



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY PROGRAM )  
– PROGRAMS AND BUDGETS FOR FISCAL YEAR )  
2015 )

DOCKET NO. QO14050489

**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  
**Steve Swetz**, Public Service Electric and Gas Company  
**Tracey Thayer**, New Jersey Natural Gas  
**Mary Patricia Keefe**, Elizabethtown Gas Company  
**Stefanie Brand**, Director, Rate Counsel

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities ("Board") at its June 18, 2014 public meeting, where the Board considered the proposed fiscal year 2015 ("FY15") programs and budgets for New Jersey's Clean Energy Program ("NJCEP").<sup>1</sup>

**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. Among other things, EDECA established requirements to advance energy efficiency and renewable energy in New Jersey through the societal benefits charge ("SBC"). N.J.S.A. 48:3-60(a)(3). EDECA further empowered the Board to initiate a

<sup>1</sup> The budgets approved in this Order are subject to State appropriations law.

proceeding and cause to be 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 ("DEP"), 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"). EDECA further provides that after the eighth year, the Board shall make a determination as to the appropriate level of funding for energy efficiency and Class I renewable energy programs and it shall determine, as a result of a comprehensive analysis, the programs to be funded by the SBC, the utilities' level of cost recovery, and performance incentives for existing and proposed programs.

As required by EDECA, in 1999, the Board initiated its first comprehensive EE and RE resource analysis proceeding, and at the conclusion of that proceeding, issued its initial CRA order, dated March 9, 2001, Docket Nos. EX99050347 et seq. ("CRA I Order"). CRA I set funding levels for the years 2001 through 2003, established the programs to be funded and budgets for those programs. Since the Board's issuance of CRA I Order, the Board has initiated and concluded a second, third and fourth CRA proceeding that set funding levels through FY14<sup>2</sup>. The Board also considered and approved, on an annual basis, NJCEP programs and budgets.

By Order dated December, 23, 2004, Docket No. EX04040276, the Board approved the second CRA ("CRA II Order"). By order dated September 30, 2008, the Board approved CRA III, Docket No. EO07030203. By Order dated October 7, 2011, Docket No. EO11050324V, (the October 11<sup>th</sup> Order), the Board directed the Office of Clean Energy ("OCE") to initiate a fourth CRA proceeding and to schedule public hearings on funding levels for the energy efficiency and renewable energy programs for calendar years 2013-2016. This proceeding was subsequently modified to develop funding levels for FY14-FY17 as opposed to calendar years 2013-2016. ("CRA IV Order").

By Order dated June 21, 2013, Docket No. EO13050376V, the Board approved the FY14 programs and budgets and compliance filings. Those approved filings included program descriptions as well as detailed budgets that break down the overall budget of the EE and RE programs into budget components including Administration, Sales and Marketing, Rebates and Other Direct Incentives, for example. As it had done in prior years, the Board took action throughout the year to update and otherwise modify the programs and budgets described in the June 21, 2013 Order. These revisions to the June 21, 2013 Order were memorialized in Orders dated October 16, 2013, December 28, 2013 and January 29, 2014, in the above-captioned docket.

At its June 21, 2013 agenda meeting and memorialized in the CRA IV Order, the Board approved a funding level of \$344,665,000 for FY14 and deferred making a decision regarding FY15-FY17 funding levels until a later date.

---

<sup>2</sup> By Order dated November 20, 2012, Docket Nos. EO07030203 and EO11100631V, the Board approved a six month funding level for the period from January 1, 2013 through June 30, 2013 that had the effect of shifting the NJCEP budget to a fiscal year cycle, as opposed to a calendar year cycle, to align with the State budget cycle.

By Order dated February 4, 2014, ("February 14<sup>th</sup> Order") Docket No. EO13050376V, the Board delegated limited budget authority to Board Staff which authorized Staff to modify NJCEP budgets provided certain conditions set out in the Order were met. Staff made several modifications to the NJCEP FY14 budgets consistent with the requirements set out in this Order which are discussed further below.

At its June 18, 2014 agenda meeting, the Board approved a funding level of \$344,665,000 for FY15 and deferred making a decision regarding FY16-FY17 funding levels until a later date. The new funding levels approved by the Board for FY15 in the CRA IV Order have been utilized below in setting the FY15 budgets.

### **DEVELOPMENT OF THE FY15 PROGRAMS AND BUDGET FILINGS**

In conjunction with the Department of Treasury, Division of Purchase and Property ("Treasury"), Staff prepared requests for proposals for Market Manager and Program Coordinator services, for the purpose of administering the NJCEP programs on behalf of the BPU.

On August 19, 2005, Treasury issued, on behalf of the Board, Request for Proposal ("RFP") 06-X-38052 for NJCEP Management Services. Section 3.0.4 of the Market Manager RFP describes one of the Market Manager functions as follows:

The Market Manager(s), in conjunction with the Program Coordinator, shall lead and facilitate the development and revision of programs and program budgets in a coordinated process with the OCE, CEEEP<sup>3</sup> and CEC<sup>4</sup>. These changes may be in reaction to program adjustments proposed by CEEEP. The Market Manager(s) shall review the programs and their effectiveness for the purpose of improving and modifying program designs on a periodic basis . . . .

On October 19, 2006, Honeywell International, Inc. ("Honeywell") was awarded Contract No. A67052 to manage the residential EE programs and RE programs and TRC Energy Services ("TRC") was awarded Contract No. A67053 to manage the commercial and industrial ("C&I") EE programs.<sup>5</sup>

On March 20, 2007 Treasury issued, on behalf of the Board, RFP 07-X-38468 for NJCEP Program Coordinator Services. Section 3.0 of the RFP for Program Coordinator services states: "[t]he Program Coordinator shall manage, monitor and ensure the performance of the Market Managers and other entities that receive funds through the New Jersey Clean Energy Programs[.]"

---

<sup>3</sup> CEEEP refers to the Center for Energy, Economic and Environmental Policy at Rutgers University.

<sup>4</sup> CEC refers to the Clean Energy Council which is no longer operational. However, the EE and RE Committees of the former CEC continue to meet regularly and are open to any member of the public and function as public stakeholder groups.

<sup>5</sup> Treasury issued revised contracts dated December 31, 2013 for TRC and AEG and January 6, 2014 for Honeywell that extended the three contracts through June 30, 2014. Staff has submitted requests to extend the three contracts through the end of FY15 which are currently pending with Treasury.

On July 11, 2007, Applied Energy Group ("AEG") was awarded Contract No. 68922 to provide Program Coordinator services. Over the course of 2007, the Board completed the transition of the management of many of the EE and RE programs from the utilities and Staff to Honeywell and TRC. On October 15, 2007 AEG completed its transition and commenced operation.

In 2007, the process for developing proposed programs and budgets was revised to take into account the fact that the majority of the NJCEP programs were, and currently are, managed by the Market Managers. Specifically, the Market Managers and the Program Coordinator, consistent with their contracts, were tasked with the role of presenting proposed changes to the programs and budgets to the EE and RE committees and for incorporating the changes recommended by public stakeholders into the programs presented to the Board.

CEEEP was engaged by the Board to manage the evaluation of the NJCEP. CEEEP evaluation activities included preparation of a program cost benefit analysis, preparation of a multi-year evaluation plan, and management of other evaluation activities performed by third party contractors in previous years including: an EE Market Assessment performed by Summit Blue Consulting ("Summit Blue"), an RE Market Assessment performed by Summit Blue, and an Impact Evaluation performed by KEMA, Inc. ("KEMA"). All of the evaluation reports are posted on the NJCEP web site and are available to public stakeholders.

The FY15 budget process commenced with the Program Coordinator's preparation of an 8 & 4 Report (8 months of actual expenses and 4 months of estimated expenses). The Program Coordinator utilized actual program expenses through April 2013, as reported through its Information Management System ("IMS"), and requested that all Market Managers provide estimated expenses for the remainder of the fiscal year and estimated commitments that would exist as of June 30, 2014. This 8 & 4 Report informed the OCE's proposed budget discussed below.

Starting in March 2014, monthly public stakeholder meetings of the EE and RE committees, chaired by the OCE, began to include discussion of the FY15 program plans and budgets. Discussions ensued at the meetings held in April, May and June of 2014. Meeting notices, including dates, times, and locations, were posted on the NJCEP website and sent to the committee listservs. All agenda and discussion materials were distributed to the committee listservs and meeting notes were posted on the website at:

<http://www.njcleanenergy.com/main/clean-energy-council-committees/clean-energy-committee-meetings-notes>

At these meetings, representatives of the OCE, Honeywell, TRC, the Utilities, the Program Coordinator, Rate Counsel, DEP, the Economic Development Authority ("EDA"), EE/RE installers, EE/RE technology companies, and other interested parties discussed proposed changes to the programs and budgets. The OCE also solicited comments from meeting participants regarding other suggested changes to the programs.

Pursuant to the Board's CRA III Order, page 58, at a minimum, each program manager is required to submit a compliance filing that includes:

1. A description of the program
2. Identification of the target market and of customer eligibility
3. A description of the program offerings and customer incentives
4. A description of program delivery methods

5. A description of quality control provisions
6. Program goals including specific energy savings or renewable generation targets
7. Minimum requirements for program administration
8. Marketing plans
9. Detailed budgets that include, at a minimum, a breakdown of costs by the following budget categories:
  - a. Administration and program development
  - b. Sales, marketing, call centers and website support
  - c. Training
  - d. Rebates and other direct incentives
  - e. Rebate processing, inspections and other quality control
  - f. Performance incentives, and
  - g. Evaluation and related research

As discussed further below, Staff is recommending that the current compliance filings and portfolio of NJCEP programs be extended for FY15. Pursuant to additional meetings with NJCEP Market Managers and Program Coordinator, Staff will bring any recommended changes to FY15 program descriptions and associated compliance filings to the Board at a future agenda.

In the CRA III Order, the Board directed that stakeholders and interested members of the public shall have an opportunity to comment on the detailed program plans and budgets prior to the Board's review. *Id.*, at 59. Pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-6 et seq., on May 23, 2014, the Board gave notice that a public hearing had been scheduled for June 11, 2014, to receive comments on the proposed FY15 budgets ("the Notice"). The proposal to extend FY14 programs into FY15 and proposed FY15 budgets were posted on the NJCEP web site and circulated to the EE and RE Committee listservs along with the hearing notice. The hearing notice requested written comments on the proposed programs and budgets by June 12, 2014.

During the June 11, 2014 public hearing, members of the public discussed the proposed programs and budgets. Both the written comments received and the testimony taken at the public hearing are considered below.

This Order will discuss the OCE's recommendations and issues related to the Board's review of proposed FY15 programs and budgets.

#### **STAFF AUTHORIZED MODIFICATIONS TO FY14 NJCEP BUDGET**

As mentioned above, the Board issued a February 4, 2014 Order delegating to Staff limited authority to modify NJCEP budgets, provided certain conditions set out in the Order were met. In part, the Order authorized Staff to modify NJCEP budgets within a given Funding Category, such as EE, RE, EDA, etc., as long as: 1) the reallocation did not reduce a program's budget by more than 10% 2) Staff notified each Commissioner in writing; and 3) Staff circulated a summary of the proposed changes to the public for comment, at least seven days prior to implementing any budget modification.

The budget delegation Order also required Staff to report on any budget reallocations to the Board during the public session of any agenda meeting at which the Board considered the budget, including public comments on the proposed reallocations. Under that authority, Staff made modifications to certain NJCEP budget items and provides the following information related to approved reallocations:

**Local Government Energy Audit Program**

By email dated February 13, 2014, TRC notified Staff that it had experienced a spike in participation in the Local Government Energy Audit (“LGEA”) program and that it was projecting a need for additional funds to meet anticipated participation through the remainder of the fiscal year. TRC requested the transfer of \$650,000 from the Pay-for-Performance (“P4P”) program to the LGEA program. TRC indicated that the proposed decrease to the P4P program budget would have no adverse impacts on its ability to meet current and future projected program commitments.

The following table shows the proposed changes:

Program	FY 14 Budget	Transfer	Proposed Budget	% of Budget	Date of Last Transfer
Local Government Energy Audit	\$ 2,345,759.50	\$ 650,000.00	\$ 2,995,759.50	27.71%	n/a
Pay for Performance	\$ 45,952,273.75	\$ (650,000.00)	\$ 45,302,273.75	-1.41%	n/a
<b>Total</b>	<b>\$ 48,298,033.25</b>	<b>\$ -</b>	<b>\$ 48,298,033.25</b>		

No comments were received and Staff approved this proposed change on or about February 28, 2014.

**Home Performance with Energy Star**

By letter dated March 14, 2014, Honeywell notified Staff that it had experienced an increase in participation in the Home Performance with Energy Star (“HPwES”) program and that it projected a need for additional funds to meet anticipated participation through the remainder of the fiscal year. Honeywell requested the transfer of \$700,000 from the Residential New Construction (“RNC”) program and \$2,500,000 from the Large Energy Users program (“LEUP”), in order to transfer \$3,200,000 to the HPwES program. Honeywell and TRC indicated that the proposed decreases to the RNC and LEUP programs budget would have no adverse impacts on the ability to meet current and future projected program commitments.

The following table shows the proposed changes:

Program	2 <sup>nd</sup> Revised FY 14 Budget	Transfer	Proposed Budget	% of Budget	Date of Last Transfer
Residential New Construction	\$18,910,092.90	(\$700,000.00)	\$18,210,092.90	-3.7%	NA
Home Performance with Energy Star	\$36,862,091.99	\$3,200,000.00	\$40,062,091.99	2.7%	NA
Large Energy Users Program	\$28,853,781.83	(\$2,500,000.00)	\$26,353,781.83	-8.7%	NA
<b>Total</b>	<b>\$84,625,966.72</b>	<b>\$0.00</b>	<b>\$84,625,966.72</b>		

Honeywell also requested two additional budget modifications in its March 14<sup>th</sup> letter that proposed to transfer funds between line items within a single program's budget. These changes were authorized by Staff on or about March 31, 2014.

The following summarizes the comments that were received regarding this proposed budget modification.

**Comment:** By letter dated March 26, 2014, Mr. Steven Goldenberg submitted comments on behalf of the Large Energy Users Coalition ("LEUC"). The comments concerned the proposal to transfer funds out LEUP.

Specifically, LEUC stated its concern that the transfer of funds could establish a precedent for future transfers or provide a basis for a reduction in program size, which would be an unfortunate development and a large step backwards. LEUC argued that if surplus funding is available in the LEUP due to under subscription, that greater efforts be taken to advertise the program to potential participants to insure that the program be fully subscribed in future years. LEUC stated certain large energy users are unable to participate due to eligibility thresholds and indicated that it stands ready to work with the Board to address this issue.

**Response:** Staff concurs with the recommendation to expand program marketing as a means to stimulate additional participation in the program. Staff is currently working with Honeywell and TRC to develop updated marketing plans, and Staff's FY15 CRA Straw proposal recommended a significant increase in funding for marketing activities, subject to approval by the Board and Treasury. Staff and TRC also met with representatives of the LEUC to discuss program requirements that members have indicated limit participation in the program. These discussions are ongoing and any proposed program changes that result from those discussions will be included in the proposed revisions to the FY15 compliance filings, which should be available for comment in July.

Subsequent to the transfer of \$2.5 million out of the LEUP, the LEUP has a FY14 budget of \$26,353,781. As of May 30, 2014, only \$12,506,947 had been spent or committed. This left almost \$14 M unspent or uncommitted with only one month remaining in the program year, while other NJCEP programs have or are projecting that they will be forced to close to new participants due to budget constraints. While Staff is sympathetic to the concerns of the LEUC, those concerns must be balanced by the overriding need to better align budgets with spending. Staff will continue to work with the LEUC to develop ideas on how to increase participation in the program, but believes that it is appropriate at this time to transfer funds from the LEUP into a program that would otherwise be forced to close without an influx of additional funds.

**Comment:** By letter dated March 24, 2014, the Air Conditioning Contractors of America supported the proposal to shift additional funds into the Home Performance with Energy Star program and to keep these popular programs solvent.

**Response:** Staff thanks the Association for its support of the budget modification.

**HPwES and Energy Efficient Products**

By letter dated April 21, 2014, Honeywell notified Staff that it continued to experience an increase in participation in the HPwES and Energy Efficient Products ("EEP") programs. It projected a need for additional funds to meet anticipated participation levels in these programs through the remainder of the fiscal year.

Honeywell indicated that participation levels in the Residential HVAC program were lower than anticipated and anticipated that approximately \$2.2 million would remain unspent at the end of the fiscal year. Honeywell proposed to transfer funds from the Residential HVAC program to the HPwES and EEP programs as follows:

1. Transfer \$1,373,076.89 from the Rebate, Grants and Other Direct incentives component of the Residential HVAC program budget;
2. Transfer \$688,098.38 to the Rebate Processing, Inspections and Other Quality Control component of the HPwES program budget; and
3. Transfer \$684,978.51 to the Rebates, Grants and Other Direct Incentives component of the EEP Program budget.

The following table shows the proposed changes:

	FY 2014 Budget	Transfer	Proposed Budget	% of Budget	Date of Last Transfer
Residential HVAC - Electric & Gas	\$13,730,768.98	\$(1,373,076.90)	\$12,357,692.08	-10%	
ENERGY Efficient Products	\$18,256,232.84	\$684,978.51	\$18,941,211.35	4%	
Home Performance with Energy Star	\$40,062,091.99	\$688,098.38	\$40,750,190.37	2%	3/31/2014

Honeywell also proposed to transfer funds between HPwES budget line items. No public comments were received and these changes were authorized by Staff on or about May 5, 2014.

**Various C&I Programs**

By email dated April 9, 2014, TRC notified Staff that it had experienced an increase in participation in the Local Government Energy Audit, Direct Install ("DI") and commercial and industrial ("C&I") New Construction programs, and that it was projecting a need for additional funds to meet anticipated participation through the remainder of the fiscal year. TRC requested the transfer of \$2,830,000 from the Pay-for-Performance program with \$375,000 allocated to the LGEA program, \$2,075,000 allocated to the DI program and \$380,000 allocated to the C&I New Construction program. TRC indicated that the proposed decrease to the P4P program budget

would have no adverse impacts on its ability to meet current and future projected program commitments.

The following table shows the proposed changes:

Program	2nd Revised FY 14 Budget	Transfer	Proposed Budget	% of Budget	Date of Last Transfer
Local Government Energy Audit	\$ 2,995,759.50	\$ 375,000.00	\$ 3,370,759.50	12.52%	2/28/2014
Direct Install	\$ 39,494,603.07	\$ 2,075,000.00	\$ 41,569,603.07	5.25%	n/a
New Construction	\$ 1,812,226.30	\$ 380,000.00	\$ 2,192,226.30	20.97%	n/a
Pay for Performance	\$ 45,302,273.75	\$ (2,830,000.00)	\$ 42,472,273.75	-6.25%	2/28/2014
<b>Total</b>	<b>\$ 89,604,862.62</b>	<b>\$ -</b>	<b>\$ 89,604,862.62</b>		

These changes were authorized by Staff on or about May 5, 2014. The following comment was received in response to this proposed budget reallocation:

**Comment:** By email dated April 17, 2014, Ms. Meredith Nole of American Efficient Lighting submitted comments regarding the proposed transfer of funds to the DI program. Ms. Nole's comments focused on the issue that the DI program is currently limited to six firms that are subcontractors to TRC and that other contractors are prohibited from participating in the program. Ms. Nole's stated her belief that this practice is discriminatory and does not support job growth or equal employment practices. Ms. Nole's asked for consideration to be included in whichever program best serves the end user and to not continue this uneven playing field.

**Response:** The DI program was developed in recognition that the small commercial market was being under served by the then existing portfolio of programs. Barriers to participation in the EE market for small commercial customers included a lack of resources, a lack of understanding of the costs and benefits of EE, and the fact that project development costs to contractors was higher than other programs.

To overcome these barriers, the DI program was developed as a one-stop shopping program for customers, whereby the contractor would perform an audit at no cost to the customer, opening the door for the contractor's DI program services and the installation of any recommended measures. The program was limited to a small number of contractors, each within a specific geographic area, as a means of limiting the high costs associated with enrolling customers in the program.

The issue raised by Ms. Nole's has also been raised by a number of other entities over the past several years. In general, Staff concurs with her recommendation to expand the program to allow additional contractors to participate. In December of 2011, the Board approved a change to the program and TRC proposed a change to its contract that would have expanded the DI program to include additional contractors. However, due to the impending plan to transition management of all NJCEP programs to a new Program Administrator, Treasury did not approve the proposed contract modification.

Staff continues to support opening up the DI program to additional contractors. Staff intends to work with TRC to develop an updated plan to expand the DI program to additional contractors in the near future, subject to approval by the Board and Treasury.

### **Comfort Partner Program**

The Comfort Partners low-income program is managed by six of the State's electric and natural gas utilities (Rockland Electric manages a similar program in its territory). The Board approves both an overall statewide budget and a detailed budget, which breaks down the overall statewide budget by utility and budget category.

By letter dated May 1, 2014, on behalf of the six utilities that manage the Comfort Partners program, South Jersey Gas requested certain changes to the Board-approved budget for this program. The utilities did not request any changes to the overall budget; rather, they proposed to shift funds between utilities and budget categories.

Several utilities have experienced higher than anticipated participation levels, while others experienced lower than anticipated participation levels. The utilities proposed to shift funding to those utilities experiencing higher than anticipated participation levels, in order to continue to serve as many customers as possible and to ensure that the full budget is expended.

The utilities also proposed changes to various budget line items, such as marketing, training and administration, which required shifting funds between utilities and between budget line items. As a result of weather conditions this winter, the utilities needed to expand marketing efforts to maintain participation levels. The utilities also indicated they re-bid the implementation services contracts and that the proposed budget changes were needed to align the budgets with the revised fee structures.

Staff authorized this budget change on or about May 21, 2014.

All of the budget modifications discussed above were approved prior to the release of Staff's proposed FY15 budget and are reflected in the draft budget spreadsheets that were circulated for comment. Additional requests to modify the FY14 budgets were submitted and approved after the release of the draft FY15 budget. These additional budget modifications are discussed below, and the final FY14 budget used to develop the proposed FY15 budget, as presented in the Staff Recommendations section of this Order, was updated to reflect these additional budget modifications.

### **Various C&I Programs**

By email dated May 14, 2014, TRC notified Staff that it has experienced an increase in participation in the C&I Retrofit and C&I New Construction programs and that it is projecting a need for additional funds to meet anticipated participation through the remainder of the fiscal year. TRC requested the transfer of \$1,592,710 from the Pay-for-Performance program and \$353,140 from the Large Energy User program with \$1,445,850 allocated to the C&I Retrofit program and \$500,000 allocated to the C&I New Construction program. TRC indicated that the proposed decrease to the P4P and LEUP budgets would have no adverse impact on its ability to meet current and future projected program commitments. All of the proposed transfers are to or from the Rebate, Grants and Other Direct incentives budget category.

The following table shows the proposed changes:

Program	3rd Revised FY 14 Budget	Transfer	Proposed Budget	% of Budget	Date of Last Transfer
Retrofit	\$ 50,293,828.21	\$ 1,445,850.00	\$ 51,739,678.21	2.87%	n/a
New Construction	\$ 2,192,226.30	\$ 500,000.00	\$ 2,692,226.30	22.81%	5/5/2014
Pay for Performance	\$ 42,472,273.75	\$ (1,592,710.00)	\$ 40,879,563.75	-3.75%	5/5/2014
Large Energy Users	\$ 26,353,781.83	\$ (353,140.00)	\$ 26,000,641.83	-1.34%	n/a
<b>Total</b>	<b>\$121,312,110.09</b>	<b>\$ -</b>	<b>\$ 121,312,110.09</b>		

These changes were authorized by Staff on or about June 10, 2014.

### **Board Confirmation of Budget Modifications Authorized by Staff**

Having reviewed the requests summarized above, the Board **FINDS** that due to increased participation levels, several program budgets or budget components required additional funding to remain operational through FY14. The Board **FINDS** that the proposed budget modifications authorized by Staff pursuant to the Board's February 4<sup>th</sup> Order are consistent with the requirements set out in the Order, are reasonable and will allow the programs to continue operating through the end of the budget year.

Based on the above, the Board **HEREBY AFFIRMS** Staff's approval of the NJCEP budget modifications submitted by Honeywell, TRC and the Utilities, as outlined above. The FY15 budgets discussed below are based, in part, on the final FY14 budgets and the final FY14 budgets shown below include these approved modifications.

### **Proposed FY15 Programs and Budgets**

Staff is proposing a continuation of the FY14 programs without change, as described in the Board approved FY14 compliance filings, until such time as proposed FY15 compliance filings can be considered by the Board.

The FY14 compliance filings include certain date sensitive requirements such as a June 30, 2014 application deadline for incentive eligibility and other dates that were established in anticipation of the FY15 program commencing on July 1, 2014. Staff recommends that the Board authorize Staff to approve changes to any such dates in order to continue the programs into FY15.

The May 23, 2014 Notice of the public hearing on the proposed budget included the proposed FY15 program budgets as well as Staff's CRA Straw proposal, and proposed detailed budgets. The detailed budgets were developed based on the proposed FY15 funding level set out in Staff's 2014 CRA Straw proposal and will not be repeated herein.

As mentioned earlier, the FY15 budget process commenced with the Program Coordinator's preparation of an 8 & 4 Report. In order to estimate FY14 carryover, estimated FY14 expenses were deducted from the final Board approved FY14 budget, including the budget reallocations discussed above. Of that carryover, the program managers estimate that \$146 million in rebate commitments will exist as of June 30, 2014, for projects to be completed in FY15 or FY16. The

following table shows the estimated carryover and the estimated commitments as of the end of FY14 that were used to develop the proposed FY15 budgets that were circulated for comment:

#### FY14 Carry Over

Budget Category	BPU Approved FY14 Budget	Estimated FY14 Expenses	Estimated FY14 Carry Over	Estimated Commitments	Estimated Unspent - Uncommitted Funds
Energy Efficiency	\$304,264,392.03	\$180,564,025.72	\$123,700,366.31	\$111,933,853.29	\$11,766,513.02
CHP-FC: Large & Small	\$37,964,525.92	\$3,456,026.56	\$34,508,499.36	\$9,296,810.00	\$25,211,689.36
Renewable Energy	\$20,311,137.42	\$6,259,948.18	\$14,051,189.24	\$9,748,340.00	\$4,302,849.24
EDA Programs	\$31,367,385.35	\$8,796,787.10	\$22,570,598.25	\$15,160,371.38	\$7,410,226.87
NJCEP Administration	\$11,385,232.71	\$7,148,450.84	\$4,236,781.87	\$0.00	\$4,236,781.87
True Grant	\$12,793,600.21	\$9,293,600.21	\$3,500,000.00	\$0.00	\$3,500,000.00
FY14 Supplemental Lapse	\$0.00	\$49,100,000.00	(\$49,100,000.00)	\$0.00	(\$49,100,000.00)
<b>Total NJCEP</b>	<b>\$418,086,273.64</b>	<b>\$264,618,838.61</b>	<b>\$153,467,435.03</b>	<b>\$146,139,374.67</b>	<b>\$7,328,060.36</b>

Estimated Expenses and Commitments from 8 & 4 Report

The following table shows the proposed FY15 funding level allocated to the various Funding Categories and used to develop draft FY15 budgets:

#### Proposed FY15 Funding Level

EE	\$195,266,000.00
CHP-FC <sup>6</sup>	\$25,000,000.00
RE	\$9,600,000.00
EDA	\$7,500,000.00
Program Administration	\$9,010,000.00
<b>Total NJCEP Programs</b>	<b>\$246,376,000.00</b>
<b>State EE Projects and Utility Costs</b>	<b>\$68,289,000.00</b>
<b>Energy Resilience Bank</b>	<b>\$30,000,000.00</b>
<b>Total</b>	<b>\$344,665,000.00</b>

Concerning the Economic Development Authority, the NJCEP has provided the EDA with funding for the NJCEP programs that EDA manages. Any unspent NJCEP funds held by EDA earn interest. The EDA has also issued loans and grants through the NJCEP that are repaid over time. Any such interest or loan repayment becomes available for new program activity. The EDA has estimated that interest and loan repayments for the period from July 1, 2014 through June 30, 2014 will total \$1,182,380.59. This funding is available for allocation to NJCEP programs.

At the time the draft FY15 budgets were released for comment, the Governor's Budget Message identified \$49.1 million to be lapsed from the NJCEP to the State's general fund. As indicated in the Line Item Transfers column in the table below, the draft budget anticipated this lapse. However, since the release for the draft FY15 budgets, the Office of Management and Budget has identified an additional \$27 million to be lapsed from the NJCEP budget. This additional lapse will be accounted for in the NJCEP annual budget true-up process.

The following table shows the proposed FY15 new funding level, estimated FY14 carry over, line item transfers from one budget sector to another, EDA interest and loan repayments, and

<sup>6</sup> Combined Heat and Power – Fuel Cell

the resultant draft FY15 budget that was circulated for comment. The table also shows the level of commitments estimated to exist as of June 30, 2014 and the proposed FY15 budget when the estimated commitments are deducted.

**Proposed FY15 Program Funding**

Budget Category	New FY15 Funding	Estimated FY14 Carry Over	Line Item Transfers	Other Anticipated New Funding	FY15 Budget	Estimated Commitments	FY15 Budget less Estimated Commitments
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)=(e)-(f)
Energy Efficiency	\$195,266,000.00	\$123,700,366.31	(\$12,000,000.00)	\$0.00	\$306,966,366.31	\$111,933,853.29	\$195,032,513.02
CHP-FC: Large & Small	\$25,000,000.00	\$34,508,499.36	(\$19,150,000.00)	\$0.00	\$40,358,499.36	\$9,296,810.00	\$31,061,689.36
Renewable Energy	\$9,600,000.00	\$14,051,189.24	(\$5,000,000.00)	\$0.00	\$18,651,189.24	\$9,748,340.00	\$8,902,849.24
EDA Programs	\$7,500,000.00	\$22,570,598.25	(\$7,000,000.00)	\$1,182,380.59	\$24,252,978.84	\$15,160,371.38	\$9,092,607.46
NJCEP Administration	\$9,010,000.00	\$4,236,781.87	(\$2,450,000.00)	\$0.00	\$10,796,781.87	\$0.00	\$10,796,781.87
True Grant	\$0.00	\$3,500,000.00	(\$3,500,000.00)	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total NJCEP</b>	<b>\$246,376,000.00</b>	<b>\$202,567,435.03</b>	<b>(\$49,100,000.00)</b>	<b>\$1,182,380.59</b>	<b>\$401,025,815.62</b>	<b>\$146,139,374.67</b>	<b>\$254,886,440.95</b>

(a) Proposed FY15 New Funding

(b) Estimated FY14 carry over from EE, RE, EDA and NJCEP Admin sheets.

(c) Line item transfers to or from one NJCEP program to another NJCEP program.

(d) Other Anticipated Funding: EDA interest and loan repayments.

(e) FY15 Budget equals New FY15 Funding (a), plus estimated carry over (b), plus line item transfers (c), plus other anticipated new funding (d)

(f) Estimated program commitments as of June 30, 2014.

(g) FY15 budget, less estimated program commitments.

As indicated earlier, OCE Staff developed a straw budget proposal based on the 8 & 4 report that was circulated to the EE and RE committees and that was used as a basis for commencing FY15 program and budget discussions. Updates were provided as available. The EE and RE committees met monthly from March through June to review and discuss proposed programs and budgets.

Based on the goals and strategies set forth in the 2011 Energy Master Plan, the policy objectives of the NJCEP, and historic spend rates, the Market Managers developed proposed programs and budgets for discussion at the EE and RE committee meetings. The Market Managers considered the comments of meeting participants and Staff in developing their proposed budgets, and the following tables reflect the proposal that was circulated for comment on May 23, 2014.

## Energy Efficiency and CHP-Fuel Cell Program Budget

### Proposed FY15 Energy Efficiency Program Budget

Programs	BPU Approved FY14 Budget	Estimated FY14 Expenses	Estimated FY14 Carry Over	Line Item Transfers	New FY15 Funding	FY15 Budget	Estimated Commitments
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)=(c)+(d)+(e)	(g)
<b>Residential EE Programs</b>							
Residential HVAC - Electric & Gas	\$12,357,692.08	\$11,532,361.21	\$825,330.87	\$0.00	\$14,092,930.88	\$14,918,261.75	\$0.00
Residential New Construction	\$18,210,092.90	\$7,167,462.65	\$11,042,630.25	\$0.00	\$8,902,815.08	\$19,945,445.33	\$9,300,000.00
Energy Efficient Products	\$18,941,211.36	\$19,970,713.97	(\$1,029,502.61)	\$0.00	\$21,131,213.70	\$20,101,711.09	\$0.00
Home Performance with Energy Star	\$40,750,190.37	\$33,592,477.98	\$7,157,712.39	\$0.00	\$36,065,221.73	\$43,222,934.12	\$10,500,000.00
Residential Marketing	\$1,309,984.00	\$1,307,818.61	\$2,165.39	\$0.00	\$1,307,818.61	\$1,309,984.00	\$0.00
<b>Sub Total Residential</b>	<b>\$91,569,170.71</b>	<b>\$73,570,834.42</b>	<b>\$17,998,336.29</b>	<b>\$0.00</b>	<b>\$81,500,000.00</b>	<b>\$99,498,336.29</b>	<b>\$19,800,000.00</b>

#### Residential Low Income Program

Comfort Partners	\$35,102,473.20	\$35,102,473.20	\$0.00	\$0.00	\$35,000,000.00	\$35,000,000.00	\$0.00
------------------	-----------------	-----------------	--------	--------	-----------------	-----------------	--------

#### C&I EE Programs

C&I New Construction	\$1,812,226.30	\$515,799.65	\$1,296,426.65	\$0.00	\$1,600,000.00	\$2,896,426.65	\$1,316,582.91
C&I Retrofit	\$50,293,828.21	\$22,270,143.45	\$28,023,684.76	\$0.00	\$23,891,000.00	\$51,914,684.76	\$28,399,613.83
Pay-for-Performance New Construction	\$10,265,275.46	\$1,447,137.38	\$8,818,138.08	\$0.00	\$5,000,000.00	\$13,818,138.08	\$7,947,632.60
Pay-for-Performance	\$45,302,273.75	\$13,987,711.77	\$31,314,561.98	(\$3,000,000.00)	\$12,200,000.00	\$40,514,561.98	\$25,364,842.55
Local Government Audit	\$2,995,759.50	\$2,753,779.00	\$241,980.50	\$0.00	\$1,800,000.00	\$2,041,980.50	\$812,567.50
Direct Install	\$39,494,603.07	\$23,227,608.72	\$16,266,994.35	\$0.00	\$25,000,000.00	\$41,266,994.35	\$19,027,339.56
Marketing	\$1,075,000.00	\$1,075,000.00	\$0.00	\$0.00	\$1,075,000.00	\$1,075,000.00	\$0.00
Large Energy Users Program	\$26,353,781.83	\$6,613,538.13	\$19,740,243.70	(\$9,000,000.00)	\$8,200,000.00	\$18,940,243.70	\$9,265,274.35
<b>Sub Total C&amp;I</b>	<b>\$177,592,748.12</b>	<b>\$71,890,718.10</b>	<b>\$105,702,030.02</b>	<b>(\$12,000,000.00)</b>	<b>\$78,766,000.00</b>	<b>\$172,468,030.02</b>	<b>\$92,133,853.29</b>

<b>Total Energy Efficiency</b>	<b>\$304,264,392.03</b>	<b>\$180,564,025.72</b>	<b>\$123,700,366.31</b>	<b>(\$12,000,000.00)</b>	<b>\$195,266,000.00</b>	<b>\$306,966,366.31</b>	<b>\$111,933,853.29</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------	-------------------------	-------------------------	-------------------------

#### C&I CHP-FC

CHP-FC: Large and Small	\$37,964,525.92	\$3,456,026.56	\$34,508,499.36	(\$19,150,000.00)	\$25,000,000.00	\$40,358,499.36	\$9,296,810.00
-------------------------	-----------------	----------------	-----------------	-------------------	-----------------	-----------------	----------------

- (a) Board approved revised FY14 budgets from Board Orders dated 12/19/13 and 2/4/14, as adjusted by Staff pursuant to the limited budget authority granted by the Board.
- (b) Estimated FY14 expenses from 8 & 4 report
- (c) FY14 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
- (d) Line item transfers to or from one NJCEP program to another NJCEP program.
- (e) Level of new FY15 funding allocated to each program.
- (f) FY15 Budget = FY14 Carry over + Line Item Transfers + New FY15 Funding
- (g) Committed expenses anticipated to be paid in FY15 or FY16

1. Residential HVAC – Electric and Gas: The Residential Gas and Electric HVAC Program provides rebates to customers that purchase high efficiency heating and cooling equipment such as furnaces and central air conditioners.
2. Residential New Construction: The Residential New Construction Program provides financial incentives to builders that construct new homes meeting the New Jersey Energy Star Homes standards, which exceed the requirements of existing energy codes.
3. Energy Efficient Products: The Energy Efficient Products Program provides financial incentives and support to retailers that sell energy efficient products, such as appliances or compact fluorescent light bulbs.
4. Home Performance with Energy Star: The Home Performance with Energy Star Program relies on contractors that are Building Performance Institute (“BPI”) certified and incentivizes the installation of whole-house energy conservation measures, such as new HVAC, air sealing, insulation, etc. in existing homes.

5. Residential Marketing: The residential marketing budget is for all marketing activities related to promoting the residential programs.
6. Residential Low Income: The Residential Low-Income/Comfort Partner Program provides for the installation of energy conservation measures at no cost to income-qualified customers.
7. C&I New Construction: The C&I New Construction Program provides rebates and other incentives to commercial and industrial customers that design and build energy efficient buildings.
8. C&I Retrofit: The C&I Retrofit Program provides rebates and other incentives to commercial and industrial customers that install high efficiency equipment in existing buildings.
9. Pay-for-Performance New Construction: The Pay-for-Performance New Construction program provides incentives for new buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
10. Pay-for-Performance: The Pay-for Performance program provides incentives for existing buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
11. Local Government Audit: The Local Government Energy Audit program offers subsidized energy efficiency audits to municipalities, school districts and non-profits.
12. Direct Install: The Direct Install program provides incentives for the installation of energy efficiency measures in small commercial buildings and non-profits.
13. C&I Marketing: The C&I marketing budget is for all marketing activities related to promoting the C&I programs.
14. Large Energy Users Program: the Large Energy Users Program provides incentives to the State's largest energy users through a streamlined program approach.
15. CHP- Fuel Cell: The combined heat and power ("CHP") and Fuel Cell program provides incentives for the installation of CHP and fuel cell systems.

### **Renewable Energy Program Budget**

Staff proposed \$9.6 million in new funding for the RE programs that includes the following components:

1. \$200,000 to fund consultants to review offshore wind applications. These funds are expected to be reimbursed through application fees.
2. \$3.4 million for SREC Registration Program registration, processing, inspections, etc.
3. \$3 million to fund one or more biopower project solicitation(s)
4. \$3 million to fund one or more energy storage project solicitation(s)

The last three items noted above are included in the Renewable Energy Incentive Program budget.

The FY15 RE program budget circulated by Staff for comment is shown in the following table. The proposed budget is followed by a brief description of the programs:

### Proposed FY15 Renewable Energy Program Budget

Programs	BPU Approved FY14 Budget	Estimated FY14 Expenses	Estimated FY14 Carry Over	Line Item Transfers	New FY15 Funding	FY15 Budget	Estimated Commitments
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)=(c)+(d)+(e)	(g)
Offshore Wind	\$350,800.70	\$100,367.29	\$250,433.41		\$200,000.00	\$450,433.41	\$0.00
Renewable Energy Program: Grid Connected	\$256,320.00	\$11,680.00	\$244,640.00			\$244,640.00	\$244,640.00
Renewable Energy Incentive Program	\$19,487,818.30	\$6,101,577.62	\$13,386,240.68	(\$5,000,000.00)	\$9,400,000.00	\$17,786,240.68	\$9,503,700.00
Edison Innovation Clean Energy Fund (formerly CST)	\$216,198.42	\$46,323.27	\$169,875.15			\$169,875.15	\$0.00
<b>TOTAL Renewables</b>	<b>\$20,311,137.42</b>	<b>\$6,259,948.18</b>	<b>\$14,051,189.24</b>	<b>(\$5,000,000.00)</b>	<b>\$9,600,000.00</b>	<b>\$18,651,189.24</b>	<b>\$9,748,340.00</b>

1. Offshore Wind: The Offshore Wind program will fund additional OSW studies and review of OSW applications.
2. Renewable Energy Program: Grid Connected. This program, managed by the OCE, provided incentives to large non-solar renewable energy projects, including wind and biomass. While the program is closed to new applicants, the FY15 budget is to pay for commitments paid in previous years.
3. Renewable Energy Incentive Program: This program provides incentives for energy storage and biomass facilities. This program also provides services related to the establishment and trading of RECs and SRECs.
4. Edison Innovation Clean Energy Fund: The proposed FY15 budget for this program is to pay any outstanding balances remaining on grants previously approved by the Board. This program is also closed to new applicants.

### EDA Program Budget

The draft FY15 budget for the EDA programs reflects the continuation of the Edison Innovation Clean Energy Manufacturing Fund and the Green Growth Fund. The budget also includes funding for CHP-FC applications submitted to EDA prior to when the Large Scale CHP-FC program was transferred to Staff in FY14 pursuant to (cite order that removed EDA from the process). The draft FY15 EDA program budget is shown in the table below and is followed by a brief description of the programs.

### Proposed FY15 EDA Program Budget

Programs	NJBPU Approved FY14 Budget	Estimated FY14 Expenses	Estimated FY14 Carry Over	Other Anticipated New Funding	Line Item Transfers	New FY15 Funding	FY15 Budget	Estimated Commitments
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)	(g) = (c)+(d)+(e)+(f)	(h)
<b>EDA PROGRAMS</b>								
Clean Energy Manufacturing Fund	\$9,268,556.05	\$3,171,912.56	\$6,096,643.49	\$1,182,380.59	(\$2,000,000.00)	\$3,300,000.00	\$8,579,024.08	\$4,887,219.38
Edison Innovation Green Growth Fund	\$5,696,319.29	\$2,942,418.52	\$2,753,900.77		(\$2,000,000.00)	\$4,200,000.00	\$4,953,900.77	\$270,000.00
Large CHP Solicitation	\$16,402,510.01	\$2,682,456.02	\$13,720,053.99		(\$3,000,000.00)	\$0.00	\$10,720,053.99	\$10,003,152.00
<b>Total EDA Programs</b>	<b>\$31,367,385.35</b>	<b>\$8,796,787.10</b>	<b>\$22,570,598.25</b>	<b>\$1,182,380.59</b>	<b>(\$7,000,000.00)</b>	<b>\$7,500,000.00</b>	<b>\$24,252,978.84</b>	<b>\$15,160,371.38</b>

1. Edison Innovation Clean Energy Manufacturing Fund: The Edison Innovation Clean Energy Manufacturing Fund provides incentives to attract and expand energy efficiency and renewable energy manufacturing facilities in New Jersey.

2. Green Growth Fund: The Green Growth Fund offers assistance in the form of loans to clean technology companies that have achieved 'proof of concept' and successful, independent beta results, and who seek funding to grow and support their technology businesses.
3. Large CHP –The FY15 budget will fund the applications approved by EDA through program year 2013.

### NJCEP Administration Budget

The NJCEP Administration budget includes four components:

1. Administration and Overhead
2. Memberships
3. Evaluation and Related Research
4. Miscellaneous

Administration and Overhead includes the OCE Staff expenses and overhead and Program Coordinator services. The Membership component includes funding for participation in national trade associations such as Consortium for Energy Efficiency and the Design Light Consortium. The Evaluation and Related Research component includes funding for program evaluation, and studying the impact of clean energy programs on jobs, the results of which, inform improvements to the programs. The Miscellaneous component includes funds for a clean energy business web site and for an annual grant to Sustainable Jersey. These components of the Administration budget are discussed in more detail in the OCE's compliance filing.

The draft FY15 NJCEP Administration budget is shown in the table below.

**Proposed FY15 NJCEP Administration Budget**

Program	BPU Approved FY14 Budget	Estimated FY14 Expenses	Estimated FY14 Carry Over	Line Item Transfers	New FY15 Funding	FY15 Budget
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)+(d)+(e)
<b>Administration and Overhead</b>						
OCE Staff and Overhead	\$3,076,659.54	\$3,076,659.54	\$0.00		\$2,350,000.00	\$2,350,000.00
Program Coordinator	\$1,862,870.58	\$1,862,870.58	\$0.00		\$2,200,000.00	\$2,200,000.00
<b>Sub-Total: Administration and Overhead</b>	<b>\$4,939,530.12</b>	<b>\$4,939,530.12</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$4,550,000.00</b>	<b>\$4,550,000.00</b>
<b>Memberships-Dues</b>						
2012 Sponsorships	\$100,000.00	\$100,000.00	\$0.00		\$200,000.00	\$200,000.00
<b>Sub-Total: Memberships-Dues</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$200,000.00</b>	<b>\$200,000.00</b>
<b>Evaluation and Related Research</b>						
Rutgers-CEEEP	\$1,884,236.87	\$1,200,000.00	\$684,236.87	(\$200,000.00)	\$1,359,000.00	\$1,843,236.87
Funding Reconciliation	\$52,545.00	\$0.00	\$52,545.00		\$0.00	\$52,545.00
Program Evaluation	\$2,000,000.00	\$0.00	\$2,000,000.00	(\$1,000,000.00)	\$2,341,000.00	\$3,341,000.00
<b>Sub-Total: Evaluation and Related Research</b>	<b>\$3,936,781.87</b>	<b>\$1,200,000.00</b>	<b>\$2,736,781.87</b>	<b>(\$1,200,000.00)</b>	<b>\$3,700,000.00</b>	<b>\$5,236,781.87</b>
<b>Miscellaneous</b>						
Outreach and Education/Community Partner Grants	\$62,562.78	\$62,562.78	\$0.00		\$0.00	\$0.00
Clean Energy Business Web Site	\$60,000.00	\$60,000.00	\$0.00		\$60,000.00	\$60,000.00
Sustainable Jersey	\$1,001,357.94	\$751,357.94	\$250,000.00		\$500,000.00	\$750,000.00
DCA RE Firefighter Training	\$35,000.00	\$35,000.00	\$0.00		\$0.00	\$0.00
Program Transition	\$1,250,000.00	\$0.00	\$1,250,000.00	(\$1,250,000.00)	\$0.00	\$0.00
<b>Sub-Total: Miscellaneous</b>	<b>\$2,408,920.72</b>	<b>\$908,920.72</b>	<b>\$1,500,000.00</b>	<b>(\$1,250,000.00)</b>	<b>\$560,000.00</b>	<b>\$810,000.00</b>
<b>Total NJCEP Administration</b>	<b>\$11,385,232.71</b>	<b>\$7,148,450.84</b>	<b>\$4,236,781.87</b>	<b>(\$2,450,000.00)</b>	<b>\$9,010,000.00</b>	<b>\$10,796,781.87</b>

## **Detailed Budgets**

Compliance filings include detailed budgets that break down individual program budgets into their component line items such as administration, sales and marketing, rebates, for instance. While Staff is proposing to extend the program descriptions in the FY14 compliance filings until revised filings can be considered by the Board, FY15 detailed budgets will be required as of July 1, 2014 so that the Board can track expenses against a Board approved budget. Therefore, Staff asked each program manager to submit detailed budgets that align with the proposed overall program budget recommended herein. Proposed FY15 detailed budgets were submitted by:

1. Honeywell
2. TRC
3. Utilities (Comfort Partners Program)
4. OCE, including programs jointly managed with the EDA and Sustainable Jersey

These detailed budgets are shown in the Staff recommendation section of this Order below.

## **Summary of Comments from Public Stakeholders**

The proposed programs and budgets summarized above were posted on the NJCEP and BPU web sites and circulated via the EE and RE listservs on May 23, 2014. The Board held a public hearing on June 11, 2014, in Trenton, New Jersey to solicit comments from interested stakeholders and members of the public regarding the proposed NJCEP FY15 programs and budgets, as well as on Staff's FY15 CRA Straw Proposal. The Board also accepted written comments through June 12, 2014.

The following persons testified at the public hearing: Anne-Marie Peracchio, New Jersey Natural Gas, Stefanie Brand, Rate Counsel; and Jeff Stanish, Opower.

In addition, written comments were received from New Jersey Natural Gas ("NJNG"); Rate Counsel; Air Conditioning Contractors of America ("ACCA"); Opower; the Environmental Defense Fund ("EDF"); Murray Bevan, Esq., on behalf of Bloom Energy Corporation ("Bloom"), and the Sierra Club.

The testimony provided at the public hearing and the written comments addressed both the proposed CRA FY15 funding level and the proposed FY15 NJCEP programs and budgets. Comments related to the CRA funding level will be addressed in a separate Order. The following provides a summary of the comments received related to the FY15 programs and budgets.

**Comment:** ACCA believes that the cumulative effect of the various additional Quality Assurance and paperwork requirements are substantial and could negatively impact the contractors, participating customers, and ultimately the ratepayers. Moreover, ACCA states that frustration with the administrative burden of HPw/ES has resulted and will continue to result in an exodus of participating contractors. The commenter claims that if the recent and proposed changes continue to be enforced, either the incentive level should be raised or the increased cost will be passed on to all ratepayers. ACCA provided a list of recommendations for changing the proposed modifications.

**Response:** ACCA's comments relate generally to potential changes that Honeywell is considering for inclusion in its forthcoming FY15 compliance filing. No decision has been made regarding whether or not the proposed changes will be included in the filing. Staff will engage in discussions with Honeywell regarding the merits of the proposed changes and whether they should be included in the filing, and will take ACCA's comments into consideration in those discussions. Any proposed changes would be included in the draft compliance filing that will be circulated for comment prior to consideration by the Board. Staff thanks ACCA for its comments and encourages ACCA to comment on any proposed changes included in the draft compliance filing.

**Comment:** Rate Counsel supports Staff's proposal to establish a budget for FY15 only at this time but has concerns with the proposed budget, particularly the incomplete nature of the available information, and reserves its right to comment upon and/or recommend modifications as further information becomes available.

**Response:** Staff thanks Rate Counsel for its support and will coordinate with Rate Counsel to provide additional information regarding the budgets.

**Comment:** Rate Counsel has concerns regarding the accuracy of Staff's budgeting process, stating that budgets should be based on realistic projections of program activities and be accompanied by a "properly supported" plan for expending budgeted funds.

**Response:** Staff agrees that the proposed budgets should be based on realistic projections of program activities. The Straw Proposal includes a table that shows spending by program over the past four years and the proposed funding for FY15, by program that sums to the total proposed funding level. For the vast majority of the programs, the proposed funding level is set at a level similar to what was estimated to be spent in FY14. For two programs, Home Performance with Energy Star and Pay-for-Performance, the proposed budget recognizes the ongoing, upward trend in program participation experienced over the past four years and includes sufficient funding to allow for continued growth. For other programs such as REIP, the proposed budget reflects FY15 activities such as the anticipated biomass and energy storage solicitations. Staff is confident that the proposed funding level represents a realistic estimate of what can be expended and committed in FY15 through the current portfolio of programs.

**Comment:** Rate Counsel notes that there is a discrepancy between the \$5 million marketing budget recommended in CRA Straw Proposal and the FY15 budget proposal which maintains the \$2.4 million budget from FY14. Rate Counsel concurs with increasing the budget to facilitate such activities as market research, promotions, website development, and so forth.

Rate Counsel also believes that the NJCEP Administration budget for Outreach and Education/Community Partner Grants, recommended for elimination in FY15, should be restored, with a special emphasis on low-income communities and communities hit hard by Superstorm Sandy.

**Response:** Staff recognizes the inconsistency between its proposal to increase marketing in the Straw Proposal and the FY15 Draft Budget that shows marketing at its current level. Staff is currently working with the Market Managers to develop improved/enhanced marketing plans and associated budgets. Provided that the Market Managers can justify the increase, Staff will provide additional funding for marketing. Furthermore, any increase in spending for marketing will require a contract modification, and Staff anticipates recommending contract modifications

at a future Board agenda. Any marketing proposals that require increased funding will be included in the forthcoming FY15 compliance filings that will be circulated for comment prior to consideration by the Board.

The Outreach and Education component of the NJCEP Administration budget was set to pay expenses related to grants issued by the Board in past years. Staff proposed to eliminate this budget component in FY15 since it anticipates that all of the previously awarded grants will be closed by the end of FY14. At the same time, the BPU has hired an Outreach Coordinator in the Ombudsman's Office, and as proposed in #7 of Staff's recommended planning goals, the Ombudsman's office will now engage in enhanced outreach efforts.

Rate Counsel submitted that funding for outreach should be restored, particularly for activities directed towards low-income customers and rebuilding communities devastated by Superstorm Sandy. Staff agrees that outreach functions are important and believes outreach activities should be part of, and coordinated with, the overall marketing efforts of the NJCEP. As such, there is no need for a separate budget component for outreach activities. Staff will coordinate with the Market Managers in the development of the revised marketing plans that are under development to ensure that Rate Counsel's comments regarding outreach are considered. Rate Counsel will have an opportunity to comment on the proposed new marketing plans prior to consideration by the Board.

**Comment:** Rate Counsel strongly supports the recommendation for increased evaluation in FY15.

**Response:** Staff thanks Rate Counsel for its support.

**Comment:** Rate Counsel asserts that Staff should provide more information to justify the proposed RE budget of \$18.7 million, as estimated expenditures for FY14 are less than \$6.3 million and the commenter does not believe that the information provided so far supports collecting an additional \$9.6 million from ratepayers when there is an estimated \$9.1 carryover from FY14.

The commenter notes that the \$200,000 budgeted for offshore wind applications appears inconsistent with the statement that "[t]hese funds are expected to be reimbursed through application fees" (Straw Proposal at 32), and finds no reason to charge ratepayers anything for this cost.

According to Rate Counsel, neither the Straw Proposal nor the FY15 budget Excel sheets contain supporting detail for the proposed \$3.4 million allocation to the SREC Registration Program ("SRP"). Rate Counsel notes that approximately \$17.8 of the total RE budget is budgeted to Honeywell, and that the Honeywell Detailed Budget shows that all of the \$17.8 million is allocated to the Renewable Energy Incentive Program. Approximately \$865,000 is allocated to the OCE for three programs - \$450,000 for the OSW program, \$245,000 for the RE Grid Program, and \$170,000 to the Edison Innovation Clean Energy Fund. Based on this information, the commenter asserts that it is impossible to identify the budget allocations for the SRP, and therefore it is impossible to determine whether these allocations would be reasonable based on past experience.

With regard to the proposed biopower program, Rate Counsel notes that while a \$2.5 million solicitation was included in the FY14 budget, no funds have been awarded to date. Rate Counsel states that until more information is available, it is impossible to say whether the

proposed \$3 million allocated to Biopower incentives or the \$3 million allocation for energy storage is reasonable.

**Response:** As noted in previous Orders, State accounting requires the Board to budget for both anticipated expenditures and commitments. That is, commitments count against the budget year in which they are made, even if the expenditure against the commitments is made in a future budget year. Committed funds are encumbered and carry forward to the next budget year, to pay those commitments when projects are completed.

The proposed FY15 budget showed that the RE program anticipated having \$9.1 M carry over, all of which is associated with anticipated FY14 commitments. These commitments are added to the proposed new funding of \$9.6 M, for a total proposed budget of \$18.7 M. The Straw Proposal clearly delineates the proposed uses of the new funding, i.e. \$3.4 M for administering the SRP registration program, \$200,000 for the OSW program, as well as \$3 M each for proposed biomass and energy storage solicitations. Staff developed the biomass and energy storage budgets based on feedback received from stakeholders in response to a survey of the industries. Staff believes that the proposed RE budget is adequately supported. Staff recommends that Rate Counsel arrange a meeting with the OCE and Honeywell to identify any additional information it would like to see related to estimated expenses that were used to support the proposed budget.

Fees related to the review of OSW applications are reimbursed by the applicants. However, the Board incurred administrative fees to set up the program. NJCEP funds were used to pay for these costs when they were provided, and it is anticipated that the funds will be reimbursed over time as additional OSW applications are submitted. The proposed FY15 OSW budget of \$200,000 will be utilized to fund expenditures which are incurred prior to the payment of application fees by the applicants, and to. In addition, the OSW budget will be used to fund other OSW consulting services.

**Comment:** While Rate Counsel is generally supportive of CHP, it has reservations about the funding level of approximately \$40.4 million, as budgeted for the CHP program when funds for the Energy Resilience Bank ("ERB") and other funds could be used to support CHP and Fuel Cells. The commenter stated that the proposed budget remains significantly higher than past expenditures for the CHP-Fuel Cells program. Rate Counsel stated that a table included in the FY15 budget proposal shows estimated expenditures of only \$3.5 million through the end of FY14, far less than the \$65.1 million originally budgeted for this program in FY14. Rate Counsel urged further study of the reasons behind the failure to expend past monies before budgeting additional funds. While acknowledging that Staff anticipates an influx of new applications from applicants found ineligible for ERB funding, the commenter stated that it remains unclear whether these applicants will actually seek NJCEP funding.

**Response:** Rate Counsel correctly points out that the proposed CHP-FC budget remains higher than what past expenditures support and urged further review of the reasons for this programs past failures. Staff fully supports a review of the reasons for the low participation levels in this program and encourages Rate Counsel to actively participate in the CRA 2015 work group that will be reviewing the portfolio of programs.

The Straw Proposal noted some of the issues raised by the CHP-FC industry regarding why the program has experienced low participation rates, including the considerable expense associated with developing CHP projects and the uncertainty of whether funding will be available at the time a project is ready to submit an application for incentives. As Bloom noted in its comments

that appear below, the low number of applications submitted is not necessarily a reflection of the amount of activity occurring in the market, nor is it a forward indicator of potential activity. Staff also notes that several CHP applications were submitted in the last month or two of the FY14 program which could be an indicator of potential increases in participation levels.

The industry has consistently argued that reliable funding is a key component of a successful CHP-FC program. The proposed FY15 CHP-FC budget is intended, in part, to provide a signal to the industry that the Board continues to support the development of a vibrant CHP-FC industry, while balancing the need to develop realistic budgets that reduce the amount of unspent funds. The proposed CHP-FC budget achieves these objectives.

**Comment:** Rate Counsel supports Staff's efforts to work with other State agencies to leverage federal funds to rebuild the State's critical facilities, but urges the careful development of criteria to ensure that SBC funds are spent only on projects consistent with NJCEP goals. In addition, Rate Counsel notes that the \$30 million allocated to the New Jersey Environmental Infrastructure Trust for FY14 was not expended for that purpose.

**Response:** Staff concurs with Rate Counsel's comment and intends to work closely with the ERB to develop reporting requirements to ensure SBC funds are spent only on projects that are consistent with NJCEP goals.

**Comment:** Bloom Energy is a provider of solid oxide fuel cell technology that it claims generates clean, reliable, and highly-efficient onsite power using a non-combustion process. The commenter indicates that it has submitted two applications under the NJCEP Small CHP/Fuel Cell Program for rebates in the current fiscal year and anticipates increased demand for its generation technology in FY 2015.

The commenter makes three major points. First, Bloom Energy strongly supports the Staff decision to slightly increase CHP-FC funding from \$38 million in FY 2014 to \$40 million in FY 2015, asserting this is a "critical moment" for New Jersey to maintain funding levels. In support of its position, Bloom Energy cites the Straw Proposal's assessment that continuing budget lapses in the program have eroded participation and that many developers were awaiting the eligibility requirements of the ERB before going forward with CHP and Fuel Cell projects. The commenter also asserts that the distributed generation project development cycle is often a lengthy process and that a low number of submitted applications does not necessarily reflect a low level of activity or future need for incentives. In addition, Bloom asks that Staff reconsider the Straw Proposal recommendation that projects eligible for ERB financing and rebates be ineligible for NJCEP rebates, asserting that projects which support the NJCEP goal of promoting energy efficiency as well as the State's resiliency initiatives should be allowed to compete in both incentive programs. Finally, Bloom recommends that the Board consider, in the near term, adjustments to the CHP/Fuel Cell program to accommodate the additional costs associated with building distributed generation projects that are capable of islanding and continuing to supply power in the event of a widespread outage. The commenter states that an incremental incentive for such projects would serve to significantly increase overall participation in the CHP/Fuel Cell program.

**Response:** Staff thanks Bloom for its support of the proposed funding level and will raise Bloom's recommendations in the CRA 2015 work group

Regarding the development of the ERB, several options were considered, for example: 1) having projects be eligible for incentives through the NJCEP and supplemental incentives

and/or financing through the ERB; or 2) having projects be eligible for both incentives and/or financing through the ERB. Staff encourages Bloom to submit its comments concerning the ERB during the comment period related to the ERB. Although the design of the ERB has not been finalized, the current proposal is to have the ERB provide “one stop shopping”, by offering both incentives/rebates, and financing. This will allow for a more streamlined application process and eliminate the need for applications to two programs. Staff encourages Bloom to submit its comments concerning the ERB when the comment period for that program is announced.

Regarding Bloom's comments concerning projects that are capable of isolating from the electric grid, given the many challenges faced over the past year, Staff is still considering the merits of additional incentives for CHP-FC projects that operate when the grid is down. This issue will be considered further by the work group recommended in the Straw Proposal that will be formed to review the existing portfolio of programs.

**Comment:** NJNG requests the FY15 continuation of enhanced incentives for residential customers affected by Superstorm Sandy.

**Response:** Staff concurs that Sandy incentives should continue into FY15. Many homeowners and businesses affected by Superstorm Sandy are still in the rebuilding process and the additional incentives will help to ensure that customers realize the long-term benefits of installing high efficiency equipment.

### **STAFF RECOMMENDATIONS**

On or about May 23, 2014, Staff circulated a “Comprehensive Resource Analysis-Staff Straw Proposal” (“Straw Proposal”) for comment. The 2014 Straw Proposal builds upon the studies and recommendation included in the 2013 Straw Proposal.

The Straw Proposal identified several of the goals of the 2011 EMP that are relevant to the proposed FY15 funding level and NJCEP budget. While the 2011 EMP does not set specific energy savings goals or specific goals for the NJCEP, Staff drew the following conclusions from the EMP, which informed Staff as it developed its recommended CRA FY15 funding levels and budgets:

- Energy efficiency is the most cost-effective way to lower energy costs.
- Energy efficiency programs should focus on both reducing energy usage and lowering peak demand, which can further lower costs for all ratepayers.
- While energy efficiency programs are the cheapest source of energy, the Board must consider the funding impact on non-participating customers.
- Energy efficiency programs and renewable energy contribute to the State's overall economic development and create in-State jobs.
- Energy efficiency and renewable energy programs deliver environmental and health benefits and lower peak energy costs, both of which benefit all ratepayers, including non-participating customers.
- Energy efficiency and renewable energy programs must undergo regular and rigorous evaluation to confirm projected energy savings and economic benefits.
- The promotion of in-State renewable energy resources can reduce emissions while promoting economic development.

- Energy savings must be considered comprehensively. Those savings that NJCEP programs deliver should complement other non-NJCEP activities such as stricter building codes, higher appliance standards, utility programs, and EE in State facilities.

Staff recommends a continuation of the current portfolio of programs in FY15. The NJCEP program has seen a steady increase in participation and spending over the past four years and the proposed FY15 budget was designed to continue this trend.

In developing proposed FY15 budgets, Staff reviewed actual spending and commitments, by program, over the past four years. The proposed budget is based on current spending levels while providing some room for growth of programs that have experienced recent upward trends in participation levels. For example, the proposed FY15 funding level for the C&I EE programs continues the trend of increased spending experienced over the past several years and recognizes that the P4 P program has seen a steady increase in participation over the past several years.

Staff has considered the testimony presented at the public hearing and the written comments received. The majority of the comments supported Staff's proposal to continue the current portfolio of programs and the proposed budgets. Other comments requested additional information or clarification which was provided above.

Based on the above, Staff recommends that the Board approved the FY15 budgets and detailed budgets shown in the tables below which reflect the changes discussed above. The EE budget table was updated to reflect additional FY14 budget reallocations approved by Staff subsequent to the release of the proposed FY15 budgets as discussed above. Those budget tables shown below remain unchanged from what was proposed by Staff and circulated for comment.

#### Proposed FY15 EE & CHP-FC Program Budget

Programs	BPU Approved FY14 Budget	Estimated FY14 Expenses	Estimated FY14 Carry Over	Line Item Transfers	New FY15 Funding	FY15 Budget	Estimated Commitments
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)=(c)+(d)+(e)	(g)
<b>Residential EE Programs</b>							
Residential HVAC - Electric & Gas	\$12,357,692.08	\$11,532,361.21	\$825,330.87	\$0.00	\$14,092,930.88	\$14,918,261.75	\$0.00
Residential New Construction	\$18,210,092.90	\$7,167,462.65	\$11,042,630.25	\$0.00	\$8,902,815.08	\$19,945,445.33	\$9,300,000.00
Energy Efficient Products	\$18,941,211.36	\$19,970,713.97	(\$1,029,502.61)	\$0.00	\$21,131,213.70	\$20,101,711.09	\$0.00
Home Performance with Energy Star	\$40,750,190.37	\$33,592,477.98	\$7,157,712.39	\$0.00	\$36,065,221.73	\$43,222,934.12	\$10,500,000.00
Residential Marketing	\$1,309,984.00	\$1,307,818.61	\$2,165.39	\$0.00	\$1,307,818.61	\$1,309,984.00	\$0.00
<b>Sub Total Residential</b>	<b>\$91,569,170.71</b>	<b>\$73,570,834.42</b>	<b>\$17,998,336.29</b>	<b>\$0.00</b>	<b>\$81,500,000.00</b>	<b>\$99,498,336.29</b>	<b>\$19,800,000.00</b>

#### Residential Low Income Program

Comfort Partners	\$35,102,473.20	\$35,102,473.20	\$0.00	\$0.00	\$35,000,000.00	\$35,000,000.00	\$0.00
------------------	-----------------	-----------------	--------	--------	-----------------	-----------------	--------

#### C&I EE Programs

C&I New Construction	\$2,692,226.30	\$515,799.65	\$2,176,426.65	\$0.00	\$1,600,000.00	\$3,776,426.65	\$1,316,582.91
C&I Retrofit	\$51,739,678.21	\$22,270,143.45	\$29,469,534.76	\$0.00	\$23,891,000.00	\$53,360,534.76	\$28,399,613.83
Pay-for-Performance New Construction	\$10,265,275.46	\$1,447,137.38	\$8,818,138.08	\$0.00	\$5,000,000.00	\$13,818,138.08	\$7,947,632.60
Pay-for-Performance	\$40,879,563.75	\$13,987,711.77	\$26,891,851.98	(\$3,000,000.00)	\$12,200,000.00	\$36,091,851.98	\$25,364,842.55
Local Government Audit	\$3,370,759.50	\$2,753,779.00	\$616,980.50	\$0.00	\$1,800,000.00	\$2,416,980.50	\$812,567.50
Direct Install	\$41,569,603.07	\$23,227,608.72	\$18,341,994.35	\$0.00	\$25,000,000.00	\$43,341,994.35	\$19,027,339.56
Marketing	\$1,075,000.00	\$1,075,000.00	\$0.00	\$0.00	\$1,075,000.00	\$1,075,000.00	\$0.00
Large Energy Users Program	\$26,000,641.83	\$6,613,538.13	\$19,387,103.70	(\$9,000,000.00)	\$8,200,000.00	\$18,587,103.70	\$9,265,274.35
<b>Sub Total C&amp;I</b>	<b>\$177,592,748.12</b>	<b>\$71,890,718.10</b>	<b>\$105,702,030.02</b>	<b>(\$12,000,000.00)</b>	<b>\$78,766,000.00</b>	<b>\$172,468,030.02</b>	<b>\$92,133,853.29</b>

<b>Total Energy Efficiency</b>	<b>\$304,264,392.03</b>	<b>\$180,564,025.72</b>	<b>\$123,700,366.31</b>	<b>(\$12,000,000.00)</b>	<b>\$195,266,000.00</b>	<b>\$306,966,366.31</b>	<b>\$111,933,853.29</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------	-------------------------	-------------------------	-------------------------

#### C&I CHP-FC

CHP-FC: Large and Small	\$37,964,525.92	\$3,456,026.56	\$34,508,499.36	(\$19,150,000.00)	\$25,000,000.00	\$40,358,499.36	\$9,296,810.00
-------------------------	-----------------	----------------	-----------------	-------------------	-----------------	-----------------	----------------

**Proposed FY15 Renewable Energy Program Budget**

Programs	BPU Approved FY14 Budget	Estimated FY14 Expenses	Estimated FY14 Carry Over	Line Item Transfers	New FY15 Funding	FY15 Budget	Estimated Commitments
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)=(c)+(d)+(e)	(g)
Offshore Wind	\$350,800.70	\$100,367.29	\$250,433.41		\$200,000.00	\$450,433.41	\$0.00
Renewable Energy Program: Grid Connected	\$256,320.00	\$11,680.00	\$244,640.00			\$244,640.00	\$244,640.00
Renewable Energy Incentive Program	\$19,487,818.30	\$6,101,577.62	\$13,386,240.68	(\$5,000,000.00)	\$9,400,000.00	\$17,786,240.68	\$9,503,700.00
Edison Innovation Clean Energy Fund (formerly CST)	\$218,198.42	\$46,323.27	\$169,875.15			\$169,875.15	\$0.00
<b>TOTAL Renewables</b>	<b>\$20,311,137.42</b>	<b>\$6,259,948.18</b>	<b>\$14,051,189.24</b>	<b>(\$5,000,000.00)</b>	<b>\$9,600,000.00</b>	<b>\$18,651,189.24</b>	<b>\$9,748,340.00</b>

**Proposed FY15 EDA Program Budget**

Programs	NJBPU Approved FY14 Budget	Estimated FY14 Expenses	Estimated FY14 Carry Over	Other Anticipated New Funding	Line Item Transfers	New FY15 Funding	FY15 Budget	Estimated Commitments
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)	(g) = (c)+(d)+(e)+(f)	(h)
<b>EDA PROGRAMS</b>								
Clean Energy Manufacturing Fund	\$9,268,556.05	\$3,171,912.56	\$6,096,643.49	\$1,182,380.59	(\$2,000,000.00)	\$3,300,000.00	\$8,579,024.08	\$4,887,219.38
Edison Innovation Green Growth Fund	\$5,696,319.29	\$2,942,418.52	\$2,753,900.77		(\$2,000,000.00)	\$4,200,000.00	\$4,953,900.77	\$270,000.00
Large CHP Solicitation	\$16,402,510.01	\$2,682,456.02	\$13,720,053.99		(\$3,000,000.00)	\$0.00	\$10,720,053.99	\$10,003,152.00
<b>Total EDA Programs</b>	<b>\$31,367,385.35</b>	<b>\$8,796,787.10</b>	<b>\$22,570,598.25</b>	<b>\$1,182,380.59</b>	<b>(\$7,000,000.00)</b>	<b>\$7,500,000.00</b>	<b>\$24,252,978.84</b>	<b>\$15,160,371.38</b>

**Proposed FY15 NJCEP Administration Budget**

Program	BPU Approved FY14 Budget	Estimated FY14 Expenses	Estimated FY14 Carry Over	Line Item Transfers	New FY15 Funding	FY15 Budget
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)+(d)+(e)
<b>Administration and Overhead</b>						
OCE Staff and Overhead	\$3,076,659.54	\$3,076,659.54	\$0.00		\$2,350,000.00	\$2,350,000.00
Program Coordinator	\$1,862,870.58	\$1,862,870.58	\$0.00		\$2,200,000.00	\$2,200,000.00
<b>Sub-Total: Administration and Overhead</b>	<b>\$4,939,530.12</b>	<b>\$4,939,530.12</b>	<b>\$0.00</b>		<b>\$0.00</b>	<b>\$4,550,000.00</b>
<b>Memberships-Dues</b>						
2012 Sponsorships	\$100,000.00	\$100,000.00	\$0.00		\$200,000.00	\$200,000.00
<b>Sub-Total: Memberships-Dues</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$0.00</b>		<b>\$0.00</b>	<b>\$200,000.00</b>
<b>Evaluation and Related Research</b>						
Rutgers-CEEP	\$1,884,236.87	\$1,200,000.00	\$684,236.87	(\$200,000.00)	\$1,359,000.00	\$1,843,236.87
Funding Reconciliation	\$52,545.00	\$0.00	\$52,545.00		\$0.00	\$52,545.00
Program Evaluation	\$2,000,000.00	\$0.00	\$2,000,000.00	(\$1,000,000.00)	\$2,341,000.00	\$3,341,000.00
<b>Sub-Total: Evaluation and Related Research</b>	<b>\$3,936,781.87</b>	<b>\$1,200,000.00</b>	<b>\$2,736,781.87</b>	<b>(\$1,200,000.00)</b>	<b>\$3,700,000.00</b>	<b>\$5,236,781.87</b>
<b>Miscellaneous</b>						
Outreach and Education/Community Partner Grants	\$62,562.78	\$62,562.78	\$0.00		\$0.00	\$0.00
Clean Energy Business Web Site	\$60,000.00	\$60,000.00	\$0.00		\$60,000.00	\$60,000.00
Sustainable Jersey	\$1,001,357.94	\$751,357.94	\$250,000.00		\$500,000.00	\$750,000.00
DCA RE Firefighter Training	\$35,000.00	\$35,000.00	\$0.00		\$0.00	\$0.00
Program Transition	\$1,250,000.00	\$0.00	\$1,250,000.00	(\$1,250,000.00)	\$0.00	\$0.00
<b>Sub-Total: Miscellaneous</b>	<b>\$2,408,920.72</b>	<b>\$908,920.72</b>	<b>\$1,500,000.00</b>	<b>(\$1,250,000.00)</b>	<b>\$560,000.00</b>	<b>\$810,000.00</b>
<b>Total NJCEP Administration</b>	<b>\$11,385,232.71</b>	<b>\$7,148,450.84</b>	<b>\$4,236,781.87</b>	<b>(\$2,450,000.00)</b>	<b>\$9,010,000.00</b>	<b>\$10,796,781.87</b>

The following tables show the detailed budgets that are typically included in compliance filings:

**Honeywell FY15 Detailed Budget  
FY15 Residential Energy Efficiency Program Budget**

Program	Total	Administration, IT and Program Development	Sales & Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Performance Incentives	Evaluation and Related Research
Residential HVAC - Electric & Gas	\$14,918,261.75	\$1,306,764.00	\$0.00	\$755,203.84	\$11,326,815.07	\$1,529,478.84	\$0.00	\$0.00
Residential New Construction	\$19,945,445.33	\$1,249,392.00	\$0.00	\$0.00	\$18,016,500.00	\$679,553.33	\$0.00	\$0.00
Energy Efficient Products	\$20,101,711.09	\$2,001,756.59	\$0.00	\$0.00	\$17,667,050.00	\$432,904.50	\$0.00	\$0.00
Home Performance with Energy Star	\$43,222,934.12	\$1,044,421.08	\$0.00	\$0.00	\$40,242,274.71	\$1,936,238.33	\$0.00	\$0.00
Marketing	\$1,309,984.00	\$0.00	\$1,309,984.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sub Total Residential Programs	\$99,498,336.29	\$5,602,333.67	\$1,309,984.00	\$755,203.84	\$87,252,639.78	\$4,578,175.00	\$0.00	\$0.00

**FY15 Honeywell RE Program Budget**

Program	Total	Administration, IT and Program Development	Sales & Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Performance Incentives	Evaluation and Related Research
REIP	\$17,786,240.68	\$1,376,206.92	\$0.00	\$0.00	\$14,503,700.00	\$1,906,333.76	\$0.00	\$0.00

**Utility FY15 Detailed Budget**

**FY15 Comfort Partner Budget**

Utility	Total	Admin and Program Development	Sales, Marketing, Call Centers, Web Site	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other QC	Evaluation & Research
ACE	\$1,599,256.36	\$111,349.74	\$16,568.89	\$16,289.57	\$1,361,875.53	\$93,172.63	\$0.00
JCP&L	\$4,974,927.64	\$404,042.79	\$90,722.68	\$45,867.01	\$3,999,149.89	\$435,145.27	\$0.00
PSE&G- Elec	\$7,708,737.27	\$441,336.77	\$157,750.62	\$79,920.66	\$6,615,219.22	\$414,510.00	\$0.00
NJNG	\$4,338,972.17	\$208,769.29	\$95,789.74	\$38,856.45	\$3,809,964.09	\$185,592.60	\$0.00
Elizabethtown	\$2,562,761.44	\$138,345.23	\$47,467.00	\$39,197.00	\$2,186,059.61	\$151,692.60	\$0.00
PSE&G-Gas	\$11,563,105.92	\$662,005.16	\$236,625.93	\$119,881.00	\$9,922,828.83	\$621,765.00	\$0.00
SJG	\$2,252,239.20	\$195,051.70	\$19,316.05	\$19,606.95	\$1,925,949.78	\$92,314.72	\$0.00
<b>TOTAL</b>	<b>\$35,000,000.00</b>	<b>\$2,160,900.68</b>	<b>\$664,240.91</b>	<b>\$359,618.64</b>	<b>\$29,821,046.95</b>	<b>\$1,994,192.82</b>	<b>\$0.00</b>
PSE&G - Combined	\$19,271,843.19	\$1,103,341.93	\$394,376.55	\$199,801.66	\$16,538,048.05	\$1,036,275.00	\$0.00

**TRC FY15 Detailed Budget  
FY15 C&I Energy Efficiency & CHP/Fuel Cell Program Budget**

	Total FY15 Budget	Admin. and Program Development	Sales, Marketing, Call Centers, Web Site	Training and Technical Support	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other Quality Control	Performance Incentives	Evaluation & Related Research
<b>C&amp;I EE PROGRAMS</b>								
C&I New Construction	\$3,776,426.65	\$237,454.00	\$0.00	\$393,591.00	\$3,021,737.41	\$123,644.24	\$0.00	\$0.00
C&I Retrofit	\$53,360,534.76	\$772,550.80	\$0.00	\$425,078.28	\$49,203,475.19	\$2,959,430.49	\$0.00	\$0.00
Pay for Performance New Construction	\$13,818,138.08	\$174,600.00	\$0.00	\$399,860.08	\$13,084,678.00	\$159,000.00	\$0.00	\$0.00
Pay for Performance	\$36,091,851.98	\$629,800.00	\$0.00	\$547,334.64	\$34,386,737.42	\$527,979.92	\$0.00	\$0.00
Local Government Energy Audit	\$2,416,980.50	\$220,000.00	\$0.00	\$0.00	\$1,422,830.50	\$774,150.00	\$0.00	\$0.00
Direct Install	\$43,341,994.35	\$651,551.80	\$0.00	\$10,000.00	\$42,132,494.35	\$547,948.20	\$0.00	\$0.00
Large Energy Users Program	\$18,587,103.70	\$147,916.00		\$0.00	\$18,221,127.50	\$218,060.20	\$0.00	\$0.00
Marketing	\$1,075,000.00		\$1,075,000.00	\$0.00			\$0.00	\$0.00
<b>Subtotal C&amp;I EE Programs</b>	<b>\$172,468,030.02</b>	<b>\$2,833,872.60</b>	<b>\$1,075,000.00</b>	<b>\$1,775,864.00</b>	<b>\$161,473,080.37</b>	<b>\$5,310,213.05</b>	<b>\$0.00</b>	<b>\$0.00</b>
CHP-Fuel Cell Program	\$40,358,499.36	\$100,000.00	\$0.00	\$0.00	\$40,100,126.43	\$158,372.93	\$0.00	\$0.00

**OCE FY15 Detailed RE Program Budget**

Renewable Energy Programs	Total	Administration and Program Development	Sales, Call Centers, Marketing and Website	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections, and Other Quality Control	Evaluation and Related Research
Offshore Wind Solicitation	\$450,433.41						\$450,433.41
Renewable Energy Program: Grid Connected	\$244,640.00				\$244,640.00		
Edison Innovation Clean Energy Fund (formerly CST)	\$169,875.15				\$169,875.15		
<b>TOTAL Renewables</b>	<b>\$864,948.56</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$414,515.15</b>	<b>\$0.00</b>	<b>\$450,433.41</b>

**EDA FY15 Detailed Budget**

EDA Programs	Total	Administration and Program Development	Sales, Call Centers, Marketing and Website	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections, and Other Quality Control
Edison Innovation Clean Energy Manufacturing Fund	\$8,579,024.08	\$207,863.08			\$8,371,161.00	
Edison Innovation Green Growth Fund	\$4,953,900.77	\$207,863.08			\$4,746,037.69	
Large CHP Solicitation	\$10,720,053.99	\$207,863.08			\$10,512,190.91	
<b>TOTAL EDA Programs</b>	<b>\$24,252,978.84</b>	<b>\$623,589.24</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$23,629,389.60</b>	<b>\$0.00</b>

**OCE FY15 Detailed NJCEP Administration Budget**

Program	Total	Administration and Program Development	Sales, Call Centers, Marketing and Website	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections, and Other Quality Control	Evaluation and Related Research
<b>Administration and Overhead</b>							
<i>OCE Staff and Overhead</i>	\$2,350,000.00	\$2,350,000.00					
<i>Program Coordinator</i>	\$2,200,000.00	\$687,802.88	\$599,128.32			\$857,068.80	\$56,000.00
<b>Sub-Total: OCE Administration and Overhead</b>	<b>\$4,550,000.00</b>	<b>\$3,037,802.88</b>	<b>\$699,128.32</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$857,068.80</b>	<b>\$56,000.00</b>
<b>Memberships-Dues</b>							
<i>2012 Sponsorships</i>	\$200,000.00				\$200,000.00		
<b>Sub-Total: Memberships-Dues</b>	<b>\$200,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$200,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Evaluation and Related Research</b>							
<i>Rutgers-CEEP</i>	\$1,843,236.87						\$1,843,236.87
<i>Funding Reconciliation</i>	\$52,545.00						\$52,545.00
<i>Program Evaluation</i>	\$3,341,000.00						\$3,341,000.00
<b>Sub-Total: Evaluation and Related Research</b>	<b>\$5,236,781.87</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$5,236,781.87</b>
<b>Marketing and Communications</b>							
<i>Clean Energy Business Web Site</i>	\$60,000.00		\$60,000.00				
<i>Sustainable Jersey</i>	\$750,000.00				\$750,000.00		
<b>Sub-Total: Marketing and Communications</b>	<b>\$810,000.00</b>	<b>\$0.00</b>	<b>\$60,000.00</b>	<b>\$0.00</b>	<b>\$750,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>TOTAL: Administration</b>	<b>\$10,796,781.87</b>	<b>\$3,037,802.88</b>	<b>\$659,128.32</b>	<b>\$0.00</b>	<b>\$950,000.00</b>	<b>\$857,068.80</b>	<b>\$5,292,781.87</b>

Staff recommends that the Board authorize Staff to approve modifications to the FY14 compliance filings, program applications and other materials, as required for the limited purpose of modifying dates as needed to extend the programs into FY15.

**DISCUSSION AND FINDINGS**

OCE Staff undertook a detailed and comprehensive approach in developing its proposed FY15 budget and programs. OCE Staff consulted with the Market Managers and the Program Coordinator in developing the programs and budgets set out above, and held monthly public meetings with the EE and RE committees from March 2014 to June 2014, to receive comments and input into the development of the FY15 programs and budgets. In addition, a public hearing was held on June 11, 2014 to solicit additional input on the proposed program plans and budgets, and written comments were accepted from the public. Accordingly, the Board **HEREBY FINDS** that the process utilized in developing the FY15 programs and budgets was appropriate and provided stakeholders and interested members of the public the opportunity to comment.

Staff considered public stakeholder input as well as the comments of the Market Managers and Program Coordinator and believes the programs and budgets discussed above will deliver significant benefits to the State and will satisfy the objectives of EDECA. Therefore, Staff recommends the Board's approval of the FY15 program and budget filings, consistent with the recommended modifications discussed above.

The Board has reviewed the OCE's recommendations regarding the FY15 programs and budgets as well as comments submitted by other interested public stakeholders. The Board **HEREBY FINDS** the OCE's recommendations to be reasonable. Therefore, the Board **HEREBY APPROVES** Staff's recommendation to extend the FY14 programs, as described in the FY14 compliance filings approved by the Board, into FY15, until such time as the Board considers new FY15 compliance filings. The Board **HEREBY AUTHORIZES** Staff to approve changes to the FY14 compliance filings, program applications and other materials for the limited purpose of updating any date sensitive provisions of the filings, to allow the programs to continue into FY15.

Having approved the programs, the Board **HEREBY DIRECTS** Staff to work with the Market Managers, with appropriate notice to the public, to finalize application forms and make other changes necessary to implement the changes ordered herein.

The Board has reviewed the NJCEP budget proposed by Staff and public comments on the proposed budget. The Board **HEREBY FINDS** the proposed budgets to be reasonable and appropriate. Therefore, the Board **HEREBY APPROVES** the FY15 budgets and detailed budgets in the tables above.

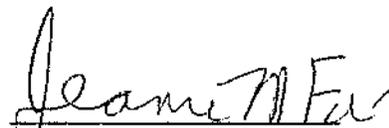
The FY15 budgets approved herein are based on estimated FY14 expenses and once final FY14 expenses are known, are subject to "true up" in a future Order. For example, if actual FY14 expenses are less than the estimated expenses for any program, then the unspent amount will carry over into FY15. To the extent that FY15 budgets approved herein are below FY15 expenses due to actual FY14 expenses being less than estimated FY14 expenses, the Board's Fiscal Office is authorized to pay invoices for approved program expenses.

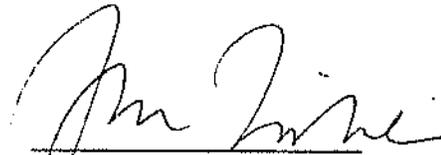
Pursuant to its authority under N.J.S.A. 48:2-40, the Board will reopen this matter and adjust the FY15 budgets, as required, in a separate Order. Such changes will be considered by the Board and memorialized in a separate Order. The FY15 budgets approved herein are contingent on appropriations by the Legislature and subject to State appropriations law.

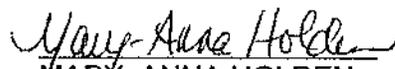
DATED: 6/30/14

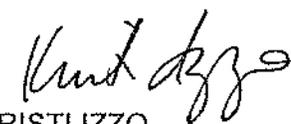
BOARD OF PUBLIC UTILITIES  
By:

  
DIANNE SOLOMON  
PRESIDENT

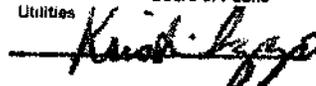
  
JEANNE M. FOX  
COMMISSIONER

  
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 the Clean Energy Program – Programs and Budgets for  
Fiscal Year 2015 - DOCKET NO. QO14050489

SERVICE LIST

Joe Gennello  
**Honeywell Utility Solutions**  
5 East Stow Road, Suite E  
Marlton, NJ 08053

Diane M. Zukas  
**TRC Energy Solutions**  
900 Route 9 North, Suite 404  
Woodbridge, NJ 07095

Mike Ambrosio  
**Applied Energy Group**  
317 George Street, Suite 305  
New Brunswick, NJ 08901

Mr. Bruce Grossman  
Program Manager, Residential EE  
**South Jersey Gas Company**  
1 South Jersey Plaza  
Folsom, NJ 08037

Mr. Samuel Valora  
Program Manager, C&I Energy Efficiency  
**South Jersey Gas Company**  
1 South Jersey Plaza  
Folsom, NJ 08037

Mr. Ken Maloney  
**Elizabethtown Gas**  
300 Connell Drive, Suite 3000  
Berkeley Heights, NJ 07922

Mr. Alex Stern  
Assistant General Reg. Counsel  
**Public Service Electric and Gas Company**  
T5, PO Box 570  
Newark, NJ 07101

Mr. Scott Carter  
**AGL Resources**  
Ten Peachtree Place  
Atlanta, GA 30309

Mr. Anthony Pugliese  
**Elizabethtown Gas**  
148 Edison Road  
Stewartsville, NJ 08886

Ms. Mary Patricia Keefe  
**Elizabethtown Gas**  
300 Connell Drive, Suite 3000  
Berkeley Heights, NJ 07922

Mr. Thomas Kaufmann  
**Elizabethtown Gas**  
300 Connell Drive, Suite 3000  
Berkeley Heights, NJ 07922

Mr. Steve Swetz  
Director, Corporate Rates & Revenue  
Requirements  
**Public Service Electric and Gas Company**  
T5, PO Box 570  
Newark, NJ 07101

Stefanie A. Brand, Esq., Director  
**New Jersey Division of Rate Counsel**  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Ms. Debbie Franco  
**Elizabethtown Gas**  
300 Connell Drive, Suite 3000  
Berkeley Heights, NJ 07922

Mr. Mark Mader  
Rates and Regulatory Affairs  
**Jersey Central Power and Light Company**  
300 Madison Avenue, PO Box 1911  
Morristown, NJ 07962-1911

Mr. Wayne Barndt  
Manager Regulatory Strategy & Policy  
Pepco Holdings  
New Castle Regional Office  
Mailstop 79NC59, PO Box 9239  
Newark, DE 19714

Ms. Tracey Thayer  
Director, Regulatory Affairs Counsel  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
PO Box 1464  
Wall, NJ 07719

Ms. Anne Marie Peracchio  
Director, Conservation & Clean Energy Policy  
New Jersey Natural Gas Company  
1415 Wyckoff Road  
PO Box 1464  
Wall, NJ 07719

Rachel Boylan  
Legal Specialist  
State of NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Allison E. Mitchell  
Administrative Analyst, Office of Clean Energy  
State of NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Sherri Jones, Office of Clean Energy  
State of NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Mr. Timothy White  
Manager Policy Coordination  
Pepco Holdings  
New Castle Regional Office  
Mailstop 79NC59 , PO Box 9239  
Newark, DE 19714

Mr. Scott Markwood  
Administrator  
Orange & Rockland Utilities, Inc.  
Customer Energy Services  
390 West Route 59  
Spring Valley, NY 10977

Michael Winka  
Special Assistant  
State of NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Ms. Holly Thompson  
Orange & Rockland Utilities, Inc.  
Customer Energy Services  
390 West Route 59  
Spring Valley, NY 10977

Elizabeth Ackerman  
Acting Director, Office of Clean Energy  
State of NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Benjamin S. Hunter  
Renewable Energy Program Admin., OCE  
State of NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Kristi Izzo  
Board Secretary  
State of NJ Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
Post Office Box 350  
Trenton, NJ 08625-0350