given a second chance after the solicitation deadline, permitted to forward another new proposal, and given a grant for \$50,000. The grant payment was made in one lump payment of \$50,000 to Sun Farm at contract signing.

CONFIDENTIAL

-17-

31. Resource Control Corporation

Resource Control Corporation's proposal asked for a \$484,549 grant and their budget form noted this amount. The actual contract given was for \$225,000, and no explanation for the difference was in the company's files. In the file was a new budget showing the \$225,000 grant and applicant to spend matching money of \$86,500.

It is recommended that differences between proposal requests and actual awards be documented in the file. All significant items should be documented.

Note: Grantee individuals and companies involved with this grant were neighbors of Cassandra Kling. Ms. Kling was the OCE grant manager.

Cassandra Kling

[REDACTED] NJ.

Lyle Rawlings, Fully Independent Residential Solar Technology, Inc.
66 Snyderstown Road, Hopewell, NJ

Lyle Rawlings, Advanced Solar Products, Inc.
66 Snyderstown Road, Hopewell, NJ

Michael Strizki, Property Owner

[REDACTED], NJ

Michael Skelly, Sr., Renewable Energy International – This business card was found in this grant file.
26 Snyderstown Road, Hopewell, NJ

Lyle Rawlings is the co-chair of the Clean Energy Council.

32. Reaction Sciences

Reaction Sciences was awarded a grant of \$297,660.

Note: Grantee individuals and companies involved with this grant were neighbors of Cassandra Kling. Ms. Kling was the OCE grant manager.

Cassandra Kling

[REDACTED] NJ.

continued

CONFIDENTIAL

-18-

Reaction Sciences' partner is FIRST, Inc.
66 Snyderstown Road, Hopewell, NJ.

Reaction Sciences' project management includes Lyle Rawlings
66 Snyderstown Road, Hopewell, NJ,
Mr. Rawlings is the co-chair of the Clean Energy Council.

Kathleen Strizki is listed as administrative support for the project.
Mike Strizki is tied to the Resource Control Corporation REED grant.
[REDACTED] NJ

Separately, the proposal stated that after this project is demonstrated under this program, the company, for the purpose of seeking further for commercialization, intends to partner with ORNL, Nanotechnology, Rutgers University, FIRST, Inc. and other partners.

33. Advanced Power Associates Corp

Advanced Power Associates Corp. was awarded a grant \$119,000.

Note: Grantee individual and company involved with this grant was a neighbor of Cassandra Kling. Ms. Kling was the OCE grant manager.

Cassandra Kling
[REDACTED] NJ.

Michael Skelly, Sr. Willingboro, NJ – from Eco Living Fellowship.
26 Snyderstown Road, Hopewell, NJ
(Address noted from Resource Control Corporation)

34. Madison Energy Consultants

The grant award was for \$270,354. Madison Energy Consultants (MEC) signed the contract with OCE, and MEC signed a subcontractor agreement with Direct Global Power (DGP) who will work with Schott, a California company. It appears that Schott will benefit the most under this arrangement.

A familiar name was mentioned. Lyle Rawlings, Cassandra Kling's neighbor, was to be at a November 13, 2003 training meeting.

continued

CONFIDENTIAL

-19-

Also, Cassandra Kling attended the September 2003 kick-off meeting and provided MEC with 28 referrals. It is unknown what benefit if any Ms. Kling received for making the 28 referrals. Ms. Kling provided individuals interested in solar installation training. Separately, the proposal indicated that Rutgers' EcoComplex in Bordentown, New Jersey will be used as a training facility.

35. World Water Corporation

Cassandra Kling, an OCE employee, went to work for World Water. It appears she started with the company in September 2004. Ms. Kling was the program manager for the R.E.E.D. program and was involved with the awarding of the grants. It is unknown if she is working on the OCE/World Water contract; if she is, it would be an ethics violation.

Separately, as part of the proposal, Rutgers is to get up to \$20,000 for letting them use their farm in NJ.

36. Partners for Environmental Quality, Inc.

The grant was for Partners for Environmental Quality (PEQ), a nonprofit interfaith coalition, and Sun Farm Ventures (SFV), a for profit corporation, to attempt to place solar installations of 10 kilowatts on 25 houses of worship. And, the project was to initiate in each congregation a Solar Energy Outreach Program, and promote innovating financing to the general public's access to solar power. The grant was for \$235,895.

Of the \$235,895, \$204,795 is going to be spent on salaries. Only \$31,100 is to be spent on system installation. The majority of the grant is to be spent on salaries.

The Rev. Fletcher Harper will be the project manager, who is a member of the Clean Energy Council.

General Note: It was noted that most contracts awarded to companies were either neighbors of Ms. Kling, or the companies had a direct relationship with Clean Energy Council members and/or Rutgers. It is **recommended** that BPU should establish for OCE a conflict of interest/recusal policy to make sure that any OCE employee, Clean Energy Council member, or any consultant, recuse themselves when appropriate, such as for, bid evaluation committees, selection of contractors/vendors, etc. And, all recusals should be properly documented in writing.

continued

CONFIDENTIAL

-20-

Without establishing and properly monitoring such a policy, the OCE program will be open to criticism for favoritism and or potential conflicts of interest.

Issues Regarding 2nd R.E.E.D. Solicitation

37. Solicitation for 2nd Proposal

In reviewing the "Solicitation for the Renewable Energy Economic Development (REED) Program dated February 4, 2004", the following was noted. The Solicitation did not list a due date for the proposals. Also, there was no reference to a BPU docket number and the Solicitation could not be traced to a BPU order/resolution. Therefore, it appears that OCE issued the solicitation on its own without BPU Board approval.

38. Advanced Power Associates Corp - Should be Rejected

Per the OCE Director's contract schedule sent to OMB, it noted that this "request under review by EDA and OCE". This statement is incorrect.

This proposal is from the 2nd Solicitation. Per the program manager, this is one of two proposals he had on his desktop. As of 9-28-2004, the contract was not given out and the proposal was not evaluated yet, but was on OCE's OMB contract schedule to be given out.

Also, the proposal was not date stamped. And, the proposal does not contain a schedule to show how the funds are to be repaid back. Therefore, this proposal should have been rejected, but was not.

39. Green Mountain Energy Contract - Issues Identified

According to the OCE Director's contract schedule sent to OMB, it noted that the "contract issued work under way Balance \$200,000." This statement was incorrect.

Per review of Green Mountain Energy's file, the following was noted. As of 9-28-2004, the grant was not signed/not issued to Green Mountain Energy. The Green Mountain proposal was for \$500,000, and there was nothing in the file to show how the contract amount changed to \$200,000. Also, the Green Mountain proposal was never time/date stamped, which means it is unknown when the proposal was received.

continued

CONFIDENTIAL

-21-

Separately, John Holtz, Regional Director for Green Mountain Energy Company, is on one of OCE's committee's. Mr. Holtz was the individual that submitted his company's proposal to OCE.

40. AeroVironment Contract – Loan Turns into Grant

The \$500,000 proposal was rejected because it did not meet the current R.E.E.D. program standards, per the program manager. It lacked a short term commercialization or marketing plan. However, upon review, it appeared that it did have a contingent marketing strategy if it received the funding it would have set up three wind powered renewable energy demonstration sites and a NJ sales office.

A rejection letter sent to the company stated that the R.E.E.D. solicitation was to be revised in 2004; ½ of funding was to be used for research and demo projects like their proposal. AeroVironment was told OCE would hold their proposal until the revision was made to the solicitation.

In conclusion, AeroVironment's requested grant of \$500,000, which was to be repaid under the old solicitation, is going to become a \$500,000 grant that will NOT be subject to repayment under the new solicitation. And, although the proposal was rejected, the company was not told to correct any deficiencies, but the proposal was to be kept on "hold".

Separately, the proposal listed Rutgers and Rowan Universities as potential technology partners. There was a letter from the Rutgers EcoComplex in Burlington County stating it was interested in being considered as a host for one of the 5 kW demonstration projects, as well as in exploring other applicable opportunities at Rutgers University Campuses.

Potential Conflicts of Interests

41. Clean Energy Council – Facilitator is Rutgers (CEEPP) – Potential Conflict of Interest

The Clean Energy Council acts in an advisory capacity to OCE. Rutgers (CEEPP) received a \$73,000 contract to act as the facilitator to this Council.

There is an appearance of a potential conflict of interest in that Rutgers (CEEPP) is the facilitator for the Clean Energy Council, the Clean Energy Council advises OCE, Rutgers (CEEPP) is on the Clean Energy Council through Scott Weiner, and Rutgers (CEEPP) has a \$3.6 million dollar contract with OCE.

continued

CONFIDENTIAL

-22-

Essentially, Rutgers (CEEPP) has the potential to control all aspects of the Clean Energy Program through these relationships. It is **recommended** that BPU's Ethics Liaison Officer ask the Executive Commission on Ethical Standards for assistance in reviewing this potential conflict of interest matter.

42. Ambrosio Associates – Potential Conflicts of Interests

Michael Ambrosio of Ambrosio Associates provides advisory services to utility, energy and telecommunication companies, and to large purchasers of energy. Mr. Ambrosio is also the project manager (day-to-day) contact for the Rutgers (CEEPP) \$3.6 million contract to OCE. Additionally, Mr. Ambrosio is associated with Gabel Associates, which has NJ clients that interact with the utilities and BPU. Mr. Ambrosio also received two (2) consulting contracts for \$25,000 each from OCE during late 2003 and early 2004.

The OCE Director explained that Mr. Ambrosio "shot through the 2 consulting service contracts so fast", he had Rutgers put Mr. Ambrosio on their \$3.6 million contract with OCE. This payment process the Director established is questionable, because the services that Mr. Ambrosio are to perform are for OCE and should be paid for by OCE, not Rutgers. In terms of Mr. Ambrosio's fees, he continued to collect approximately the same dollar amount after his two contracts ended with OCE as evidenced by the billing schedule "AMBROSIO CEP BILLING SUMMARY", which is attached to this report. The schedule shows in June 2004 where OCE stopped paying Mr. Ambrosio and Rutgers increased his monthly amount paid, keeping him at the same monthly amount paid as prior months. Additionally, since he was being paid on a retainer basis (approximately \$8,000 a month) while working for OCE, the correlation between the services he actually provided and the value of payments could not be properly substantiated.

Mr. Ambrosio is responsible for is putting together a monthly report, which was changed to quarterly on 12-31-2003. Although the following quarterly reports should have been prepared, the 3-31-2004 report was never attempted, and the 6-30-2004 report was still being put together during this audit.

In addition to these roles, Mr. Ambrosio provides OCE with the service of verifying and approving utilities' bills for payment for OCE, and Mr. Ambrosio has had utilities as clients. In respect to the utilities' bills, Mr. Ambrosio is supposed to be verifying thousands of rebates that are being processed by the utilities. Since Mr. Ambrosio only has a staff of one, it appears that the verification and bill approval process must be limited due to manpower constraints and his many roles and functions he performs.

continued

CONFIDENTIAL

-23-

While working at OCE, Mr. Ambrosio represented Highland Park Borough regarding a grant before OCE. From an ethics perspective, when a consultant works for a State agency, the consultant is responsible for following that agency's Code of Ethics. As a general rule, a consultant can not represent his clients before the same agency he is working, which appears to have happened in the Highland Park Borough matter. It is unknown what other clients he is representing before OCE/BPU.

Due to the overlapping interactions among all of Mr. Ambrosio's roles and functions, potential conflicts of interest exist. Mr. Ambrosio is representing both the State and his clients against each other through these roles. **It is recommended** that BPU's Ethics Liaison Officer ask the Executive Commission on Ethical Standards for assistance in reviewing this matter.

43. Cassandra Kling – "Dear Friends and Colleagues" – Potential Conflict of Interest

Cassandra Kling is emailing BPU/OCE employees that she is now working for "World Water". Ms. Kling was the project manager for the R.E.E.D. solicitation and the main OCE contact person for this project. World Water submitted and received a grant for \$300,234 from OCE. Ms. Kling was on the evaluation committee which gave World Water the grant. Ms. Kling is also the person who allegedly shredded the evaluation committee records for the solicitation. And, Ms. Kling came back to work as a consultant for OCE in 2004 after leaving State (OCE) employment.

Ms. Kling appeared before the Legislature and helped persuade the decision for BPU to get the Clean Energy program transferred from the utilities to BPU. Now, in her email message she says – "I hope to be able to work with each of you in my new capacity, please keep in touch!" Ms. Kling's position is Director of Business Development Eastern US at World Water.

Since Ms. Kling was instrumental in assisting OCE's Director to develop the Clean Energy Program at OCE, and because of her knowledge of OCE's systems and procedures, **it is recommended** that OCE be prevented from dealing with Ms. Kling for a "cool off period" of at least two years, to prevent the public perception of the "revolving door syndrome." **It is recommended** that BPU's Ethics Liaison Officer ask the Executive Commission on Ethical Standards for assistance in reviewing this matter in regards to post employment restrictions.

CONFIDENTIAL

-24-

Ethics Approvals for Travel

44. BPU's Fiscal Office's Files Lack Ethics Approval for Travel Requests

The BPU's Fiscal Office processes Travel Requests, which are to include the form – "Request For Approval For Attendance At An Event". When the Travel Request is first submitted to the Fiscal Office, it does contain this form, but the section for the Ethics Liaison Officer's approval is usually blank. This form is used to get the Ethics Liaison Officer's approval for the employee/commissioner to attend the event and to assure the attendance meets ethical standards. From a sample taken, the Ethics Liaison Officer's approvals are not always being received by the Fiscal Office leaving the Travel Requests packages incomplete.

The Ethics Liaison Officer is approving the trips; however, the Ethics Liaison Officer sends the approved forms to the Chief of Staff and no copies are sent to the Fiscal Office. The Fiscal Office receives copies of the approved forms from the Chief of Staff's office. Apparently, the Chief of Staff's office is not consistently forwarding the approved forms to the Fiscal Office.

Since the Fiscal Office ultimately ends up maintaining custody of the Travel Request packages for both State paid and non-State (sponsored) events, **it is recommended** that BPU's Ethics Liaison Officer send the Fiscal Office a copy of every attendance form approved so that each Travel Request package will be complete. This way, the Fiscal Office staff is assured that all travel is receiving the proper ethical approvals. Additionally, **it is recommended** that the Fiscal Office maintain a tickler file noting Travel Requests that do not have an Ethics Liaison Officer approval. The Fiscal Office should periodically review this file and contact the Ethics Liaison Officer for any missing approvals.

45. Ethics Approval Not Obtained for All Trips Attended by Director in 2004

During this audit, the OCE Director, Michael Winka, attended a number of trips which should have required him to get the BPU's Ethics Liaison Officer's approval using the form "Request For Approval For Attendance At An Event". According to BPU's Ethics Liaison Officer, all trips must receive ethics approval regardless if the State is paying for the trip or the trip is being sponsored by a 3rd party. BPU's Ethics Liaison Officer was contacted to provide these forms for Mr. Winka, but she stated that she would have to receive Lance Miller's (Chief of Staff and supervisor to Mr. Winka) approval. To date, she has not provided the forms or an explanation, even though she was told this was an audit request. Note: The records asked for are public records.

continued

CONFIDENTIAL

-25-

Due to BPU's lack of cooperation, the Executive Commission on Ethical Standards was contacted regarding Mr. Winka's approved attendance forms for 2004, which are public records. Only (1) one attendance form was located for a trip Mr. Winka took in February 2004.

It is recommended that Mr. Winka file form "Request For Approval For Attendance At An Event" for all trips he attended in 2004 in which he did not receive the Ethics Liaison Officer's approval. Once completed and approved or disapproved, these forms should be submitted to the Executive Commission on Ethical Standards by the Ethics Liaison Officer as required by BPU policy.

It is questionable why both Mr. Winka and Mr. Miller did follow BPU's established ethics policy. The BPU Ethics Liaison Officer stated that Mr. Miller knew the ethics rules thoroughly and both individuals received training which included this subject matter.

CONFIDENTIAL

-26-

Other Matters Requiring Further Review

Note: The below headings correspond with the finding(s) in this report. The narrative under each heading explains what needs to be further reviewed.

Finding:

2. OCE is Investing Funds not the NJ Division of Investment

Item for further review:

It could not be determined why the funds were invested in a municipal money market fund that was exempt from paying federal taxes, causing OCE to earn a 1/3 less in interest. The funds should have been invested in a taxable money market account, which would have paid OCE 1/3 more in interest.

First, the OCE Director stated that it was the bank that insisted on the fund type, and then later stated it was BPU's attorney that insisted on the fund type. This area needs to be further reviewed because this decision caused the State to earn less in interest income and the bank benefited by not paying the State what it should have received if it had been in a taxable money market account.

Findings:

14. Limited Competition - Key Rutgers (CEEPP) Contract Treated as Sole Source Contract
15. Limited Competition - Request For Consulting Services - Former BPU Employees Hired
16. R.E.E.D. Grant Awards - Questionable Criterion Used to Eliminate Competition
17. R.E.E.D. Grants - Venture Capital - State Receives No Profits if Occur
18. Solicitation for 1st R.E.E.D. Grant Proposal - Incorrect Date on Solicitation

Items for further review:

The common thread among these findings is that competition was limited and former BPU employees got the contracts (14, 15). In the case of the R.E.E.D. grants, the grants were giveaways, in that, the State received nothing in return for the money granted. And, there was little if any monitoring of the grants per review of the files. Each one of these issues needs to be further explored.

CONFIDENTIAL

-27-

Findings:

19. Critical Procurement Records – shredded by Cassandra Kling
28. Ocean Power Technologies, Inc. (OPT)
31. Resource Control Corporation
32. Reaction Sciences
33. Advanced Power Associates Corp
34. Madison Energy Consultants
35. World Water Corporation
36. Partners for Environmental Quality, Inc
40. AeroVironment Contract – Loan Turns into Grant

Items for further review:

The role Cassandra Kling played in the R.E.E.D. grants process is questionable. It was reported that she destroyed records for the program that she was in charge. Additionally, a number of people who received grants she had to have personally known; they lived on her street (Snydertown Road) in Hopewell, New Jersey. Yet, there is no evidence that she recused herself from any part of the procurement process. The connection among the grantees and Ms. Kling needs to be further reviewed. Also, Rutgers seems to be mentioned in many of the grants as receiving part of the funding, which seems to be more than a coincidence.

Finding:

20. Details of \$83 Million "Carryover" Paid to the Checking Account – Not at OCE

Item for further review:

The Director of OCE never provided the breakdown for the \$83 million carryover, which was deposited into the Wachovia Checking Account. It is critical to obtain this information to determine if funds are available for use, because the Director was using these funds for current expenditures from the Wachovia Checking Account. The possibility exists that the Director is spending funds that are already obligated by the utilities.

CONFIDENTIAL

-28-

Findings:

41. Clean Energy Council – Facilitator is Rutgers (CEEEP) – Potential Conflict of Interest
42. Ambrosio Associates – Potential Conflicts of Interests
43. Cassandra Kling – “Dear Friends and Colleagues” – Potential Conflict of Interest
45. Ethics Approval Not Obtained for Trips Attended by Director in 2004

Items for further review:

The individuals identified in these findings need to be further examined due to their present and prior work relationships, and the amount of control, either direct or implied, that is being exercised over the Clean Energy Program. Also, these findings give the appearance of a “revolving door” at BPU. Due to the nature of these findings, management needs to consult with the Executive Commission on Ethical Standards to determine if ethics violations may have occurred.

In respect to Mr. Winka, it is recommended that it be determined what events (seminars, out-of-State travel, etc.) he attended during the year and to determine who paid for the events, since it appears he deliberately did not obtain ethics approvals for trips, other than one in February 2004. It was observed during the audit that he spent more time out of the office than in the office. Similarly, Ron Jackson and Scott Hunter of his staff were not in the office on many occasions.

Findings:

26. Consultant Paid through Another Consultant’s Contract
27. Consultant Employees who Appear to be OCE Employees

Items for further review:

Besides these two findings for Demme Mechanical Inspections, additional work was performed in the area of the CORE program that Demme maintains for OCE. A number of issues were identified which need further examination as noted below:

OCE Charged for work not performed

Mr. Demme, of Demme Mechanical Inspections, stated he did not know anything about “E3 Energy Services LLC” (E3) when he was questioned about the \$43,000+ charges on Demme’s bills for E3. Mr. Demme stated he included these charges on his bills as an accommodation to OCE. Later, OCE’s Director Michael Winka stated E3 was Mr. Demme’s subcontractor. The work performed by E3 could not be documented; it appears OCE paid for services that were not performed. At a later date, Mr. Demme provided a document that he called a contract with E3 to make payments to E3. It is still unclear what E3 is providing OCE.

continued

CONFIDENTIAL

-29-

E3 involvement needs to be examined

Mr. Demme stated he knew nothing about E3, yet E3 was involved with a number of multi-million dollar rebate jobs not yet completed. Mr. Demme had to have known about E3 because of his involvement in the CORE program process. In regards to E3, E3's principle owner is Chris Cook. Chris Cook setup the following LLC entities to receive \$9,722,600 of OCE rebates:

Sune PEI Pennsauken LLC	\$1,915,000;
Sune PEZ Pennsauken LLC	\$1,915,000;
Sune CS Woodbridge LLC	\$1,915,000;
Sune SLBurlington LLC	\$1,988,800; and,
Sune SLRiverside LLC	\$1,988,800.

E3 and these LLC entities all have the same address of 5019 North 36th Street, Arlington, VA. It is unknown if the LLC's are registered in New Jersey and what taxes if any they will be paying. No tax id numbers were noted in the records for these LLC. As such, it could not be determined if these businesses are registered in New Jersey to do business and pay taxes to the State accordingly.

The issue relating to BPU's responsibility to issue 1099's with respect to these rebates should also be explored.

The same installer (Solar Priorities LLC) is being used on the above jobs, and on three additional jobs where Justion Beiter is the principal of E-Finity Energy LLC. It is unclear what role this installer has if any, other than these are very large jobs with large rebates.

Potential duplicate claim

Two files named BPU-0658 and BPU-0659, where Chris Cook is to get the rebates, appear to be commingled with each other. It is unclear if there are one or two jobs, which could result in an overpayment of \$1,988,800 if there is only one job.

Limited documentation was available to review decision

It was determined for BPU-0391 and BPU-0392 that they should be two rebates, instead of one. These two solar energy projects are being put on one roof. One roof implies one system, and therefore one rebate. There was limited information available in the files to show how this decision was made that two rebates should be given not one, which resulted in an extra rebate amount of \$1,765,000. Due to the size of this rebate, another review of this matter would be appropriate.

continued

CONFIDENTIAL

-30-

Demme's Charges to OCE

- Mr. Demme is charging \$125 per hour for doing clerical duties the other employees should be doing, such as, answering the phone for people asking where their rebate is, etc.
- Mr. Demme is charging \$400 and up for solar energy inspections which appears to be a high cost. It is unclear why each solar energy site must be inspected as opposed to sampling which would drastically cut the costs to the program.
- Mr. Demme reviews applications stating each application takes an hour, and he is charging an hour at \$125. The actual time is more like 10 to 15 minutes per application.
- In regards to Mr. Demme, there appear to be no separation of duties in terms of the work process of the CORE program. Essentially, Mr. Demme is running the entire CORE program for Mr. Winka.
- Mr. Demme is charging two hours at \$125 an hour for travel commutation when he comes to Trenton.
- Mr. Demme never had a valid contract. His proposal was for roughly \$25,000 and his first billing was for over \$100,000. At that point, the Purchase Bureau should have been contacted to issue an RFP to establish a contract.
- Mr. Winka is not properly reviewing the Demme bills and he allows Demme to charge at will.
- Mr. Demme appears to look for every opportunity to maximize his billings to OCE. For example, Mr. Demme charged OCE for the cost of a seminar he attended. He also charged OCE at \$125 an hour for each hour he attended at the seminar. These costs were Mr. Demme's professional costs he should have paid himself.
- One of the individuals that Mr. Demme was forced to put on his payroll by OCE is a full time clerk who does very little clerical work with limited duties. She received 3 pay raises from \$25,000 to \$52,000 (using rates of pay per hour) and only has been on the job for one (1) year. The person should be replaced with a high school student or a temp service which would drastically reduce the cost to the program.

Note: Unit working papers are available that contains more details and background information.

CONFIDENTIAL

AMBROSIO CEP BILLING SUMMARY

\$(DOLLARS)

<u>PERIOD OF PERFORMANCE</u>	<u>OCE</u>	<u>RUTGERS</u>	<u>TOTAL</u>
NOVEMBER 2003	\$ 8,059.20 (A)	\$ 6,873.30 (B)	\$ 14,932.50
DECEMBER 2003	8,059.20 (A)	6,873.30 (B)	14,932.50
JANUARY 2004	8,374.20	6,873.30 (B)	15,247.50
FEBRUARY 2004	-	4,898.80	4,898.80
MARCH 2004	8,069.90	8,055.90	16,125.80
APRIL 2004	8,080.30	6,325.00	14,405.30
MAY 2004	8,045.40	6,054.90	14,100.30
JUNE 2004	-	15,150.70	15,150.70
JULY 2004	-	18,142.90	18,142.90
AUGUST 2004	-	11,857.71	11,857.71
SEPTEMBER 2004	-	13,354.80	13,354.80
TOTAL TO DATE	<u>\$ 48,688.20</u>	<u>\$ 104,460.61</u>	<u>\$ 153,148.81</u>

(A) INITIAL INVOICE TO OCE COVERED BOTH NOV AND DEC; THE AMOUNT IS EQUALLY DIVIDED BETWEEN THE 2 MONTHS.

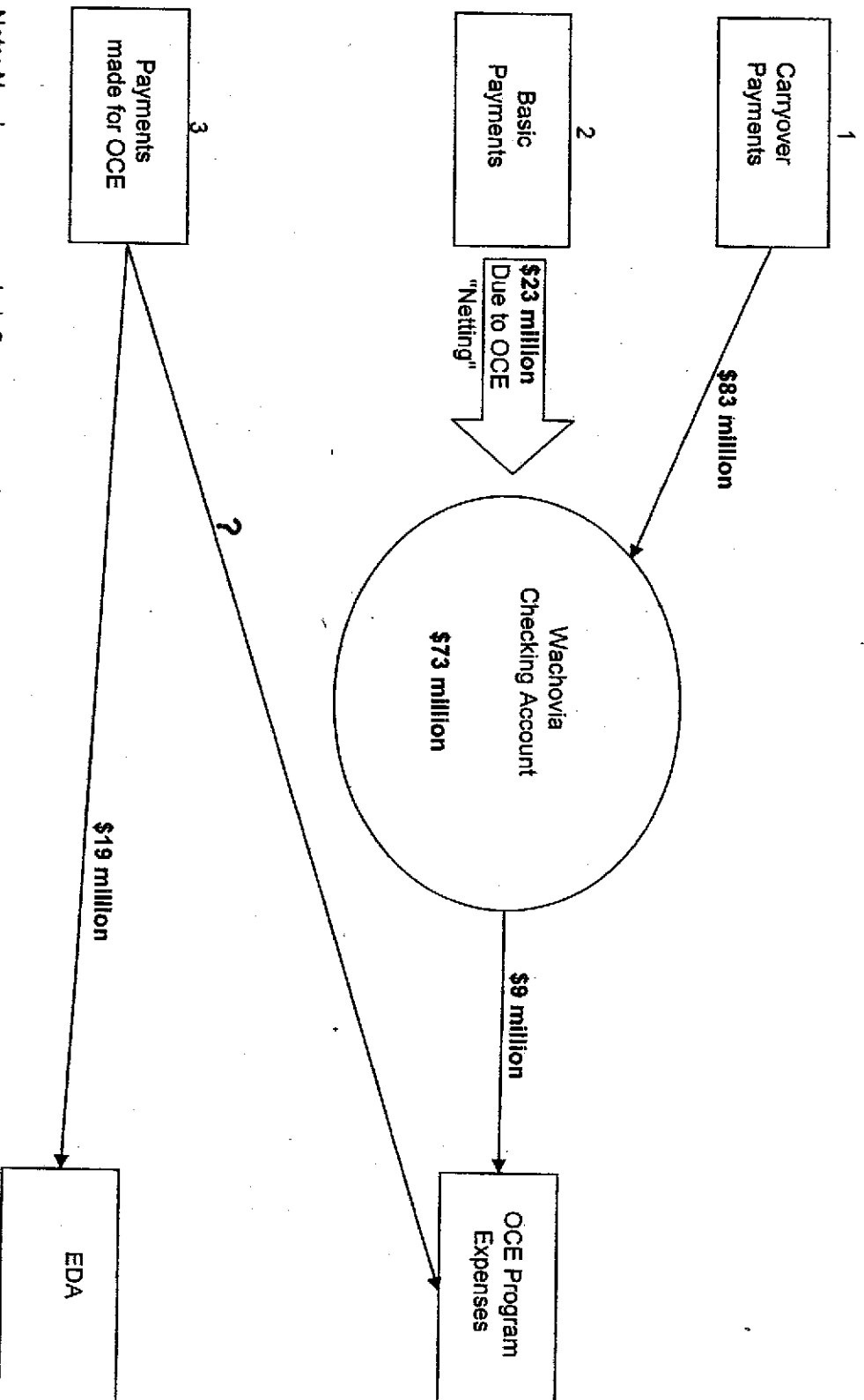
(B) INITIAL INVOICE TO RUTGERS COVERED NOV, DEC AND JAN; THE AMOUNT IS EQUALLY DIVIDED BETWEEN THE 3 MONTHS.

CONFIDENTIAL

As of June 30, 2004

Utilities

Office of Clean Energy (OCE)



Note: Numbers were rounded. See next page for footnotes.

CONFIDENTIAL

Footnotes

1. Winka has not provided the breakdown for the \$83 million in Carryover payments.

Winka is using this money source for current bills.

If the utilities have obligations for these funds, over expenditures could occur.

2. These funds were never remitted to OCE due the "netting" issue. The 7 utilities need to be audited by CPA firms to determine how the money was spent and amount due OCE.

3. OCE told the utilities to make payments on OCE's behalf.

The dollar amount is unknown. We keep finding invoices paid for OCE.

Note: Per the 12-31-2003 Ambrosio report, the OCE program is over budget by \$40 million.

CONFIDENTIAL

Purpose: To show current and prior employment history that is know to IAU.	
<u>Current Employment</u>	<u>Prior Employment</u>
<u>BPU</u>	<u>BPU</u>
2 Jeanne Fox, President, 2002-present	1 Scott Weiner, President, 1990-1991
7 Lance Miller, Chief of Staff, 2002-present	2 Jeanne Fox, Senior Advisor, 1990-1991
	3 Steve Gabel, Director, 1990
	4 Mike Ambrosio, Executive Director, 1996
	5 James Nappi, Secretary to Board, 1996-1998
	6 Robert Chilton, Director, 1990-2000
<u>Clean Energy Council - got contract</u>	
1 Scott Weiner, contract to be facilitator	
<u>Clean Energy Council - Advisory to OCE</u>	
1 Scott Weiner	
2 Jeanne Fox	
3 Steve Gabel	
Rev. Fletcher Harper - got REED grant	
Lyle Rawlings - got REED grant & CORE	
	<u>NJ DEPE</u>
	1 Scott Weiner, Commissioner, 1992-1993
	2 Jeanne Fox, Deputy Com, 1992-1993
	3 Steve Gabel, Director, 1993
	7 Lance Miller, Assist Com, 1994
	8 Michael Winka
<u>OCE</u>	<u>OCE</u>
8 Michael Winka, Director	9 Cassandra Kling
11 Scott Hunter	10 Victor Bozzo
<u>OCE - gave consultant contracts out to</u>	
4 Michael Ambrosio - 2 contracts got	
5 James Nappi	
9 Cassandra Kling	
10 Victor Bozzo	