Agenda Date: 3/20/13
Agenda Item: 8D

STATE OF NEW JERSEY

Board of Public Utilities
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CLEAN ENERGY

IN THE MATTER OF THE COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR THE 2009 THROUGH 2012 CLEAN ENERGY PROGRAM – REVISED 2012 THROUGH 2013 PROGRAMS AND BUDGETS	)	ORDER DOCKET NOS. EO07030203 and EO11100631V

Parties of Record:

Joe Gennello, Honeywell Utility Solutions
Diane Zukas, TRC Energy Services
Michael Ambrosio, Applied Energy Group
Mark Mader, Jersey Central Power & Light
Timothy White, Atlantic City Electric
Scott Markwood, Orange & Rockland Utilities
Bruce Grossman, South Jersey Gas Company
Susan Ringhof, Public Service Electric & Gas Company
Tracey Thayer, New Jersey Natural Gas
Mary Patricia Keefe, Elizabethtown Gas Company
Stefanie A. Brand, Esq., Director, Rate Counsel

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities ("Board") at its March 20, 2013 public meeting, where the Board considered revisions to the 2012 - 2013 programs and budgets for New Jersey's Clean Energy Program.[1]

BACKGROUND AND PROCEDURAL HISTORY

On February 9, 1999, the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("EDECA") was signed into law. EDECA established requirements to advance energy efficiency and renewable energy in New Jersey through the societal benefits charge. N.J.S.A. 48:3-60(a)(3). EDECA further empowered the Board to initiate a proceeding and cause to be

[1] The budgets approved in this Order are subject to State appropriations law.

undertaken a comprehensive resource analysis ("CRA") of energy programs, which is currently referred to as the comprehensive energy efficiency ("EE") and renewable energy ("RE") resource analysis. Ibid. After notice, opportunity for public comment, public hearing, and consultation with the New Jersey Department of Environmental Protection, within eight months of initiating the proceeding and every four years thereafter, the Board determines the appropriate level of funding for EE and Class I RE programs that provide environmental benefits above and beyond those provided by standard offer or similar programs in effect as of February 9, 1999. These programs are now called New Jersey's Clean Energy Program (the "NJCEP").

By Order dated April 27, 2007, Docket No. EO07030203, the Board directed the Office of Clean Energy ("OCE" or "Staff") to initiate a third comprehensive EE and RE resource analysis proceeding and to schedule public hearings on program funding and funding allocations for the years 2009 through 2012. By Order dated September 30, 2008 (the "CRA III Order"), Docket No. EO07030203, the Board concluded this proceeding and set funding levels of $245 million for 2009, $269 million for 2010, $319.5 million for 2011, and $379.25 million for 2012. By Order dated December 20, 2011, Docket Nos. EO07030203 and EO11100631V, the Board approved 2012 programs and budgets for the NJCEP ("2012 Budget Order") as well as the compliance filings of Honeywell International, Inc. ("Honeywell"), TRC, Inc. ("TRC"), the OCE, and the electric and gas utilities (collectively referred to as "the Utilities"). The compliance filings included program descriptions and detailed budgets for each program.

By Order dated November 20, 2012, Docket Nos. EO07030203 and EO11100631V, the Board approved revised 2012 programs and budgets and initial 2013 programs and budgets which resulted in an 18-month budget cycle from January 1, 2012 through June 30, 2013. By Order dated January 23, 2013 and February 20, 2013, the Board approved certain changes to the 2012-2013 programs. In this Order the Board will consider additional changes to the programs and budgets approved in these Orders as discussed below.

Proposed Changes to Programs and Budgets

The OCE tracks program expenses and commitments monthly and also asks the program managers to submit estimated expenses and commitments through June 30, 2013. The table below shows actual EE expenses and commitments through December 31, 2012, estimated expenses for the period January 1, 2013 through June 30, 2013 and estimated commitments as of June 30, 2013:

Table 1

New Jerseys Clean Energy Program

Estimated Actual and Committed Expenses for Reporting Year 2012-2013

Statewide Summary - EE Programs Reporting Period: 1/2012 - 12/2012	2012-2013 Budget	Actual Expenditures	Committed Expenditures	Actual plus Committed Expenses	Actual plus Committed Expenses as % of Budget	Estimated Actual Expenditures through 6/30/13	Estimated Committed Expenditures as of 6/30/13	Estimated Actual plus Committed	Estimated Actual plus Committed Expenses as % of Budget	Estimated Unspent Funds
Program	(a)	(b)	(c)	(d) = (b)+(c)	(e) = (d)/(a)	(f)	(g)	(h) = (f)+(g)	(i) = (h)/(a)	(j) = (a)-(g)
RESIDENTIAL EE PROGRAMS										
Residential HVAC - Electric & Gas	$26,891,450.41	$14,883,934.26		$14,883,934.26	55.35%	$23,682,745.94		$23,682,745.94	88.07%	$3,208,704.47
Residential New Construction	$20,264,931.10	$11,096,499.95	$9,241,315.00	$20,337,814.95	100.36%	$16,828,392.54	$9,035,515.60	$25,863,908.14	127.63%	($5,598,977.04)
Energy Efficient Products	$22,137,799.26	$14,530,276.19		$14,530,276.19	65.64%	$21,694,363.85		$21,694,363.85	98.00%	$443,435.41
Home Performance with Energy Star	$39,358,734.71	$24,813,646.67	$7,274,848.00	$32,088,494.67	81.53%	$33,618,306.37	$8,074,690.67	$41,692,997.04	105.93%	($2,334,262.33)
Marketing - Residential EE	$1,743,976.16	$1,102,306.86		$1,102,306.86	63.21%	$1,707,329.48		$1,707,329.48	97.90%	$36,646.68
Sub-Total: Residential Ee Programs	*$110,396,891.64*	*$66,426,663.93*	*$16,516,163.00*	*$82,942,826.93*	*75.13%*	*$97,531,138.18*	*$17,110,206.27*	*$114,641,344.44*	*103.84%*	*($4,244,452.80)*
RESIDENTIAL LOW INCOME										
Comfort Partners	$50,000,000.00	$31,465,895.21		$31,465,895.21	62.93%	$50,000,000.00		$50,000,000.00	100.00%	$0.00
Sub-Total: Residential Low Income	*$50,000,000.00*	*$31,465,895.21*	*$0.00*	*$31,465,895.21*	*62.93%*	*$50,000,000.00*	*$0.00*	*$50,000,000.00*	*100.00%*	*$0.00*
C & I EE PROGRAMS										
C&I New Construction	$5,524,122.02	$1,825,928.93	$788,771.52	$2,614,700.45	47.33%	$2,725,000.00	$1,800,000.00	$4,525,000.00	81.91%	$999,122.02
C&I Retrofit	$57,257,018.97	$20,278,977.16	$21,035,153.53	$41,314,130.69	72.16%	$33,500,000.00	$23,655,669.75	$57,155,669.75	99.82%	$101,349.22
Pay-for-Performance New Construction	$7,610,817.58	$874,646.08	$2,225,783.70	$3,100,429.78	40.74%	$2,334,604.72	$5,095,876.00	$7,430,480.72	97.63%	$180,336.86
Pay-for-Performance	$50,055,958.00	$8,437,899.74	$29,592,671.05	$38,030,570.79	75.98%	$14,235,760.32	$35,021,518.18	$49,257,278.50	98.40%	$798,679.50
Combined Heat & Power (CHP)	$17,000,000.00	$185,424.05	$2,082,000.00	$2,267,424.05	13.34%	$700,000.00	$11,657,500.00	$12,357,500.00	72.69%	$4,642,500.00
Local Government Energy Audit	$5,000,000.00	$2,213,625.50	$2,355,839.43	$4,569,464.93	91.39%	$3,235,298.99	$452,369.61	$3,687,668.60	73.75%	$1,312,331.40
Direct Install	$60,632,162.20	$21,264,846.70	$11,580,997.97	$32,845,844.67	54.17%	$40,000,000.00	$16,549,953.91	$56,549,953.91	93.27%	$4,082,208.29
Marketing - Commercial & Industrial EE	$1,575,000.00	$1,017,500.37		$1,017,500.37	64.60%	$1,575,000.00		$1,575,000.00	100.00%	$0.00
Large Energy Users Pilot	$20,835,056.68	$272,457.86	$9,677,422.34	$9,949,880.20	47.76%	$5,000,000.00	$15,218,056.68	$20,218,056.68	97.04%	$617,000.00
Sub-Total: C & I Ee Programs	*$225,490,135.45*	*$56,371,306.39*	*$79,338,639.54*	*$135,709,945.93*	*60.18%*	*$103,305,664.03*	*$109,450,944.13*	*$212,756,608.16*	*94.35%*	*$12,733,527.29*
OTHER EE PROGRAMS										
Green Jobs and Building Code Training	$386,450.47	$269,527.60		$269,527.60	69.74%	$386,450.47		$386,450.47	100.00%	$0.00
Sustainable Jersey	$1,439,850.89	$433,400.31		$433,400.31	30.10%	$1,439,850.89		$1,439,850.89	100.00%	$0.00
Sub-Total: Other Ee Programs	*$1,826,301.36*	*$702,927.91*	*$0.00*	*$702,927.91*	*38.49%*	*$1,826,301.36*	*$0.00*	*$1,826,301.36*	*100.00%*	*$0.00*
TOTAL	*$387,713,328.45*	*$154,966,793.44*	*$95,854,802.54*	*$250,821,595.98*	*64.69%*	*$252,663,103.57*	*$126,561,150.40*	*$379,224,253.96*	*97.81%*	*$8,489,074.49*

The table above shows estimates that indicate several programs would exceed their current budget and several programs would remain below budget. On balance, it is estimated that $8.489 million would remain unspent/uncommitted.

Staff desires to fully expend program budgets and minimize carry over so that customers can enjoy the full benefits of the programs. Therefore, Staff met with the program managers to discuss potential changes to the programs and budgets aimed at accelerating spending and fully expending the budgets by the end of June 2013. Staff prepared a summary of proposed changes to programs and budgets that was circulated for comment and posted on the NJCEP web site on February 22, 2013. A revised version of the summary of proposed changes that corrected a minor error was circulated on February 26, 2013.

The proposed changes to the programs and budgets were also discussed at the February 14, 2013 and March 14, 2013 meetings of the EE and RE committees.

Proposed Program Changes

The following summarizes the changes proposed by Staff in its Request for Comments dated February 26, 2013.

Energy Efficient Products Program

- Award additional funds to the Lighting Partners that can accelerate distribution and move product quickly into the marketplace to expand support for CFLs and LEDs and to leverage retailer and manufacturer distribution networks and efforts, while continuing to support lighting transition from CFLs to LEDs.

- Award additional funds to the Green New Jersey Resource Team ("GNJRT") initiative to distribute CFLs, LEDs, fixtures, and smart power strips and educate customers through community outreach and events.

- Increase target quantities for mid-stream incentives such as CEE Tier 2 clothes washers and refrigerators with retail partners based on market and participation opportunities. Additional retailer site visits will be scheduled to properly educate and accelerate uptake across participating retailers.

- For customers of retailers unable to participate through the midstream promotions, the program will offer consumers the opportunity to apply directly for energy efficient clothes washer and refrigerator incentives through a direct mail-in process for a $50 incentive. This would entail restarting the popular consumer mail in clothes washer incentive program statewide, and not just for homes impacted by Super Storm Sandy.

Honeywell intends to increase its focus on set top boxes and refrigerator recycling. However, neither of these represent a change to either the Board approved compliance filing or budget.

HVAC Program

- To accelerate contractor participation and provide intensified statewide marketing, increase the co-op marketing percentage from 25% to 40% for qualifying advertising, while maintaining the current $10,000 cap per contractor. Contractors that participate in both the HVAC and Home Performance with Energy Star programs will continue to be able to receive the maximum incentive amount of $20,000.

Home Performance with Energy Star Program

- To accelerate contractor participation and provide intensified statewide marketing, increase the co-op marketing percentage from 40% to 50% for qualifying advertising, while maintaining the current $20,000 cap per contractor. Home Performance is an excellent fit for many consumers rebuilding following Super Storm Sandy damage and this will augment program exposure and support increased contractor marketing efforts.

- Correct the recently broadened co-op advertising reference that now includes "lender" to read "lender/lending trade association".

Residential New Construction Program

- To accelerate contractor participation and provide intensified statewide marketing, increase the co-op marketing percentage from 25% to 40% for qualifying advertising, while maintaining the current Co-Op Advertising variable volume based cap per builder.

Direct Install

- Increase the per project incentive cap from $75,000 to $125,000. The annual per entity cap will remain $250,000.
- Increase the existing kW limit from 150 kW to 200 kW.

Smart Start Equipment Incentives

- Allow all eligible commercial and industrial customers to submit and receive incentives for Food Service energy efficiency measures. These measures were originally created for those impacted by Hurricane Sandy under the C&I Sandy Relief plan and this change would expand the incentives for food service measures to all eligible customers.

Proposed Budget Modifications

Residential New Construction Program

The Residential New Construction ("RNC") program received a large number of rebate applications in November 2012 that resulted in actual expenses plus commitments equaling the Board approved budget (column e in the table above). On March 18, 2013 Staff authorized the transfer of $2.5 million from the Residential HVAC program to the RNC program in accordance with the budget flexibility authorization set out in the November 20, 2012 Order. Staff was required to post notice of any budget modification on the NJCEP web site and to circulate for comment prior to submitting the change to the Board for formal consideration. The February 26, 2013 Request for Comments meets this requirement.

Staff also proposed a number of other changes to the proposed budgets as follows:

Transfer from C&I to Residential EE

Column j in the table above shows estimates of whether a program will be over or under budget as of June 30, 2013. Two programs, RNC and Home Performance with Energy Star are estimated to exceed their respective budgets. Other programs are all estimated to remain below budget. Therefore, to enable all programs to remain operational through June 30, 2013 and to accommodate anticipated increases in participation levels that should result from the proposed program changes described above, Staff recommends that $10 million be transferred from the C&I programs to the Residential EE programs. The remaining C&I budget is estimated to be sufficient to allow all C&I programs to remain operational.

Honeywell and TRC are proposing a number of line item transfers intended to balance program budgets with estimated needs and that result in $10 million being reallocated from C&I to Residential EE. These changes are shown in the table below.

Transfer from RE to Residential EE

Expenses plus commitments for the Renewable Energy Incentive Program ("REIP") as of June 30, 2013 are estimated to be approximately $4.8 million below budget. Staff recommends that $4 million of the estimated excess funds be reallocated to the Residential EE programs. Staff believes that the program changes described above will result in fully expending the Residential EE budget. Sufficient funds remain in the REIP to meet anticipated expenses and commitments.

Storm Response

The Board recently approved a number of changes to the NJCEP that include additional incentives for customers impacted by Sandy. Staff has limited data regarding the impact these additional incentives will have on program participation rates. Staff is concerned that the additional incentives will drive demand for the programs such that certain programs may reach their budget limits. In the Request for Comments Staff indicated it would request the authority to establish a Storm Response Contingency budget line of $3.6 million. However, based on comments received on the proposed changes and anticipated program participation rates Staff is withdrawing this request. Instead, Staff is recommending the allocation of an additional $2 million to the CHP program and $1.6 million to the Home Performance with Energy Star program. If emergent reallocation of funds is necessary to meet demand for Sandy response programs Staff may exercise its delegated authority consistent with the November 20, 2012 order.

Program Coordinator Budget

The 2012-2013 budgets were established assuming that Program Coordinator services would be transferred to the new Program Administrator in February 2013. Due to delays in award of that contract, Staff now anticipates the need for Program Coordinator services through the end of June 2013. Staff recommends that $750,000 be reallocated from the OCE Staff and Overhead budget to the Program Coordinator budget. The remaining funds in the OCE Staff and Overhead budget are estimated to be sufficient to meet anticipated program demand.

Summary of Proposed Budget Modifications Included in the Request for Comments

Residential EE Programs

- Increase the Residential HVAC - Electric & Gas program budget by $3,250,000
- Increase the Residential New Construction program budget by $5,000,000
- Increase the Energy Efficient Products program budget by $4,000,000
- Increase the Home Performance with Energy Star program budget by $1,750,000

C&I EE Programs

- Decrease the C&I New Construction program budget by $1,000,000
- Decrease the CHP program budget by $5,500,000
- Increase the Local Government Energy Audit program budget by $500,000
- Decrease the Direct Install program budget by $4,000,000

RE Programs

- Decrease the RE Grid Program budget by $3,600,000
- Decrease the REIP budget by $4,000,000

OCE Oversight Budget

- Transfer $750,000 from the OCE Staff and Overhead budget to the Program Coordinator budget

Other

- Create a new EE budget line for Storm Response Contingency with a budget of $3,600,000 (As noted above, this request has been withdrawn. Staff's revised recommendations are discussed below)

The tables below show the proposed budgets that incorporate all of the changes discussed above that were included in the Request for Comments:

Table 2

Revised 2012 - 2013 NJCEP Budget

	2012 + 6 Month 2013 Budget From 11/20/12 Board Order	Line Item Transfers	Revised 2012 + 6 Month 2013 Budget
	(a)	(b)	(c)=(a)+(b)
Energy Efficiency Programs	$387,713,328.45	$7,600,000.00	$395,313,328.45
Renewable Energy Programs	$38,631,421.20	($7,600,000.00)	$31,031,421.20
EDA Programs	$49,045,280.92	$0.00	$49,045,280.92
OCE Oversight	$14,186,401.28	$0.00	$14,186,401.28
TRUE Grant	$21,789,874.29	$0.00	$21,789,874.29
Total	**$511,366,306.14**	**$0.00**	**$511,366,306.14**
Legislative Action	$384,000,000.00	$0.00	$384,000,000.00
Total	**$895,366,306.14**	**$0.00**	**$895,366,306.14**

Table 3

Revised 2012 - 2013 Energy Efficiency Program Budget

Programs	2012 + 6 Month 2013 Budget From 11/20/12 Board Order (a)	OCE Approved Budget Modifications (b)	Line Item Transfers (c)	Revised 2012 + 6 Month 2013 Budget (d)=(a)+(b)+(c)
Residential EE Programs				
Residential HVAC - Electric & Gas	$26,891,450.41	($2,500,000.00)	$3,250,000.00	$27,641,450.41
Residential New Construction	$20,264,931.10	$2,500,000.00	$5,000,000.00	$27,764,931.10
Energy Efficient Products	$22,137,799.26		$4,000,000.00	$26,137,799.26
Home Performance with Energy Star	$39,358,734.71		$1,750,000.00	$41,108,734.71
Residential Marketing	$1,743,976.16			$1,743,976.16
Sub Total Residential	**$110,396,891.64**	**$0.00**	**$14,000,000.00**	**$124,396,891.64**
Residential Low Income				
Comfort Partners	$50,000,000.00			$50,000,000.00
Sub Total Low Income	**$50,000,000.00**	**$0.00**	**$0.00**	**$50,000,000.00**
C&I EE Programs				
C&I New Construction	$5,524,122.02		($1,000,000.00)	$4,524,122.02
C&I Retrofit	$57,257,018.97			$57,257,018.97
Pay-for-Performance New Construction	$7,610,817.58			$7,610,817.58
Pay-for-Performance	$50,055,958.00			$50,055,958.00
CHP	$17,000,000.00		($5,500,000.00)	$11,500,000.00
Local Government Energy Audit	$5,000,000.00		$500,000.00	$5,500,000.00
Direct Install	$60,632,162.20		($4,000,000.00)	$56,632,162.20
Marketing	$1,575,000.00			$1,575,000.00
Large Energy Users Pilot	$20,835,056.68			$20,835,056.68
Sub Total C&I	**$225,490,135.45**	**$0.00**	**($10,000,000.00)**	**$215,490,135.45**
Other EE Programs				
Green Jobs and Building Code Training	$386,450.47			$386,450.47
Sustainable Jersey	$1,439,850.89			$1,439,850.89
Sub Total Other Energy Efficiency Programs	**$1,826,301.36**	**$0.00**	**$0.00**	**$1,826,301.36**
Storm Response Contingency	**$0.00**	**$0.00**	**$3,600,000.00**	$3,600,000.00
Total Energy Efficiency	**$387,713,328.45**	**$0.00**	**$7,600,000.00**	**$395,313,328.45**

Table 4

Revised 2012 - 2013 Renewable Energy Program Budget

Programs	2012 + 6 Month 2013 Budget From 11/20/12 Board Order (a)	Line Item Transfers (b)	Revised 2012 + 6 Month 2013 Budget (c)=(a)+(b)
Customer On-Site Renewable Energy	$4,150,000.00		$4,150,000.00
Clean Power Choice	$32,400.00		$32,400.00
Offshore Wind	$5,518,408.00		$5,518,408.00
Renewable Energy Program: Grid Connected (Formerly REDI)	$4,025,386.40	($3,600,000.00)	$425,386.40
Renewable Energy Incentive Program	$23,074,184.40	($4,000,000.00)	$19,074,184.40
Edison Innovation Clean Energy Fund (formerly CST)	$1,831,042.40		$1,831,042.40
SUB-TOTAL Renewables	**$38,631,421.20**	**($7,600,000.00)**	**$31,031,421.20**

Table 5

Revised 2012 - 2013 OCE Oversight Budget

	2012 + 6 Month 2013 Budget From 11/20/12 Board Order	Line Item Transfers	Revised 2012 + 6 Month 2013 Budget
Programs	(a)	(b)	(c)=(a)+(b)
Administration and Overhead			
OCE Staff and Overhead	$9,306,461.64	($750,000.00)	$8,556,461.64
Program Coordinator	$2,235,498.69	$750,000.00	$2,985,498.69
Sub-Total: OCE Administration and Overhead	**$11,541,960.33**	**$0.00**	**$11,541,960.33**
Memberships-Dues			
2012 Sponsorships	$200,000.00		$200,000.00
Sub-Total: Memberships-Dues	**$200,000.00**	**$0.00**	**$200,000.00**
Evaluation and Related Research			
Rutgers-CEEEP	$1,320,613.64		$1,320,613.64
Funding Reconciliation	$71,055.00		$71,055.00
Other Studies	$10,000.00		$10,000.00
Program Evaluation	$800,000.00		$800,000.00
Sub-Total: Evaluation and Related Research	**$2,201,668.64**	**$0.00**	**$2,201,668.64**
Marketing and Communications			
Outreach and Education/Community Partner Grants	$122,772.31		$122,772.31
Clean Energy Business Web Site	$120,000.00		$120,000.00
Sub-Total: Marketing and Communications	**$242,772.31**	**$0.00**	**$242,772.31**
TOTAL: Administration	**$14,186,401.28**	**$0.00**	**$14,186,401.28**

The OCE is not proposing any changes to the EDA budget at this time.

Summary of Comments

Written comments were received from American Efficient Lighting ("AEL"), Dynamic Energy, ClearEdge Power ("ClearEdge"), the Division of Rate Counsel ("Rate Counsel"), New Jersey Natural Gas Company ("NJNG"), and OneChange. The following summarizes the comments received and responses to those comments:

Comment: AEL questioned why incentives for T12 lighting were being eliminated as part of the C&I Retrofit program but would continue as part of the Direct Install and Pay-for-Performance Programs. AEL believes that this is unfair and would benefit a few providers while cutting out other providers. AEL also asked two questions:

1. How do you define Lighting Partners, and
2. Are T12 change outs included in Direct Install

Response: Staff notes that the elimination of prescriptive rebates for T12 lighting was approved by the Board in the November 20, 2012 Order referenced above and is not part of the proposed changes addressed herein. In response to the questions posed by AEL:

1. Lighting Partners are manufacturers and retailers that support point of purchase markdown promotions for energy efficient lighting products to reduce retail prices of CFLs, LEDs and fixtures sold directly to retail customers.
2. T12 change outs are included in the Direct Install program.

Staff disagrees that eliminating prescriptive rebates for T12 lighting while continuing incentives for T12s in the Direct Install and Pay-for-Performance programs is unfair. The rationale for removing the incentive for T12 replacement was based on several factors including:

- The change in Federal standards
- Budget considerations
- Promoting programs with a more holistic approach that deliver deeper energy savings

As stated in TRC's compliance filing, The *SmartStart* Programs (C&I Retrofit and New Construction) are designed to:

- Capture lost opportunities for energy efficiency savings that occur during customer-initiated construction events (i.e., when customers normally construct buildings or purchase building systems equipment).
- Achieve market transformation by helping customers and designers make energy efficient equipment specification, building/system design, lighting design, and commissioning part of standard business practices.
- Stimulate commercial and industrial customer investments in energy efficiency measures.
- Facilitate effective implementation of New Jersey's new commercial energy code as well as future upgrades to that code.

The C&I Retrofit program is intended to affect efficiency for customer initiated projects. With the federal standard eliminating the manufacture of the most common T12 lamps found in commercial buildings, the choices the customer will face in customer initiated construction of new facilities or renovations of existing facilities will focus on T8 or T5. The focus of the prescriptive program is on customer initiated construction and equipment replacement events that are a normal part of their business practice. This is a different focus from the Direct Install or Pay-for-Performance programs which are intended to reach commercial and industrial customers with comprehensive whole building energy retrofits which may not be a normal customer initiated business practice. We believe it is appropriate to include T12s in programs focused on promoting a whole building approach to energy efficiency and delivering deeper savings to these customers.

Second, one of the goals of the prescriptive program is market transformation. Over the years the standards affecting several technologies have changed, impacting their place in the program. For example, when federal standards regarding traffic lighting prohibited the manufacture of incandescent traffic lights, the program eliminated the incentive to install LED traffic lights. The change in standards related to motor efficiency has resulted in the program eliminating incentives for premium efficiency motors. As performance thresholds for HVAC equipment have changed so have the incentive requirements. LED exit signs are another example of lighting technology which was eligible and has been phased out due to changes in the market standards. In lighting the current "industry standard" is based on the T8 technology.

In the interest of promoting greater energy savings in whole building incentive programs that focus on comprehensive retrofits rather than influencing customer initiated projects, it is appropriate to retain T12 incentives in Direct Install and Pay-for-Performance programs.

Comment: Dynamic Energy disagreed with the proposal to reduce the CHP program budget. Dynamic Energy stated that CHP installations are vital to providing reliable base load energy to end users while taking enormous strain off the grid. CHP projects take 12 to 18 months to develop and require an initial investment of $10,000 to $20,000 for engineering studies to determine if a CHP project is feasible. While applications are not currently pouring in, we are at the beginning of a dynamic movement toward commercial CHP.

ClearEdge asked the Board to reconsider the proposal to reduce the budget for the CHP/Fuel Cell program. ClearEdge also stated that distributed generation projects using fuel cell systems typically require between 12 and 18 months to properly qualify, develop and contract. Incentive funding stability is critical to early project phases. If drastic budget changes occur during the initial project discussions, energy consumers considering the use of fuel cell systems at their site may withdraw from the project because they are unsure of the State's commitment to the program.

NJNG also expressed concern regarding the proposed transfer of funds from the CHP program budget. NJNG has actively participated in the Board's CHP Working Group and has heard trade allies mention repeated concerns about the stability of the program, especially given the much longer lead times necessary for these projects to be coordinated at the customer level and given the magnitude of the necessary investment levels. If the Board does feel the need to reduce the CHP program budget, NJNG asks the Board to provide some signals and guidance regarding the longer term commitment to this market, including the potential to separately show a proposed funding level for CHP through the pending release of an updated straw proposal for the 4-year CRA program for FY14-FY17.

Response: Staff concurs that CHP needs to be an important part of the State's energy mix and notes that the State Energy Master Plan (EMP) called for the development of 1,500 MW of CHP. The Board remains committed to developing CHP and other forms of distributed generation to achieve the goal set out in the EMP.

Staff will revise its recommendation and proposes to allocate an additional $2 million to the CHP program compared to what was included in the Request for Comments. This should leave sufficient funds to meet anticipated program demand through June. Staff will also consider recommending or approving additional budget reallocations between now and June should additional CHP applications be submitted that would result in the program fully utilizing its budget and if additional funds are available in other program budgets.

Staff concurs with NJNG's comment that it is important to provide the industry with some guidance regarding ongoing support for CHP/fuel cell projects. Staff intends to include a proposed funding level for CHP/fuel cell projects in its forthcoming revised CRA straw proposal.

Comment: NJNG supports Staff's proposal to offer a rebate for energy efficient refrigerators, to expand lighting incentives and specifically the Green New Jersey Resource Team, to increase funding for co-op marketing and to expand the food service incentives statewide. OneChange supported the changes to the programs and budgets proposed by Staff.

Response: Staff appreciates NJNG and OneChange's support for the proposed changes.

Comment: NJNG also strongly supported the concept of a Storm Response Contingency budget. Providing such budget flexibility will allow Board Staff to be responsive to customers impacted by the storm if one program has a stronger or faster response time than originally projected.

Response: Staff appreciates NJNG's support of the Storm Response Contingency. However, due to NJNG's comments about Staff's CHP proposal and other comments from stakeholders, Staff has decided to recommend allocation of those funds to CHP and Home Performance with Energy Star at this time.

Comment: As a general recommendation, Rate Counsel suggests that the OCE make it clear whether such budget estimates are based on historic trends for specific programs, specific circumstances for the program timeframe the OCE is concerned about, and/or proposed program changes. Rate Counsel states that the OCE has provided insufficient information to support its proposed increases to the budget for some programs but not others, and has provided neither the data nor a clear description of the methodology underlying its recommendations.

Response: In November 2012 the Board approved 18-month budgets for the period from January 1, 2012 through June 30, 2013. The table included in Staff's request for comments showed actual expenses and commitments for the period from January 2, 2012 through December 31, 2012 which means we are now two thirds through the 18 month budget period.

The table also included estimated expenses and commitments as of June 30, 2013. The Request for Comments notes that estimated expenses and commitments are provided by the program managers. The program managers develop estimated expenses and commitments based on historic trends that, as noted above, include 12 months of actual results for the 18-month budget period.

The program managers also take into consideration pipeline activity, which includes applications that have been submitted but not yet approved, discussions with contractors regarding applications expected to be submitted in the future and the impacts of proposed changes to the programs. The program managers are in the best position to develop estimated expenses and commitments and Staff appropriately relies on their informed opinion to develop such estimates.

Staff notes that at this time there is very little data upon which to develop estimates of the impacts of the Storm Response programs. However, given the importance of the State's rebuilding efforts, it is important that programs include sufficient funded to meet the needs of customers impacted by the storm.

Comment: Rate Counsel stated that absent any supporting information, the proposal to increase the Residential HVAC budget by $3.25 million is puzzling given that the OCE is projecting $3.2 million in unspent for that for that program. Rate Counsel also stated that it does not appear reasonable that the OCE is only proposing to transfer $1.8 million in funds to the Home Performance with Energy Star program if it believes the program will have a deficit of $2.3 million by the end of June.

Response: Regarding the HVAC program, the increased incentives for customers that were impacted by the storm has the potential to significantly increase the demand for incentives for replacement air conditioners, water heaters and heating equipment. Therefore, Staff is erring on the side of caution and including additional funds to meet additional potential demand.

Rate Counsel is correct in that the proposed transfer of $1.75 million to the Home Performance with Energy Star program is less than the projected deficit of $2.3 million. Staff will revise its recommendation and proposes to allocate an additional $1.6 million to the Home Performance with Energy Star program compared to what was included in the Request for Comments which should result in adequate funds being available to meet anticipated participation levels.

Comment: Rate Counsel stated that the OCE should provide the basis for restarting the clothes washer and refrigerator mail in rebates and circulate it amongst stakeholders for comment before it proposes the change to the Board.

Response: The clothes washer and refrigerator mail in rebate component of the Energy Efficient Products program was implemented successfully in past years. Information regarding the costs, number of rebates issued and associated energy savings are included in multiple reports posted on the NJCEP web site. For example, monthly Progress Toward Goals reports show the number of washers rebated, the number of appliances recycled, the number of CFL's distributed and the number of consumer electronics rebated, as well as the expenses for the Energy Efficient Products program. This information is supplemented with energy savings associated with each program in the quarterly progress toward goals and annual reports.

In the spring of 2012, Staff was faced with developing proposals to reduce the 2012 NJCEP budget by over $331 million to address the level of funds lapsed to the State General Fund. At that time Staff was concerned that there would be insufficient funds to continue what it believed to be the core NJCEP programs through the end of the year and proposed cutting several program components for budgetary reasons only, even though the program components were delivering cost effective energy savings.

Now, with the benefit of 6 or 8 additional months of actual experience, there are sufficient funds to reinstate these beneficial program components. Further, given Staff's desire to fully expend the NJCEP budget, as consistently recommended by Rate Counsel over the past several years, Staff continues to recommend that the clothes washer and refrigerator rebates be restarted at this time.

Comment: Rate Counsel indicates that the request for comments includes a proposal to increase the co-op marketing percentage for qualifying advertising from 25% to 40% for the HVAC program, from 40% to 50% for the HPwES program and from 25% to 40% for the Residential New Construction program. Rate Counsel has consistently supported the OCE's efforts to market its programs. However, Rate Counsel states that the Request for Comments does not attempt to quantify the impact that the proposed increases in the co-op marketing percentages would have on participation in the three effected programs. It is difficult for Rate Counsel to comment on these proposals in the absence of this information.

Response: Co-op advertising is a particularly efficient way to create a broader awareness of the programs by utilizing the marketing budgets of contractors. In the past six month, the NJCEP has partnered with contractors for co-op advertising, which includes newspaper, television, yellow pages, direct mail, billboards and radio. The NJCEP marketing budget would not have been able to expand the energy efficiency message so broadly without these partnerships. Experience has shown that customers respond more favorably to the advertising efforts of local neighbor contractors rather than being directed to a state agency website for more information.

Staff generally concurs with Rate Counsel that information regarding the estimated impacts of additional marketing is important to developing proposed marketing budgets and plans. The new Program Administrator will begin to address this issue. Specifically, the selected Program Administrator will develop metrics to track, measure and evaluate the effectiveness of marketing plans and activities in driving customer awareness of NJCEP programs and increasing participation rates. Staff will coordinate with the Program Administrator to develop this type of information and to make it available to interested stakeholders. However, given Staff's desire to increase public awareness of NJCEP programs, Staff continues to recommend increased co-op marketing incentives at this time.

Comment: NJNG recognized that the proposed changes to the Direct Install program incentive cap and eligibility requirements will help reach more customers and potentially achieve deeper savings. However, NJNG suggest that the Board only consider this change if there is an expectation that the NJCEP will be able to maintain these higher incentives for the next program year beginning July 1st. The incentive levels and qualifications have been changed several times over the past few years and NJNG believes that any short-term change could create more confusion in the marketplace.

Rate Counsel stated that without knowing the reasons for the proposed changes to the Direct Install program, it cannot comment whether these changes are necessary. The proposed change to the program is so significant that it warrants detailed explanation. Before the OCE proposes the change to the Board it should provide the rationale for the change and allow opportunity for stakeholders to provide comment.

Response: Staff shares NJNG's concern regarding the potential confusion created by multiple changes to program incentives. However, at this time the NJCEP is in the process of transitioning to a new Program Administrator that will be developing new programs and budgets for FY14. The transition will include an assessment of potential changes to several of the programs including a new delivery mechanism for the Direct Install program.

Regarding Rate Counsel's comments, TRC has reported that there are a number of beneficial, cost effective projects that have left savings on the table due to the $75,000 per project cap and that several projects were ineligible due to the kW demand cap. By raising both the dollar and kW cap, more customers and measures will be eligible which will help achieve the goals of the EMP. Given the impending transition and the desire to maximize the impact of the NJCEP consistent with the EMP, Staff continues to support the proposed changes to the Direct Install program.

Comment: Rate Counsel stated that before expanding incentives for Food Service energy efficiency measures to the entire state, the OCE should circulate the results of cost benefit analyses and/or other supporting information for those measures.

Response: Staff generally concurs with Rate Counsel's premise that new programs or pilot programs should be evaluated prior to expansion statewide and supports an evaluation of these measures after the rebates are in place for some time. However, Staff recommends that incentives for Food Service measures be expanded statewide at this time as an initiative consistent with the goals of the EMP.

Comment: Rate Counsel states that the OCE should explain how the OCE plans to spend $750,000 additional budget for the Program Coordinator task given that this task involves numerous subtasks.

Response: The Program Coordinator will continue to provide the types of services it has provided in support of the NJCEP since 2007. A detailed description of these services is set out in the OCE Compliance filing posted on the NJCEP web site. As noted in the request for comments, the 2012-2013 budgets were developed assuming the Program Coordinator services would be transferred to the new Program Administrator in February 2013, i.e. the 18 month budget did not include funds for Program Coordinator services beyond January 2013.

Due to delays in the issuance of the contract for the new Program Administrator, Staff now believes Program Coordinator services will be needed through the end of June. Fees for Program Coordinator services have averaged approximately $150,000 per month. Staff proposed to increase by the budget by $750,000 which equals 5 additional months at $150,000 per month.

STAFF RECOMMENDATIONS

Based on the above, Staff has revised the recommendations included in the Request for Comments as follows:

- Eliminate the proposal to establish a Storm Response Contingency budget line
- Reallocate the $3.6 million initially proposed for the Storm Response Contingency budget line as follows;
    - Allocate $2 million to the CHP program budget
    - Allocate $1.6 million to the Home Performance with Energy Star program budget

Staff has reviewed and considered the comments and for the reasons set out above, Staff recommends that the Board approve the proposed changes to the programs and budgets set out in the Request for Comments and summarized herein above with the exception of the change noted above.

The following table shows the final EE budgets recommended by Staff that incorporates the changes discussed above:

Table 6

Revised 2012 - 2013 Energy Efficiency Program Budget

Programs	2012 + 6 Month 2013 Budget From 11/20/12 Board Order (a)	OCE Approved Budget Modifications (b)	Line Item Transfers (c)	Revised 2012 + 6 Month 2013 Budget (d)=(a)+(b)+(c)
Residential EE Programs				
Residential HVAC - Electric & Gas	$26,891,450.41	($2,500,000.00)	$3,250,000.00	$27,641,450.41
Residential New Construction	$20,264,931.10	$2,500,000.00	$5,000,000.00	$27,764,931.10
Energy Efficient Products	$22,137,799.26		$4,000,000.00	$26,137,799.26
Home Performance with Energy Star	$39,358,734.71		$3,350,000.00	$42,708,734.71
Residential Marketing	$1,743,976.16			$1,743,976.16
Sub Total Residential	**$110,396,891.64**	**$0.00**	**$15,600,000.00**	**$125,996,891.64**
Residential Low Income				
Comfort Partners	$50,000,000.00			$50,000,000.00
Sub Total Low Income	**$50,000,000.00**	**$0.00**	**$0.00**	**$50,000,000.00**
C&I EE Programs				
C&I New Construction	$5,524,122.02		($1,000,000.00)	$4,524,122.02
C&I Retrofit	$57,257,018.97			$57,257,018.97
Pay-for-Performance New Construction	$7,610,817.58			$7,610,817.58
Pay-for-Performance	$50,055,958.00			$50,055,958.00
CHP	$17,000,000.00		($3,500,000.00)	$13,500,000.00
Local Government Energy Audit	$5,000,000.00		$500,000.00	$5,500,000.00
Direct Install	$60,632,162.20		($4,000,000.00)	$56,632,162.20
Marketing	$1,575,000.00			$1,575,000.00
Large Energy Users Pilot	$20,835,056.68			$20,835,056.68
Sub Total C&I	**$225,490,135.45**	**$0.00**	**($8,000,000.00)**	**$217,490,135.45**
Other EE Programs				
Green Jobs and Building Code Training	$386,450.47			$386,450.47
Sustainable Jersey	$1,439,850.89			$1,439,850.89
Sub Total Other Energy Efficiency Programs	**$1,826,301.36**	**$0.00**	**$0.00**	**$1,826,301.36**
Total Energy Efficiency	**$387,713,328.45**	**$0.00**	**$7,600,000.00**	**$395,313,328.45**

The overall budget as well as the budgets for RE and OCE shown in Tables 2, 4 and 5 above remain unchanged. The budget for EDA also remains unchanged.

Honeywell, TRC and the OCE have submitted revised compliance filings that incorporate the changes recommended by Staff. Staff has reviewed the revised compliance filings and determined that the revised program descriptions and budgets are consistent with the proposed changes. Therefore, Staff recommends approval of the revised compliance filings.

Clothes washer rebates were available statewide through December 31, 2012. By Order dated November 20, 2012, the Board approved Staff's recommendation to eliminate rebates for clothes washers purchased after December 31, 2012. By Order dated January 23, 2013 the Board partially reversed the decision to eliminate clothes washer rebates and approved continuing clothes washer rebates for customers impacted by Sandy. In this Order Staff is recommending reinstating clothes washer rebates statewide. In Order to avoid customer confusion and complaints, and in order to minimize administrative efforts and costs, Staff recommends that clothes washer rebates be available for any washer purchased after

December 31, 2012 and prior to June 30, 2013. Thus, in combination with the 2012 programs and budgets, this would make washer rebates available for any eligible washer purchased up to and through June of 2013.

DISCUSSION AND FINDINGS

Consistent with the approved contracts with the Market Managers and the Program Coordinator, the OCE has coordinated with the Market Managers and the Program Coordinator regarding the proposed changes to the programs and budgets discussed above. The OCE, in conjunction with these contractors, discussed the proposed changes at the February and March monthly public meetings with the EE and RE committees to receive comments and input. The proposed changes were circulated to the EE and RE committee listservs and posted on the NJCEP web site and written comments were accepted from the public. Accordingly, the Board **HEREBY FINDS** that the process utilized in developing the proposed changes to the 2012-2013 programs and budgets was appropriate and provided stakeholders and interested members of the public the opportunity to comment.

By Order dated November 20, 2012, the Board provided Staff with limited delegated authority to modify program budgets if certain conditions are met. On March 18, 2013, Staff authorized the transfer of $2.5 million from the Residential HVAC program to the Residential New Construction program budget. The transfer did not exceed 10% of the program budget and Staff circulated a notice of the change for public comment on February 26, 2013. Staff also provided the Commissioners with advanced notice of the proposed transfer. None of the Commissioners objected to the proposed transfer. Based on the above the Board **HEREBY FINDS** that the budget modification approved by Staff was consistent with requirements set out in the Board's November 20, 2012 Order. The Board **HEREBY RATIFIES** the $2.5 million transfer from the Residential HVAC program to the Residential New Construction program previously authorized by Staff.

The OCE has considered the extensive public stakeholder input received, as well as the comments of the Market Managers and Program Coordinator. The OCE believes the changes to the programs and budgets discussed above will deliver significant benefits to the State. Therefore, the OCE recommended approval of the 2012 program and budget filings consistent with the recommended modifications discussed above.

The Board has reviewed the proposed changes discussed above and **FINDS** that the changes will benefit customers, are consistent with the EMP goal of reducing energy usage and associated emissions and support the Board's objective of fully expending the NJCEP program budget. Therefore, the Board **HEREBY APPROVES** revised compliance filing submitted by Honeywell dated March 19, 2013, the revised compliance filing submitted by TRC dated March 19, 2013 and the revised OCE compliance filing dated March 12, 2013.

DATED: 3/20/13

BOARD OF PUBLIC UTILITIES
By:

ROBERT M. HANNA
PRESIDENT

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

IN THE MATTER OF COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR THE 2009 - 2012 CLEAN ENERGY PROGRAM: REVISED 2012 - 2013 PROGRAMS AND BUDGETS
DOCKET NOS. EO07030203 & EO11100631V

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