

**2010 Residential EE & Renewable Programs Budget Reallocation
June 2, 2010**

Overview

This is the second budget re-allocation process that the Market Manager has undertaken in the last two months. This reallocation plan eliminates some program elements, reviews and reduces some program quantities. It includes shifting more than \$13,000,000 from Residential Energy Efficiency Programs to the Home Performance with Energy Star Program to allow continued operation through the end of 2010.

Energy Savings Impact

The Market Manager has balanced the need for additional funds in the HPwES Program by carefully reviewing the impact of eliminated elements or reduced quantities relative to the customer class, the opportunities in the marketplace, continued program development for 2011 and beyond and lastly and perhaps most importantly energy savings. This reallocation plan and the reductions implemented by the April Compliance filing will reduce the total NJCEP electric savings by roughly forty percent. This is because we have proposed reducing measures that produce high volumes of electric savings – most significantly CFLs and refrigerators.

HVAC Program

Budget Changes **\$1,876,864.32**

- Eliminate QIV Program & Contractor Incentive (750 Units @ \$200) \$150,000
- Reduce Cool Advantage by 25% (7,249 units to 5,436 units) - \$840,000
- Eliminate Cool Advantage contingency dollars \$135,198.14
- Reduce Solar Domestic Hot Water Heater by 95% (200 units to 10) \$108,000
- Aggregate reduced processing fees \$643,666.18
- Effective July 1st apply \$5.9MM SEARP ARRA funding for all Warm & Cool incentives.
This step requires confirmation from DOE for implementation.

Program Changes

- QIV

RNC Program

Budget Changes **\$1,676,280.60**

- Eliminate all contingency dollars \$1,532,433
- Aggregate reduced processing fees \$143,847

Program Changes

- None

Energy Star Products Program

Budget Changes **-\$4,065,298.34**

- Reduce upstream CFL incentive quantities \$1,000,000
- Reduce upstream CFL Fixture quantities \$350,000
- Reduce creative CFL distribution quantities \$662,000
- Reduce Large Appliance Early Retirement quantities (40,000 units to 25,000 units) \$1,545,000
- Aggregate reduced processing fees \$328,300
- Eliminate all contingency dollars \$180,000

Program Changes

- None

Note: This plan maintains the \$2.4MM budgeted for upstream appliance incentives funded by the SEARP ARRA funds.

Home Performance with Energy Star Program

Budget Changes **+13,703,733.51**

- Increase incentive budget by \$12,396,906.33 which includes a transfer of \$12,396,906.33 from Residential EE Programs.
- Utilize \$7,000,000 in NJN funds for Tier 2 and Tier 3 incentive payments
- Utilize \$900,000 in SEP funds to pay Tier 3 incentive payments
- Increase processing fees by \$1,306,827.18 to process and pay additional incentives (3,000 units to 6,000 units)

Program Changes

- Eliminate loan buy down in PSE&G territory. Estimated savings of \$2,900,000
- Institute monthly caps in applications to insure the program remains within budget through the end of 2010. Additional discussion with OCE, the Market Manager and contractors is necessary to develop a workable system.
- Any ARRA component in a project makes the entire project funded by ARRA

Marketing

Budget Changes

- Reduce Fixed and Variable by \$185,290

Program Changes

- REIP
 - Eliminate existing .5 FTE. Fund planned activities with subcontractors.
 - Scale back event planning and execution, press events, tradeshow press releases and printed materials.
 - Postpone educational workshops and associated marketing support
- Energy Efficiency
 - Reduce support of programs to provide basic program communication needs. Scale back active promotional support of the programs through both paid and free media. Reduce event planning and execution, printed materials, advertising production, promotional direct mail, and contractor supplies.

Community Partners

Budget Changes

- None

Program Changes

- None

Renewable Programs

Incentive Levels and Eligibility

<u>Budget Category</u>	<u>\$/Watt</u>	<u>Rebate Cap (kW)</u>	<u>Project Size Cap (kW)</u>	<u>Maximum Rebate</u>	<u>Estimated MW (new approvals)</u>
Solar - Residential	\$1.00	7.5	10.0	\$7,500	5.15
Solar - Non-Residential	\$.50	20.0	50.0	\$10,000	3.75

Note 1 – The Solar Residential budget category shall include residential new construction and residential PPA financed projects.

Note 2 – The Solar Non-Residential budget category shall be limited to non-profit organizations and public entities.

Note 3 – Any project that exceeds the project size cap for either budget category will not be eligible for a rebate through the REIP Program. Those projects should participate in the SREC Registration Program.

Note 4 – Project commitment period should remain at 12 months per project.

Application Process

- It is expected that the request for solar rebate funds will exceed the available Funding Cycle (FC) 3 budget as was the case in the previous 2010 funding cycles. Therefore, a process will be established to randomly select applications for consideration of rebate commitments.
- The initial application submittal period will be for 10 days from the start of FC3. Applications received in the Market Manager’s Iselin, NJ office from 9/1/10 through 9/10/10 at 4 PM will be eligible for the lottery process that will be used to determine which applications are considered for project commitments.
- The delivery method and order of application receipt during this period will NOT be a factor in selecting which applications are selected for review. This will remove the need for applicants to wait in line to hand deliver applications.
- Applications received during this period will be placed in a lottery to assign a sequencing number which will determine the order in which they are processed.

- Applications will be reviewed for completeness in the order of the sequencing number and either sent back because of incompleteness or approved until funds are depleted.
- Once the funds in a budget category are fully committed, the next project and all projects with a sequence number after the cut off project will be returned to the applicant. Those applicants may then elect to re-submit their project through the SREC Registration Program or to the next funding cycle of the REIP Program.
- If the amount of requested funds for eligible projects is less than the budget available for FC3, the Market Manager will make an announcement that additional applications will be accepted after sufficient notice has been provided. The selection process described above will be utilized for these additional applications.

Rebate Budget Allocation

<u>New Commitments (\$Million)</u>	<u>Funding Cycle 2 Allocation</u>	<u>Funding Cycle 3 Allocation</u>
Solar - Residential	\$6.000	\$5.150
Solar – Non-Residential	\$1.500	\$1.500
<u>Total Available For New Commitments</u>	\$7.500	\$6.650

- The above table is based upon the Revised REIP Plan as approved by The Board on 4/21/10.
- The Market Manager has determined that as of 6/1/10 there is approximately \$8 Million available from CORE project scrubs.
 - The Market Manager recommendation for transferring these funds is as follows;
 1. \$3 Million to REIP Funding Cycle 3 to bring this budget up to the amount approved by the Board on 4/21/10.
 2. \$5 Million available for other Energy Efficiency programs.

REIP Solar Funding Cycle 2 Status

<u>New Commitments (\$Million)</u>	<u>Funding Cycle 2 Allocation</u>	<u>Funding Cycle 2 Applications as of 5/28/10</u>	<u>FC2 Requests Exceeding Available Funds</u>
Solar - Residential	\$6.000	\$7.400	\$1.400
Solar – Non-Residential	\$1.500	\$6.400	\$4.900
<u>Total Available For New Commitments</u>	\$7.500	\$13.800	\$6.300

- Note 1 – The FC2 table above is provided to the OCE for consideration of transferring some of the CORE scrub funds to REIP Funding Cycle 2.