



Agenda Date: 3/30/11

Agenda Item: 8F

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
Two Gateway Center, Suite 801  
Newark, NJ 07102  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

CLEAN ENERGY

IN THE MATTER OF COMPREHENSIVE ENERGY )  
EFFICIENCY AND RENEWABLE ENERGY RESOURCE ) ORDER  
ANALYSIS FOR THE YEARS 2009 -2012: REVISED ) DOCKET NOS. EO07030203  
2011 BUDGETS; AND UTILITY 2009-2010 TRUE UP ) and EO10110865

James E. McGuire, DAG, Division of Law, Department of Law and Public Safety, 124 Halsey Street, Newark, New Jersey, 07101, on behalf of the Board of Public Utilities

**BY THE BOARD:**

This Order memorializes action taken by the Board of Public Utilities ("Board") at its March 30, 2011 public meeting, where the Board considered proposed modifications to 2011 programs and budgets for New Jersey's Clean Energy Program and proposed grants related to the Weatherization Assistance Program.<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. EDECA established requirements to advance energy efficiency and renewable energy in New Jersey through the societal benefits charge. N.J.S.A. 48:3-60(a)(3). EDECA further empowered the Board to initiate a proceeding and cause to be 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").

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

By Order dated April 27, 2007, Docket No. EO07030203, the Board directed the Office of Clean Energy ("OCE" or "Staff") to initiate a third comprehensive EE and RE resource analysis proceeding and to schedule public hearings on program funding and funding allocations for the years 2009 through 2012. By Order dated September 30, 2008 (the "CRA III Order"), Docket No. EO07030203, the Board concluded this proceeding and set funding levels of \$245 million for 2009, \$269 million for 2010, \$319.5 million for 2011, and \$379.25 million for 2012. By Order dated December 22, 2010, Docket Nos. EO07030203 and EO10110865, the Board approved 2011 programs and budgets for the NJCEP ("2011 Budget Order") as well as the compliance filings of Honeywell International, Inc. ("Honeywell"), TRC, Inc. ("TRC"), the OCE, and the electric and gas utilities (collectively referred to as "the Utilities"). The compliance filings included program descriptions and detailed budgets for each program.

The 2011 Budget Order included estimated carryover of unspent funds from previous years, plus anticipated new funding of \$319.5 million as set out in the CRA III Order, less \$77 million allocated to "Legislative Action" as required by State legislation. In addition, a significant portion of the overall 2011 budget includes funds to pay rebate and other commitments made by the NJCEP in prior years.

The manner in which the NJCEP operates is that an approved commitment is frequently made in one year and paid after construction is completed and inspected in a subsequent year. As noted below, the current commitments to pay the approved rebates once a new Energy Star home is constructed or new solar system is installed, for example, are approximately \$167 million. The tables below note those programs with prior approved commitments that will be paid upon project completion. Other programs pay rebates upon installation or purchase of equipment and do not have commitments for payments at a future date.

The Board establishes annual budgets based on estimated expenses for the previous year. Once actual expenses are known, the Board has historically issued a revised budget Order to "true up" any differences between actual and estimated expenses. As has been the Board's practice, the 2011 Budget Order relied on estimates that would require "true up" at a later date.

2010 actual expenses are now known and are approximately \$42 million below estimated 2010 expenses. Estimated 2010 expenses were developed in September 2010 and differences between estimated and actual expenses reflect both changes in market activity and commitments that were expected to be completed in 2010, but carried forward into 2011. Incentives for several programs including the Home Performance with Energy Star, Direct Install and Pay-for-Performance programs were reduced in mid 2010 due to budget constraints which led to a temporary slowdown in market activity. However, since that time some program participation levels have begun to trend upward.

Carry over represents unspent funds from a previous budget that are carried forward to the next year's budget. The following tables show the final 2010 budgets approved by the Board; the actual 2010 expenses and carry over; the estimated 2010 carry over that was used to develop initial 2011 budgets; and the difference between the actual and estimated carry over for the energy efficiency ("EE"), renewable energy ("RE") and OCE Oversight budgets. In this Order the Board will consider changes to the approved 2011 NJCEP budgets to true up differences between actual and estimated 2010 expenditures as well as other modifications discussed further below. Further, in this Order the Board will consider the Utilities' request to true-up 2009 and 2010 budgets for the Comfort Partners and CleanPower Choice programs managed by the Utilities.

**OCE Straw Proposal**

The OCE coordinated with the Market Managers, the NJCEP Program Coordinator and other stakeholders to develop proposed modifications to the 2011 NJCEP budgets which primarily concern allocating the additional \$42 million in carry over to existing programs based on current program activity levels. On March 9, 2011 the OCE circulated proposed changes to the budgets for comment in a public stakeholder process. Written comments were due by March 18, 2011 and the proposed changes were discussed at the March 16<sup>th</sup> meetings of the EE and RE Committees. A summary of the comments received and responses to the comments are provided below. The following summarizes the major changes to the 2011 NJCEP budgets proposed by the OCE in its Straw Proposal:

***Additional Carry Over***

Carry over represents unspent funds from a previous budget that carry forward to the next year's budget. Initial 2011 budgets were established based on estimates of 2010 expenses and carry over developed in September 2010. Actual 2010 carry over is calculated by deducting actual 2010 expenses from the Board approved 2010 budgets. The difference between actual and estimated carry over is referred to as Additional Carry Over in the tables below. Additional Carry Over is available for allocation to program budgets.

The following tables show the final 2010 budgets, actual carry over and Additional Carry Over:

**2010 Energy Efficiency Program Budget**

	NJBPU	Actual	Actual	Estimated 2010	Difference =
	Approved	2010	2010	Carryover from	Additional
Programs	2010 Budget	Expenses	Carry Over	2011 Budget Order	Carryover
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
<b>Residential EE Programs</b>					
Residential HVAC - Electric & Gas	\$16,268,617.09	\$15,167,546.97	\$1,101,070.12	\$6,426,633.55	(\$5,325,563.43)
Residential New Construction	\$20,262,610.08	\$9,059,247.24	\$11,203,362.84	\$11,745,181.01	(\$541,818.17)
Energy Efficient Products	\$17,936,073.74	\$16,082,752.06	\$1,853,321.68	\$962,957.35	\$890,364.33
Home Performance with Energy Star	\$58,782,277.65	\$41,380,830.32	\$17,401,447.33	\$5,842,978.75	\$11,558,468.58
Community Partners Initiative	\$992,612.00	\$715,151.23	\$277,460.77	\$0.00	\$277,460.77
Residential Marketing	\$3,260,238.50	\$3,014,826.67	\$245,411.83	\$223,996.05	\$21,425.78
<b>Sub Total Residential</b>	<b>\$117,502,429.06</b>	<b>\$85,420,354.49</b>	<b>\$32,082,074.57</b>	<b>\$25,201,736.71</b>	<b>\$6,880,337.86</b>
<b>Residential Low Income</b>					
Comfort Partners	\$32,206,497.01	\$31,377,188.90	\$829,308.11	\$0.00	\$829,308.11
<b>Sub Total Low-Income</b>	<b>\$32,206,497.01</b>	<b>\$31,377,188.90</b>	<b>\$829,308.11</b>	<b>\$0.00</b>	<b>\$829,308.11</b>
<b>C&amp;I EE Programs</b>					
<b>Commercial/Industrial Construction</b>					
C&I New Construction	\$6,813,711.71	\$2,446,568.30	\$4,367,143.41	\$4,775,462.98	(\$408,319.57)
C&I Retrofit	\$35,109,759.59	\$17,220,583.18	\$17,889,176.41	\$17,495,295.13	\$393,881.28
Pay-for-Performance New Construction	\$4,966,134.60	\$494,488.64	\$4,471,645.96	\$4,487,494.56	(\$15,848.60)
Pay-for-Performance	\$32,305,102.62	\$1,242,734.12	\$31,062,368.50	\$29,556,343.30	\$1,506,025.20
CHP	\$5,859,508.79	\$2,708,013.72	\$3,151,495.07	\$1,153,352.16	\$1,998,142.91
Local Government Energy Audit	\$13,232,385.46	\$7,187,364.49	\$6,045,020.97	\$5,150,170.97	\$894,850.00
Direct Install	\$24,532,976.50	\$3,970,159.58	\$20,562,816.92	\$10,996,781.70	\$9,566,035.22
TEACH	\$1,000,000.00	\$317,170.50	\$682,829.50	\$338,462.00	\$344,367.50
Marketing	\$1,038,200.00	\$905,480.35	\$132,719.65	\$0.00	\$132,719.65
Business Conference	\$123,866.12	\$123,866.12	\$0.00	\$0.00	\$0.00
<b>Sub Total C&amp;I</b>	<b>\$124,981,645.39</b>	<b>\$36,616,429.00</b>	<b>\$88,365,216.39</b>	<b>\$73,953,362.80</b>	<b>\$14,411,853.59</b>
<b>Other EE Programs</b>					
Special Studies	\$877,801.00	\$298,947.90	\$578,853.10	\$477,801.00	\$101,052.10
<b>Sub Total Other Energy Efficiency Programs</b>	<b>\$877,801.00</b>	<b>\$298,947.90</b>	<b>\$578,853.10</b>	<b>\$477,801.00</b>	<b>\$101,052.10</b>
<b>Total Energy Efficiency</b>	<b>\$275,568,372.46</b>	<b>\$153,712,920.29</b>	<b>\$121,855,452.17</b>	<b>\$99,632,900.51</b>	<b>\$22,222,551.66</b>

### 2010 Renewable Energy Program Budget

Renewable Energy Programs	NJBPU Approved	Actual 2010	Actual 2010	Estimated 2010 Carryover from	Difference =
	2010 Budget	Expenses	Carry Over	2011 Budget Order	Additional Carryover
Existing Programs	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Customer On-Site Renewable Energy	\$54,778,432.50	\$28,526,247.32	\$26,252,185.18	\$21,097,476.52	\$5,154,708.66
Clean Power Choice	\$123,115.25	\$66,748.64	\$56,366.61	\$4,157.00	\$52,209.61
Offshore Wind	\$13,870,253.00	\$0.00	\$13,870,253.00	\$12,970,253.00	\$900,000.00
Renewable Energy Program: Grid Connected (Formerly RED)	\$6,201,605.00	\$0.00	\$6,201,605.00	\$5,455,973.00	\$745,632.00
Renewable Energy Incentive Program	\$66,771,767.89	\$27,829,023.33	\$38,942,744.56	\$29,751,599.35	\$9,191,145.21
RE Marketing	\$394,755.50	\$327,384.84	\$67,370.66	\$38,353.54	\$29,017.12
Edison Innovation Clean Energy Fund (formerly CST)	\$5,940,000.00	\$839,367.00	\$5,100,633.00	\$4,216,639.00	\$883,994.00
<b>SUB-TOTAL Renewables</b>	<b>\$148,079,929.14</b>	<b>\$57,588,771.13</b>	<b>\$90,491,158.01</b>	<b>\$73,534,451.41</b>	<b>\$16,956,706.60</b>
<b>EDA PROGRAMS</b>					
RE Project Grants and Financing	\$1,284,714.00	\$1,284,714.00	\$0.00	\$0.00	\$0.00
Renewable Energy Business Venture Financing/REED	\$250,000.00	\$250,000.00	\$0.00	\$0.00	\$0.00
Edison Innovation Clean Energy Manufacturing Fund: EE & RE	\$27,731,486.82	\$3,211,000.00	\$24,520,486.82	\$23,444,728.82	\$1,075,758.00
<b>SUB-TOTAL EDA Programs</b>	<b>\$29,266,200.82</b>	<b>\$4,745,714.00</b>	<b>\$24,520,486.82</b>	<b>\$23,444,728.82</b>	<b>\$1,075,758.00</b>
<b>TOTAL Renewable Energy Programs</b>	<b>\$177,346,129.96</b>	<b>\$62,334,485.13</b>	<b>\$115,011,644.83</b>	<b>\$96,979,180.23</b>	<b>\$18,032,464.60</b>

### 2010 OCE Oversight Budget

	NJBPU Approved	Actual 2010	Actual 2010	Estimated 2010 Carryover from	Difference =
	2010 Budget	Expenses	Carry Over	2011 Budget Order	Additional Carryover
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
<b>ADMINISTRATION AND OVERHEAD</b>					
OCE Staff and Overhead	\$1,532,521.03	\$925,899.24	\$606,621.79	\$530,337.83	\$76,283.96
Program Coordinator	\$2,289,480.00	\$1,948,086.75	\$341,393.25	\$43,983.00	\$297,410.25
Memberships-Dues					
<i>Northeast Energy Efficiency Partnership Sponsorship   including EMV Regional Protocol Forum</i>	\$316,300.00	\$252,947.00	\$63,353.00	\$35,492.00	\$27,861.00
<i>Clean Energy States Alliance</i>	\$134,114.00	\$100,000.00	\$34,114.00	\$9,114.00	\$25,000.00
<i>Consortium for Energy Efficiency</i>	\$133,817.00	\$0.00	\$133,817.00	\$0.00	\$133,817.00
<b>Sub-Total: Administration and Overhead</b>	<b>\$4,406,232.03</b>	<b>\$3,226,932.99</b>	<b>\$1,179,299.04</b>	<b>\$618,926.83</b>	<b>\$560,372.21</b>
<b>Evaluation and Related Research</b>					
<i>Rutgers-CEEP</i>	\$400,000.00	\$31,584.29	\$368,415.71	\$68,415.71	\$300,000.00
<i>Funding Reconciliation</i>	\$33,715.00	\$12,660.00	\$21,055.00	\$0.00	\$21,055.00
<i>O&amp;M Scoping Study/Online Academy</i>	\$450,000.00	\$0.00	\$450,000.00	\$0.00	\$450,000.00
<i>Other Studies/Job Training Pilot</i>	\$57,937.60	\$13,370.85	\$44,566.75	\$0.00	\$44,566.75
<i>Program Evaluation</i>	\$1,511,779.65	\$0.00	\$1,511,779.65	\$1,511,779.65	\$0.00
<i>Financial Audits</i>	\$700,000.00	\$201,837.65	\$498,162.35	\$508,497.80	(\$10,335.45)
<i>Green Jobs and Building Code Training</i>	\$100,000.00	\$0.00	\$100,000.00	\$100,000.00	\$0.00
<b>Sub-Total: Evaluation and Related Research</b>	<b>\$3,253,432.25</b>	<b>\$259,452.79</b>	<b>\$2,993,979.46</b>	<b>\$2,188,693.16</b>	<b>\$805,286.30</b>
<b>Marketing and Communications</b>					
<i>Outreach and Education/Community Partner Grants</i>	\$154,185.47	\$51,413.16	\$102,772.31	\$9,017.82	\$93,754.49
<b>Sub-Total: Marketing and Communications</b>	<b>\$154,185.47</b>	<b>\$51,413.16</b>	<b>\$102,772.31</b>	<b>\$9,017.82</b>	<b>\$93,754.49</b>
<b>TOTAL: Administration</b>	<b>\$7,813,849.75</b>	<b>\$3,537,798.94</b>	<b>\$4,276,050.81</b>	<b>\$2,816,637.81</b>	<b>\$1,459,413.00</b>

The 2011 budget approved by the Board included estimated EDA program revenues of \$171,427.48 from interest payments and repayment of loans or grants. Actual EDA revenues were \$113,666.56, or \$57,760.92 less than the estimated revenues used to develop the 2011 budgets. Therefore, the EDA budget needs to be reduced by this amount to reflect the lower level of revenues.

The Additional Carry Over calculated in the tables above and reduction in EDA revenue are included in the revised 2011 budget tables proposed by Staff below.

#### *Funding Reconciliation*

In 2006 and 2008, Treasury issued Requests for Proposals ("RFPs") to solicit bids to engage a contractor(s) to perform a Funding Reconciliation of Board ordered NJCEP funds collected from utility customers for the calendar years 2001 through 2009. Contracts to provide these services were awarded by Treasury to McEnerney, Brady and Company ("MBC") and WithamSmith+Brown PC ("WSB"), certified public accountants.

The purpose of the funding reconciliation was to ensure that all funds were properly accounted for such that program expenses plus available cash equal the funding levels directed by the Board plus any interest earned. The engagement was not an audit of program expenses. To ensure that all funds are properly accounted for, the contractor was required to compile information concerning funding levels and expenses, and reconcile the five-year funding levels and expenses to the New Jersey Comprehensive Financial Systems ("NJCFS") balance for this account.

MBC issued its final Funding Reconciliation report for the years 2001 through 2005 in July 2009. On February 4, 2011, WSB submitted an initial draft of the 2001 through 2009 Funding Reconciliation report to the Board's Office of Clean Energy. WSB determined utility balances as of December 31, 2009 which indicated that in total the Utilities were due a credit against future payments to the NJCEP Trust Fund of \$1,993,267. This credit will reduce future payments that the Utilities will make to the Trust Fund thus reducing the level of funds available for allocation to program budgets.

The Utilities make monthly payments to the CEP Trust Fund by netting CEP program expenses for the month from the monthly payment schedule set out in the Board's CRA III Order. The Utility debits/credits shown in the WSB report result from expenses reported to the OCE for the purpose of calculating payments to the Trust Fund being different than the expenses recorded in the utility's financial records. The primary reason for the difference is that subsequent to the Utilities reporting their expenses to the OCE for the purpose of calculating payments due to the Trust Fund the Utilities made accounting adjustments that revised the reported expenses.

Staff anticipates that it will submit the Funding Reconciliation report to the Board for consideration in the near future. However, at this time Staff recommends that the 2011 NJCEP budgets be reduced to reflect that the draft report indicates that the Utilities are entitled to a net credit of \$1,993,267. The proposed 2011 budget tables below reflect this reduction. If the credit in the final Funding Reconciliation report ultimately accepted by the Board differs from the \$1,993,267 credit used to establish the proposed budgets in this Order, the Board will need to adjust the NJCEP budgets accordingly in a future Order.

#### *Legislative Action*

In the 2011 Budget Order the Board approved a total NJCEP budget of approximately \$442 million. In addition, the 2011 budget Order accounted for an additional \$77 million that was re-allocated as a result of legislative action. Specifically, in the 2011 Budget Order the Board noted that:

"First, legislative action requires Staff to revise the proposed EE and RE funding allocations included as guidance in the CRA III Order for the 2011 NJCEP. By L. 2009, c. 207, the Legislature established a \$25 million grant program designed

to help pay the gas and electric public utility bills of households seeking temporary assistance from a nonprofit energy organization. Notwithstanding any provision to the contrary of N.J.S.A. 48:3-60 or any Order adopted pursuant thereto, the Legislature directed the Board to provide that \$25 million from available balances of funds collected through the SBC and accumulated in State accounts. At its November 10, 2010 public meeting, in Docket Number EG10100740, the Board approved the release of a grant solicitation for that \$25 million. Funding for that grant solicitation will come from the Clean Energy Trust Fund, the State account that holds the funding for the NJCEP. In addition, with the Fiscal Year 2011 Appropriations Act, the Legislature transferred \$52.5 million from the Clean Energy Trust Fund to the General Fund. L. 2010, c. 35, at pp. 7, 209; see Appropriations Handbook at A-11, B-204. Thus, \$77.5 million from the Clean Energy Program Trust Fund is no longer available for 2011 clean energy programs. As a result of this legislative action, the OCE developed revised funding allocations for use in developing proposed 2011 program budgets.

The OCE notes that a calculation error occurred and revised funding allocations only reflect the loss of \$77 million rather than the total \$77.5 million discussed above. Because the public was only notified of revisions totaling \$77 million, the OCE will not recommend further revisions at this time. The OCE will seek stakeholder input regarding additional necessary programmatic and budget revisions before returning to the Board with a recommendation at a later date.”

With regard to the \$25 million grant program described above, by Order dated February 21, 2011, Docket No. EG10100740, the Board awarded a grant to the Affordable Housing Alliance (“AHA”) referred to as the Temporary Relief for Utility Expenses (“TRUE”) Grant. Staff proposed that the funds for the \$25 million TRUE Grant program be reallocated from the “Legislative Action” budget line to a new budget line within the NJCEP budget to reflect the Board’s recent award. In addition, Staff’s Straw proposal included an allocation of an additional \$500,000 to the “Legislative Action” budget line to correct the calculation error noted above. The table below titled Proposed 2011 Funding Adjustments reflects these adjustments.

#### *Other Proposed Changes*

The following discusses other changes to the 2011 budgets proposed by Staff including the proposed reallocation of the additional carry over:

- In the 2011 budget Order the Board approved a pilot program for large energy users but did not approve a budget for this program. Staff is currently developing a proposed pilot program for consideration by the Board. Staff is proposing that the revised budget include \$20 million in funding for the large energy users pilot program from a reallocation of additional carry over from programs that do not require the funding to meet anticipated 2011 expenses.
- Reallocate \$5,325,563.43 to the HVAC program. The program received a large influx of applications at the end of 2010 and given current trends will require these funds to meet anticipated 2011 expenses.
- Reallocate \$3,431,504.94 to the Energy Efficient Products program. One of the components of this program provides upstream incentives to manufacturers and retailers to provide discounted Energy Star products to customers such as CFLs, electronics and appliances. Staff proposes that the additional funding be utilized for additional upstream promotions.

- Reallocate \$3,027,569.65 to the C&I Retrofit program. Program participation levels have been trending up and this funding would be used to meet anticipated 2011 expenses.
- Reverse a \$60,000 administrative fee to CST that was charged to the program but never paid since CST was defunded.
- Reduce the CORE and REIP budgets in total by approximately \$6 million to reflect cancelled solar rebate commitments and the CHP budget by \$2 million to reflect cancelled CHP projects.
- Staff proposes numerous other line item transfers within the budget, primarily to zero out the budget for discontinued programs or to reallocate additional carry over from programs that do not require the additional funding to meet anticipated 2011 expenses to the large energy users pilot or to programs that require additional funding to meet anticipated program expenses.
- The 2011 OCE Oversight budget includes \$100,000 for Green Jobs and Building Code Training. Staff proposes to combine the Green Jobs and Building Code Training and Special Studies budget lines by transferring the Green Jobs and Building Code Training budget to the Special Studies budget within the EE budget and to rename the Special Studies budget Green Jobs and Building Code Training.
- Transfer the Sustainable Jersey budget of \$625,000 from the OCE Oversight to the EE budget category.

The following table summarizes the funding adjustments discussed above:

**Proposed 2011 Funding Adjustments**

Funding Adjustments	EE	RE	EDA	OCE	True Grant	Legislative Action
EDA Interest & Loan Payments True-up			(\$57,760.92)			
Reverse CST Admin Fee Charge		\$60,000.00				
Funding Reconciliation Adjustment		(\$1,993,267.00)				
Transfer from Legislative Action to TRUE Grant					\$25,000,000.00	(\$25,000,000.00)
Transfer from RE to Legislative Action		(\$500,000.00)				\$500,000.00
Transfer from OCE Green Jobs to EE Special Studies	\$100,000.00			(\$100,000.00)		
Transfer Sustainable Jersey Budget from OCE Oversight to EE	\$625,000.00			(\$625,000.00)		
Transfer from RE and OCE to EE	\$4,500,000.00	(\$3,500,000.00)		(\$1,000,000.00)		
<b>Total</b>	<b>\$5,225,000.00</b>	<b>(\$5,933,267.00)</b>	<b>(\$57,760.92)</b>	<b>(\$1,725,000.00)</b>	<b>\$25,000,000.00</b>	<b>(\$24,500,000.00)</b>

The following table shows the revised funding levels that result from the additional carry over and other changes discussed above:

**Revised 2011 Funding Levels**

	2011 Budget From 12/22/10 Board Order	Additional Carryover	Funding Adjustments	Revised 2011 Funding Levels	Committed Expenses as of 1/31/2011	Revised 2011 Funding Less Commitments
	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)	(f)=(d)-(e)
Energy Efficiency Programs	\$292,982,900.51	\$22,222,551.66	\$5,225,000.00	\$320,430,452.17	\$63,477,787.61	\$256,952,664.56
Renewable Energy Programs	\$84,534,451.41	\$16,956,706.60	(\$5,933,267.00)	\$95,557,891.01	\$68,681,099.00	\$26,876,792.01
EDA Programs	\$56,616,156.30	\$1,075,758.00	(\$57,760.92)	\$57,634,153.38	\$9,806,242.00	\$47,827,911.38
OCE Oversight	\$7,966,637.81	\$1,459,413.00	(\$1,725,000.00)	\$7,701,050.81	\$0.00	\$7,701,050.81
TRUE Grant	\$0.00	\$0.00	\$25,000,000.00	\$25,000,000.00	\$25,000,000.00	\$0.00
<b>Total</b>	<b>\$442,100,146.03</b>	<b>\$41,714,429.26</b>	<b>\$22,508,972.08</b>	<b>\$506,323,547.37</b>	<b>\$166,965,128.61</b>	<b>\$339,358,418.76</b>
Legislative Action	\$77,000,000.00	\$0.00	(\$24,500,000.00)	\$52,500,000.00	\$52,500,000.00	\$0.00
<b>Total</b>	<b>\$519,100,146.03</b>	<b>\$41,714,429.26</b>	<b>(\$1,991,027.92)</b>	<b>\$558,823,547.37</b>	<b>\$219,465,128.61</b>	<b>\$339,358,418.76</b>

The following tables set out the revised 2011 EE, RE, EDA and OCE Oversight program budgets proposed by Staff in its March 9<sup>th</sup> Straw Proposal:

**Revised 2011 Energy Efficiency Program Budget**

	Board Approved 2011 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised 2011 Budget	Commitments as of 1/31/11
<b>Programs</b>	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
<b>Residential EE Programs</b>					
Residential HVAC - Electric & Gas	\$19,786,157.98	(\$5,325,563.43)	\$5,325,563.43	\$19,786,157.98	
Residential New Construction	\$19,943,969.50	(\$541,818.17)	\$541,818.17	\$19,943,969.50	\$10,169,000.00
Energy Efficient Products	\$12,684,764.52	\$890,364.33	\$3,431,504.95	\$17,006,633.80	
Home Performance with Energy Star	\$34,826,860.71	\$11,558,468.58	(\$11,500,000.00)	\$34,885,329.29	\$8,575,533.00
Community Partners Initiative	\$0.00	\$277,460.77	(\$277,460.77)	\$0.00	
Residential Marketing	\$1,309,984.00	\$21,425.78	(\$21,425.78)	\$1,309,984.00	
<b>Sub Total Residential</b>	<b>\$88,551,736.71</b>	<b>\$6,880,337.86</b>	<b>(\$2,500,000.00)</b>	<b>\$92,932,074.57</b>	<b>\$18,744,533.00</b>
<b>Residential Low Income</b>					
Comfort Partners	\$24,000,000.00	\$829,308.11		\$24,829,308.11	
<b>Sub Total Low Income</b>	<b>\$24,000,000.00</b>	<b>\$829,308.11</b>	<b>\$0.00</b>	<b>\$24,829,308.11</b>	<b>\$0.00</b>
<b>C&amp;I EE Programs</b>					
C&I New Construction	\$9,275,462.98	(\$408,319.57)		\$8,867,143.41	\$2,382,363.51
C&I Retrofit	\$36,478,000.37	\$393,881.28	\$3,027,569.65	\$39,899,451.30	\$14,615,451.39
Pay-for-Performance New Construction	\$7,487,494.56	(\$15,848.60)		\$7,471,645.96	\$160,739.50
Pay-for-Performance	\$53,849,676.30	\$1,506,025.20	(\$3,000,000.00)	\$52,355,701.50	\$12,737,360.15
CHP	\$1,003,979.92	\$1,998,142.91	(\$2,000,000.00)	\$1,002,122.83	\$1,000,000.00
Local Government Energy Audit	\$12,115,170.97	\$894,850.00	(\$894,850.00)	\$12,115,170.97	\$3,086,219.18
Direct Install	\$29,330,115.70	\$9,566,035.22	(\$11,000,000.00)	\$27,896,150.92	\$9,499,438.28
TEACH	\$338,462.00	\$344,367.50		\$682,829.50	\$682,829.50
Marketing	\$1,075,000.00	\$132,719.65	(\$132,719.65)	\$1,075,000.00	
Large Energy Users Pilot	\$0.00	\$0.00	\$20,000,000.00	\$20,000,000.00	
<b>Sub Total C&amp;I</b>	<b>\$150,953,362.80</b>	<b>\$14,411,853.59</b>	<b>\$6,000,000.00</b>	<b>\$171,365,216.39</b>	<b>\$44,164,401.51</b>
<b>Other EE Programs</b>					
Green Jobs and Building Code Training	\$477,801.00	\$101,052.10	\$100,000.00	\$678,853.10	\$568,853.10
Competitive Grant-Loan Solicitation	\$30,000,000.00	\$0.00		\$30,000,000.00	
Sustainable Jersey	\$0.00	\$0.00	\$625,000.00	\$625,000.00	
<b>Sub Total Other Energy Efficiency Programs</b>	<b>\$30,477,801.00</b>	<b>\$101,052.10</b>	<b>\$725,000.00</b>	<b>\$31,303,853.10</b>	<b>\$568,853.10</b>

Note: Sustainable Jersey budget transferred from OCE Oversight budget to EE budget

Note: Rename Special Studies: Green Jobs and Building Code Training

Note: EE funding adjustment is reduced by \$1 million to reflect initial 2011 budgets were \$1 million greater than available funding.

**Revised 2011 Renewable Energy Program Budget**

	Board Approved 2011 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised 2011 Budget	Commitments as of 1/31/11
<b>Programs</b>	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
Customer On-Site Renewable Energy	\$20,508,432.52	\$5,154,708.66	(\$1,994,467.00)	\$23,668,674.18	\$22,215,180.00
Clean Power Choice	\$68,400.00	\$52,209.61	(\$52,209.61)	\$68,400.00	
Offshore Wind	\$10,970,253.00	\$900,000.00		\$11,870,253.00	\$11,870,253.00
Renewable Energy Program: Grid Connected (Formerly REDI)	\$10,455,973.00	\$745,632.00	\$81,226.73	\$11,282,831.73	\$3,856,320.00
Renewable Energy Incentive Program	\$39,761,309.89	\$9,191,145.21	(\$3,940,000.00)	\$45,012,455.10	\$27,084,069.00
RE Marketing	\$0.00	\$29,017.12	(\$29,017.12)	\$0.00	
Edison Innovation Clean Energy Fund (formerly CST)	\$2,770,083.00	\$883,994.00	\$1,200.00	\$3,655,277.00	\$3,655,277.00
<b>SUB-TOTAL Renewables</b>	<b>\$84,534,451.41</b>	<b>\$16,956,706.60</b>	<b>(\$5,933,267.00)</b>	<b>\$95,557,891.01</b>	<b>\$68,681,099.00</b>



### Revised 2011 EDA Program Budget

	Board Approved 2011 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised 2011 Budget	Commitments as of 1/31/11
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
<b>EDA PROGRAMS</b>					
RE Project Grants and Financing	\$0.00	\$0.00		\$0.00	\$0.00
Renewable Energy Business Venture Financing/REED	\$0.00	\$0.00		\$0.00	\$0.00
Clean Energy Manufacturing Fund	\$34,616,156.30	\$1,075,758.00	(\$57,760.92)	\$35,634,153.38	\$9,806,242.00
Edison Innovation Green Growth Fund	\$4,000,000.00	\$0.00		\$4,000,000.00	\$0.00
EE Revolving Loan Fund	\$18,000,000.00	\$0.00		\$18,000,000.00	\$0.00
<b>Total EDA Programs</b>	<b>\$56,616,156.30</b>	<b>\$1,075,758.00</b>	<b>(\$57,760.92)</b>	<b>\$57,634,153.38</b>	<b>\$9,806,242.00</b>

### Revised 2011 OCE Oversight Budget

	Board Approved 2011 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised 2011 Budget	Commitments as of 1/31/11
	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(g)
<b>Administration and Overhead</b>					
<b>OCE Staff and Overhead</b>	<b>\$1,815,943.83</b>	<b>\$76,283.96</b>	<b>(\$414,728.75)</b>	<b>\$1,477,499.04</b>	
Program Coordinator	\$2,067,983.00	\$297,410.25	(\$297,410.25)	\$2,067,983.00	
<b>Memberships/Dues</b>					
Northeast Energy Efficiency Partnership Sponsorship including EMV Regional Protocol Forum	\$0.00	\$27,861.00	(\$27,861.00)	\$0.00	
Clean Energy States Alliance	\$0.00	\$25,000.00		\$25,000.00	
Consortium for Energy Efficiency	\$0.00	\$133,817.00		\$133,817.00	
<b>Sub-Total: Administration and Overhead</b>	<b>\$3,883,926.83</b>	<b>\$560,372.21</b>	<b>(\$740,000.00)</b>	<b>\$3,704,299.04</b>	<b>\$0.00</b>
<b>Evaluation and Related Research</b>					
Rutgers-CEEEP	\$368,415.71	\$300,000.00	\$240,000.00	\$908,415.71	
Funding Reconciliation	\$0.00	\$21,055.00		\$21,055.00	
O&M Scoping Study/Online Academy	\$0.00	\$450,000.00		\$450,000.00	
Other Studies	\$0.00	\$44,566.75		\$44,566.75	
Program Evaluation	\$1,951,779.65	\$0.00		\$1,951,779.65	
Financial Audits	\$1,008,497.80	(\$10,335.45)	(\$500,000.00)	\$498,162.35	
Green Jobs and Building Code Training	\$100,000.00	\$0.00	(\$100,000.00)	\$0.00	
<b>Sub-Total: Evaluation and Related Research</b>	<b>\$3,428,693.16</b>	<b>\$805,286.30</b>	<b>(\$360,000.00)</b>	<b>\$3,873,979.46</b>	<b>\$0.00</b>
<b>Marketing and Communications</b>					
Outreach and Education/Community Partner Grants	\$29,017.82	\$93,754.49		\$122,772.31	\$154,185.47
Sustainable Jersey	\$625,000.00	\$0.00	(\$625,000.00)	\$0.00	
<b>Sub-Total: Marketing and Communications</b>	<b>\$654,017.82</b>	<b>\$93,754.49</b>	<b>(\$625,000.00)</b>	<b>\$122,772.31</b>	<b>\$154,185.47</b>
<b>TOTAL: Administration</b>	<b>\$7,966,637.81</b>	<b>\$1,459,413.00</b>	<b>(\$1,725,000.00)</b>	<b>\$7,701,050.81</b>	<b>\$154,185.47</b>

On March 9, 2011, Staff posted the proposed budgets set out above on the NJCEP web site and circulated the proposed budgets to the EE and RE committee listservs. The proposed budgets were also discussed at the March 16, 2011 meetings of EE and RE Committees. The follow section summarizes the comments received.

#### **Revised 2009-2010 Utility Budgets**

Through numerous Orders issued in 2009 and 2010 the Board approved compliance filings for the Comfort Partners and CleanPower Choice ("CPC") programs managed by the Utilities. The compliance filings included program descriptions and detailed budgets for the programs managed by the Utilities. By letter dated March 23, 2011, captioned "Comfort Partners Program Alignment of funding for 2009 and 2010; Clean Power Choice Program Alignment of Funding for 2010, the Utilities submitted a request to the Board to true-up certain components of the individual utility budgets by either shifting dollars between utilities within a budget category or by shifting funds from a non-direct incentive budget category to the "Rebates, Grants and Other Direct Incentives" budget category.

The detailed budgets in the Utility compliance filings included an overall statewide program budget broken down by the various budget categories such as administration, sales and marketing, rebates, etc. The detailed budgets in the compliance filings also allocated a portion of each statewide budget to the various utilities that manage either the Comfort Partners or CPC program. The Utilities jointly manage the Comfort Partners program in a coordinated manner through a utility working group. The goals of the working group include minimizing administrative expenses through joint purchasing and sharing services and to maximize the energy savings measures installed in the homes of low-income customers.

The Utilities' March 23<sup>rd</sup> letter included tables that set out the Board approved budgets and actual expenses for the 2009 and 2010 Comfort Partners program and for the 2010 CPC program. The filing also included the revised 2009 and 2010 budgets proposed by the Utilities. The Utilities note that neither the Comfort Partners nor any other NJCEP is affected by this proposal since the utilities remained within the overall statewide budget approved by the Board. In addition to being under budget on a statewide basis within each budget category, each utility was also under budget in total. However, certain utilities exceeded the portion of the budget allocated to it within certain budget categories.

The primary focus of the utilities was to ensure that overall program expenditures effectively and accurately hit program budgets and did not exceed budgeted amounts. The Utilities report that the expenditures for the Comfort Partners program met the respective program budgets for 2009 and 2010. However, due to considerable customer interest, several utilities spent additional funds on energy savings measures. Although there was overspending in some of the individual cost category budgets the total expenditures were within the overall statewide budget. The Utilities utilized excess funds in Administrative type budget categories to fund additional expenditures in Rebate and other Direct Incentive budget categories.

For the CPC program, the Board approved a statewide budget of \$67,000 that was allocated to the four electric utilities in the detailed budget included in the Utility compliance filing. While the total expenses for the four utilities were below the statewide budget of \$67,000, one utility exceeded its CPC budget allocation. The Utilities have requested that the Board true-up expenses for this program as well by shifting dollars between utilities. The amount involved for the CPC is \$2,732.

The OCE has reviewed the Comfort Partners and CPC budget true-up proposed by the Utilities and recommends approval. Statewide expenses were below budget for each budget category except the "Rebates, Grants and Other Direct Incentives" budget category. Staff encourages the Utilities to minimize administrative expenses and to maximize the portion of the budget dedicated to reducing energy usage in the homes of low-income customers. Staff also encourages the Utilities to minimize costs by jointly coordinating the delivery of the programs and sharing costs which can create the need to shift budget from one Utility to another within a budget category. The Utilities were successful in achieving these goals. Therefore, Staff recommends approval, as within time, of the reallocation of the budgets between the Utilities and between budget categories as proposed by the Utilities.

#### **Summary of Comments**

Written comments were received from: the Division of Rate Counsel, Mr. James W. Price, Dr. Boli Zhou, Mr. John Foust, The New Jersey Fuel Merchants Association (FMA), Ms. Erin Thomas, TechniArt Incorporated (TechniArt), New Jersey Natural Gas Company (NJN), Mr. Neal Zislin, and, Mr. Patrick Murray. The following summarizes the comments received:

### *General Comments*

The FMA and NJN supported the proposed changes to the NJCEP budget. NJN strongly supported the proposal to fund the proposed large energy user's pilot at this time. NJN also encouraged the OCE to consider a broader view of the types of products provided with incentives through the Energy Efficient Products program including low cost products that reduce water heating load and provide the added benefit of lowering water usage, and encouraged continued consideration of the role creative partners can play in promoting energy efficiency.

**Response:** Staff appreciates the stated support for the proposed budget modifications. Staff will coordinate with Honeywell to explore the potential for providing incentives for additional products that reduce water usage. Staff continues to support the use of creative partners in promoting energy efficiency.

Rate Counsel generally supported the proposed revisions to the budgets and provided a few specific comments as follows:

1. While Rate Counsel supported the proposal to increase the funding for the HVAC program due recent growth in program activity levels, Rate Counsel stated that beyond the near term, the HVAC program should not be considered a substitute for the Home Performance with Energy Star program, because this could lead to lost opportunities for whole house energy efficiency.

**Response:** Staff concurs with this comment. The program as proposed will continue to offer incentives for customer to participate in the Home Performance with Energy Star program and to train additional contractors in the benefits of the whole house approach.

2. Rate Counsel recommended that the Large Energy Users pilot be started at a much smaller scale and be considered for full scale after the design is finalized and the pilot tested and if it results in a successful program.

**Response:** Staff anticipates that the largest energy users will be eligible for incentives of \$1 million or more such that the pilot could have 20 or fewer participants. Therefore, the proposed scale, \$20 million, is an appropriate level for the proposed Large Energy Users pilot program.

3. Rate Counsel reiterated comments it provided regarding the initial 2011 budgets approved by the Board that the marketing budgets for the residential and C&I programs should be increased. Rate Counsel noted that the proposed marketing budget is very small compared with what other states are spending.

**Response:** Marketing budgets should be kept at the minimum level required to stimulate the level of participation in a program necessary to achieve program goals. Staff will monitor program activity levels and would support additional funding for program marketing as required to increase program participation levels, if necessary, to achieve program goals.

Mr. Zislin submitted numerous questions and or comments that are summarized as follows:

1. Mr. Zislin provided an assessment of numerous budget lines and asked: Do the budgets for the major programs reflect expenditures based on reasonable timelines, and, will the staffing profiles be able to support the overall budget?

**Response:** Budgets are set based on expected program participation levels and past expenditures are not always a good indicator of future program activities. For example, both the Pay-for-Performance and Direct Install programs were well under budget in 2010. However, recent program activity shows a significant increase in the number of projects in the pipeline that are expected to submit applications in the near future. The budgets were established based on a reasonable estimate of future program participation levels.

State purchasing guidelines require that for any new solicitations such as the proposed Competitive Grant Loan Solicitation, that the funds be set aside prior to the award of any grant. Thus, in order to be able to consider awarding up to \$30 million in grants, \$30 million must be set aside in the budget even though Staff does not anticipate that much of this funding will be expended in 2011. Staff is not aware of any issues that would suggest that current staffing levels are not sufficient to support the proposed programs.

2. What are the descriptions, objectives and targets for the new Large Energy Users pilot, Competitive Grant-Loan Solicitation and True Grant? Are resources available to develop, launch and manage these programs? Is EDA adequately staffed to support new programs such as the Edison Innovation Green Growth Fund and Energy Efficiency Loan Fund and stepped up funding for the Clean Energy Manufacturers Fund?

**Response:** Staff is in the process of coordinating the development of the proposed Large Energy Users Pilot program. A high level description of the proposed program was presented at the March 16, 2011 meeting of the EE Committee. Staff will circulate a draft of the proposed program for comment that will include program details prior to presenting the proposed pilot to the Board for consideration.

Staff is in the process of developing a request for proposals (RFP) related to the new Competitive Grant-Loan Solicitation. Program descriptions, objectives and targets will be set out in the RFP.

The TRUE Grant was mandated by law as discussed further above. In November 2010, the Board issued a solicitation to engage an entity to provide the required services and recently engaged the Affordable Housing Alliance to deliver the required services. This program will be managed by Board Staff. Staff is unaware of any resource constraints related to developing, launching or managing any of these programs or the EDA programs.

3. Will any of the programs enable municipalities and school districts to borrow money to implement energy efficiency initiatives with payments coming from reductions in energy costs?

**Response:** P.L. 2009, c.4 allows government agencies to make energy related improvements to their facilities and pay for the costs using the value of energy savings that result from the improvements. The law, known as the "Energy Savings Improvement Program" (ESIP), provides all government agencies in New Jersey with a flexible tool to improve and reduce energy usage with minimal expenditure of new financial resources. The NJCEP is coordinating with Sustainable

Jersey and others to assist government entities in using ESIP and a portion of Sustainable Jersey's NJCEP budget is to develop tools to assist government entities in developing ESIP projects.

4. Discrepancies exist between the summary table and the supporting detailed tables.

**Response:** Staff is aware of the \$1 million discrepancy in the EE C&I budget. The proposed revisions to the 2011 budget noted and corrected this discrepancy. The discrepancy in reported OCE commitments noted by Mr. Zislin is due to timing differences, i.e. the commitments shown in the 2011 Order were commitments as of 12/31/10 and the commitments shown in Staff's proposal are as of 1/31/11.

Mr. Murray stated that it seems the residential customers will not have access to their share of SBC funding in a commensurate portion of budgeted programs. If the 20 to 26% of the residential funds collected are not available in residential program funding, then those funds should be given back to residential customers. The administration and the legislature should be honest with utility paying citizens and have diverted millions of dollars collected through the SBC that was meant to fund EE and RE programs and instead used these funds to balance the State budget.

**Response:** The Board is required to utilize the available funds as directed by the legislature and the Executive branch of government pursuant to the State Appropriations Act for State Fiscal Year 2011. Regarding the funds available for 2011 programs, approximately 18% of the funds were allocated to residential efficiency program and a substantial portion of the RE budget will support residential projects. In addition, the OCE Oversight budget supports all programs such that over 25% of the overall budget will support residential customers. Residential customers receive additional benefits through lower prices and reduced emissions when other customers save energy and programs aimed at governmental entities help reduce property taxes by reducing energy costs. Overall, the benefits available to residential customers are commensurate with the level of funds paid by residential customers.

*Domestic Solar Hot Water*

Mr. Price, Mr. Foust and Ms. Thomas each expressed support for additional funding for domestic solar hot water (DSHW) systems. Both Mr. Price and Ms. Thomas supported reallocating \$3.4 million to DSHW systems instead of the energy efficient products as proposed by Staff. Both stated that forthcoming federal appliance efficiency standards will require the purchase of energy efficiency products by 2012 and therefore did not support providing incentives for the purchase of efficient appliances at this time. Both stated their belief that a DSHW program could create thousands of jobs and generate tax revenues for the State. Mr. Price states that based on a \$1,200 rebate they can install 2,833 DSHW systems at an average cost of \$12,000 to \$15,000.

**Response:** The HVAC program has included a \$1,200 rebate for DSHW systems since 2009. However, to date, only 10 DSHW systems have applied for a rebate, thus no increase to the budget is needed at this time to support anticipated participation levels. If, in the future, demand for DSHW rebates increases, Staff would consider supporting a proposed increase in the budget for this measure.

*Research and Development*

Dr. Zhou proposed the creation of a NJ Clean Energy Innovation Fund to support research and

development (R&D) activities. Dr. Zhou outlined a specific product that would produce hydrogen that could be used to store energy produced from solar systems. Dr. Zhou stated his belief that the proposed R&D program could greatly benefit the state's renewable energy ambition and economic competitiveness and that the fund could be administered through EDA.

**Response:** Staff has supported funding R&D projects in the past and the Board has approved several R&D programs. For example, in 2009 the Board approved a budget of \$6 million for the Edison Innovation Clean Energy Fund that was managed by the Commission on Science and Technology (CST). However, the program was closed to new participants after the State eliminated funding for the CST. Staff continues to believe that R&D activities can provide benefits to the State but believes that the primary source of R&D funding should be the US Department of Energy.

#### *Energy Efficient Products*

Staff proposed to increase the budget for the Energy Efficient Products program by approximately \$3.4 million. TechniArt sponsors corporate lighting fairs that are funded through the creative lighting portion of the Energy Efficient Products program and asked Staff to consider allocating additional funds to its program. TechniArt stated that since 2008 it has sold 250,000 CFLs and 60,000 fixtures at 275 events to 52,000 NJ residents. Based on current levels of demand, TechniArt indicated that the program will exhaust its budget in August.

**Response:** Staff is currently coordinating with Honeywell, the Energy Efficient Products program manager, to determine the specific uses of any additional funds approved by the Board. Staff will consider TechniArt's comments in its discussions with Honeywell.

#### **Staff Recommendations**

Based on the comments received and discussions at the March 16, 2011 EE Committee meeting, Staff is proposing one change to the budgets that were circulated and the addition of one program change as follows:

1. In 2010 the Board approved a budget for the Comfort Partners program that included funding for a pilot for new measures such as cool roofs, reflective window film and gravity film exchange. Due to funding constraints continuation of this pilot was not included in the 2011 program. Staff recommends that \$1 million be transferred from the proposed Energy Efficient Products program budget to the Comfort Partners program budget to continue this pilot for cool roof measures in 2011. The proposal was discussed at the March 16, 2011 meeting of the EE Committee and no objections to the proposal were voiced. Staff notes that the proposed budget for the Energy Efficient Products program would still increase from \$12,684,764.52 to \$16,006,633.80 allowing for additional upstream promotions as recommended by Staff in its March 9, 2011 proposal.
2. TRC has approved several applications for LED screw in and pin based lamps under the Custom Measure component of the C&I Retrofit program. Consistent with past practice, Staff has encouraged TRC to develop prescriptive incentives for measures that submit multiple applications under the Custom program. Therefore, TRC developed a proposal to provide a \$20 per lamp rebate for LED Screw and Pin Based lamps. The proposal was discussed at the March 16, 2011 meeting of the EE Committee and no objections to the proposal were voiced. TRC has included this measure in its revised compliance filing and Staff recommends approval of the proposed prescriptive rebate for this measure.

The written comments submitted in response to Staff's proposed revisions to the 2011 budgets generally supported Staff's proposal. Further, for the reasons set out above, Staff does not support any additional changes to the budgets recommended in the written comments. Staff recommends approval of the budgets shown in the tables below that incorporate the changes discussed above:

### Revised 2011 Energy Efficiency Program Budget

	Board Approved 2011 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised 2011 Budget	Commitments as of 1/31/11
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
<b>Residential EE Programs</b>					
Residential HVAC - Electric & Gas	\$19,786,157.98	(\$5,325,563.43)	\$5,325,563.43	\$19,786,157.98	
Residential New Construction	\$19,943,969.50	(\$541,818.17)	\$541,818.17	\$19,943,969.50	\$10,169,000.00
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Home Performance with Energy Star	\$34,826,860.71	\$11,558,468.58	(\$11,500,000.00)	\$34,885,329.29	\$8,575,533.00
Community Partners Initiative	\$0.00	\$277,460.77	(\$277,460.77)	\$0.00	
Residential Marketing	\$1,309,984.00	\$21,425.78	(\$21,425.78)	\$1,309,984.00	
<b>Sub Total Residential</b>	<b>\$88,551,736.71</b>	<b>\$6,880,337.86</b>	<b>(\$3,500,000.00)</b>	<b>\$91,932,074.57</b>	<b>\$18,744,533.00</b>
<b>Residential Low Income</b>					
Comfort Partners	\$24,000,000.00	\$829,308.11	\$1,000,000.00	\$25,829,308.11	
<b>Sub Total Low Income</b>	<b>\$24,000,000.00</b>	<b>\$829,308.11</b>	<b>\$1,000,000.00</b>	<b>\$25,829,308.11</b>	<b>\$0.00</b>
<b>C&amp;I EE Programs</b>					
C&I New Construction	\$9,275,462.98	(\$408,319.57)		\$8,867,143.41	\$2,382,363.51
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Pay-for-Performance New Construction	\$7,487,494.56	(\$15,848.60)		\$7,471,645.96	\$160,739.50
Pay-for-Performance	\$53,849,676.30	\$1,506,025.20	(\$3,000,000.00)	\$52,355,701.50	\$12,737,360.15
CHP	\$1,003,979.92	\$1,998,142.91	(\$2,000,000.00)	\$1,002,122.83	\$1,000,000.00
Local Government Energy Audit	\$12,115,170.97	\$894,850.00	(\$894,850.00)	\$12,115,170.97	\$3,086,219.18
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TEACH	\$338,462.00	\$344,367.50		\$682,829.50	\$682,829.50
Marketing	\$1,075,000.00	\$132,719.65	(\$132,719.65)	\$1,075,000.00	
Large Energy Users Pilot	\$0.00	\$0.00	\$20,000,000.00	\$20,000,000.00	
<b>Sub Total C&amp;I</b>	<b>\$150,953,362.80</b>	<b>\$14,411,853.59</b>	<b>\$6,000,000.00</b>	<b>\$171,365,216.39</b>	<b>\$44,164,401.51</b>
<b>Other EE Programs</b>					
Green Jobs and Building Code Training	\$477,801.00	\$101,052.10	\$100,000.00	\$678,853.10	\$568,853.10
Competitive Grant-Loan Solicitation	\$30,000,000.00	\$0.00		\$30,000,000.00	
Sustainable Jersey	\$0.00	\$0.00	\$625,000.00	\$625,000.00	
<b>Sub Total Other Energy Efficiency Programs</b>	<b>\$30,477,801.00</b>	<b>\$101,052.10</b>	<b>\$725,000.00</b>	<b>\$31,303,853.10</b>	<b>\$568,853.10</b>
<b>Total Energy Efficiency</b>	<b>\$293,982,900.51</b>	<b>\$22,222,551.66</b>	<b>\$4,225,000.00</b>	<b>\$320,430,452.17</b>	<b>\$63,477,787.61</b>

### Revised 2011 Renewable Energy Program Budget

	Board Approved 2011 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised 2011 Budget	Commitments as of 1/31/11
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
Customer On-Site Renewable Energy	\$20,508,432.52	\$5,154,708.66	(\$1,994,467.00)	\$23,668,674.18	\$22,215,180.00
Clean Power Choice	\$68,400.00	\$52,209.61	(\$52,209.61)	\$68,400.00	
Offshore Wind	\$10,970,253.00	\$900,000.00		\$11,870,253.00	\$11,870,253.00
Renewable Energy Program: Grid Connected (Formerly REDI)	\$10,455,973.00	\$745,632.00	\$81,226.73	\$11,282,831.73	\$3,856,320.00
Renewable Energy Incentive Program	\$39,761,309.89	\$9,191,145.21	(\$3,940,000.00)	\$45,012,455.10	\$27,084,069.00
RE Marketing	\$0.00	\$29,017.12	(\$29,017.12)	\$0.00	
Edison Innovation Clean Energy Fund (formerly CST)	\$2,770,083.00	\$883,994.00	\$1,200.00	\$3,655,277.00	\$3,655,277.00
<b>SUB-TOTAL Renewables</b>	<b>\$84,534,451.41</b>	<b>\$16,956,706.60</b>	<b>(\$5,933,267.00)</b>	<b>\$95,557,891.01</b>	<b>\$68,681,099.00</b>

### Revised 2011 EDA Program Budget

	Board Approved 2011 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised 2011 Budget	Commitments as of 1/31/11
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
<b>EDA PROGRAMS</b>					
RE Project Grants and Financing	\$0.00	\$0.00		\$0.00	\$0.00
Renewable Energy Business Venture Financing/REED	\$0.00	\$0.00		\$0.00	\$0.00
Clean Energy Manufacturing Fund	\$34,616,156.30	\$1,075,758.00	(\$57,760.92)	\$35,634,153.38	\$9,806,242.00
Edison Innovation Green Growth Fund	\$4,000,000.00	\$0.00		\$4,000,000.00	\$0.00
EE Revolving Loan Fund	\$18,000,000.00	\$0.00		\$18,000,000.00	\$0.00
<b>Total EDA Programs</b>	<b>\$56,616,156.30</b>	<b>\$1,075,758.00</b>	<b>(\$57,760.92)</b>	<b>\$57,634,153.38</b>	<b>\$9,806,242.00</b>

### Revised 2011 OCE Oversight Budget

	Board Approved 2011 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised 2011 Budget	Commitments as of 1/31/11
	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(g)
<b>Administration and Overhead</b>					
<b>OCE Staff and Overhead</b>	\$1,815,943.83	\$76,283.96	(\$414,728.75)	\$1,477,499.04	
Program Coordinator	\$2,067,983.00	\$297,410.25	(\$297,410.25)	\$2,067,983.00	
<b>Memberships-Dues</b>					
Northeast Energy Efficiency Partnership Sponsorship including EMV Regional Protocol Forum	\$0.00	\$27,861.00	(\$27,861.00)	\$0.00	
Clean Energy States Alliance	\$0.00	\$25,000.00		\$25,000.00	
Consortium for Energy Efficiency	\$0.00	\$133,817.00		\$133,817.00	
<b>Sub-Total: Administration and Overhead</b>	<b>\$3,883,926.83</b>	<b>\$560,372.21</b>	<b>(\$740,000.00)</b>	<b>\$3,704,299.04</b>	<b>\$0.00</b>
<b>Evaluation and Related Research</b>					
Rutgers-CEEEP	\$368,415.71	\$300,000.00	\$240,000.00	\$908,415.71	
Funding Reconciliation	\$0.00	\$21,055.00		\$21,055.00	
O&M Scoping Study/Online Academy	\$0.00	\$450,000.00		\$450,000.00	
Other Studies	\$0.00	\$44,566.75		\$44,566.75	
Program Evaluation	\$1,951,779.65	\$0.00		\$1,951,779.65	
Financial Audits	\$1,008,497.80	(\$10,335.45)	(\$500,000.00)	\$498,162.35	
Green Jobs and Building Code Training	\$100,000.00	\$0.00	(\$100,000.00)	\$0.00	
<b>Sub-Total: Evaluation and Related Research</b>	<b>\$3,428,693.16</b>	<b>\$805,286.30</b>	<b>(\$360,000.00)</b>	<b>\$3,873,979.46</b>	<b>\$0.00</b>
<b>Marketing and Communications</b>					
Outreach and Education/Community Partner Grants	\$29,017.82	\$93,754.49		\$122,772.31	\$154,185.47
Sustainable Jersey	\$625,000.00	\$0.00	(\$625,000.00)	\$0.00	
<b>Sub-Total: Marketing and Communications</b>	<b>\$654,017.82</b>	<b>\$93,754.49</b>	<b>(\$625,000.00)</b>	<b>\$122,772.31</b>	<b>\$154,185.47</b>
<b>TOTAL: Administration</b>	<b>\$7,966,637.81</b>	<b>\$1,459,413.00</b>	<b>(\$1,725,000.00)</b>	<b>\$7,701,050.81</b>	<b>\$154,185.47</b>

Honeywell, TRC, the Utilities and the OCE each submitted revised 2011 compliance filings incorporating the changes discussed above. Staff has reviewed the revised compliance filings and finds them consistent with the changes set out herein. Therefore, the OCE recommends that the Board approve the revised compliance filings and authorize the program managers to implement the budget and program changes set out in the filings as soon as practicable and upon proper notice. Further, for the reasons set out above, Staff recommends approval of the revised 2009 and 2010 true up budgets proposed by the Utilities for the Comfort Partners program and the revised 2010 true up budget proposed by the Utilities for the Clean Power Choice program.

The 2011 Budget Order included the following language regarding the proposed Direct Install Program for Local Government Entities:

"TRC's compliance filing also included a proposal for a new Direct Install Program for Local Government Entities. TRC proposed that up to 60% of the installed cost of cost effective, approved measures be paid by SEP-ARRA funds,



subject to the approval by the USDOE. The OCE requested that the Board defer consideration of this proposal and the Board desires additional feedback from the USDOE regarding the feasibility of utilizing SEP-ARRA funds for this proposed program prior to acting on this request. Therefore, the Board **HEREBY DIRECTS** the OCE to review the proposed Direct Install Program for Local Government Entities with TRC and the USDOE. The Board **FURTHER DIRECTS** Staff to report the results of that review to the Board. The Board will consider the proposed Direct Install Program for Local Government Entities at a later date.”

Staff initiated discussions with the USDOE regarding the use of SEP-ARRA funds for the proposed Direct Install Program for Local Government Entities. The USDOE indicated to Staff that the proposed use of the funds is consistent with the existing approved SEP-ARRA application and that no further approvals were required. Based on the above, Staff recommends that the Board approve the proposed Direct Install Program for Local Government Entities set out in TRC’s revised compliance filing.

### **Discussion and Findings**

The OCE coordinated with the Market Managers, the NJCEP Program Coordinator and other stakeholders to develop proposed modifications to the 2011 NJCEP budgets, which primarily concern allocating the \$42 million in Additional Carry Over to existing programs based on current program activity levels. On March 9, 2011 the OCE circulated proposed changes to the budgets [to the public] for comment. Written comments were due by March 18, 2011 and the proposed changes were discussed at the March 16, 2011 meetings of the EE and RE Committees. Accordingly, the Board **FINDS** that the process utilized in developing the revised 2011 programs and budgets was appropriate and provided stakeholders and interested members of the public the opportunity to comment.

The Board has reviewed the changes to the budgets proposed by Staff as well as the comments received regarding Staff proposal. The Additional Carry Over represents additional funding available for allocation to program budgets. Staff’s proposal to reduce the funding levels to reflect a forthcoming credit to future utility payments into the NJCEP Trust Fund is required to reflect that the level of funds paid into the NJCEP Trust Fund will be reduced by this amount. The other budget changes proposed by Staff represent a reasonable approach to allocating the revised level of available funding.

Based on the above, the Board **HEREBY FINDS** that the revised budgets and programs set out above are reasonable. Therefore, the Board **HEREBY APPROVES** the revised 2011 budgets recommended by Staff in the tables above. The Board **FURTHER FINDS** that the budget and program changes discussed above are incorporated into compliance filings submitted to the Board for approval. Therefore, the Board **HEREBY APPROVES** the revised 2011 compliance filings filed by Honeywell dated March 23, 2011, by TRC dated March 23, 2011 including the proposed Direct Install for Local Government Entities program, by the Utilities by letter dated March 23, 2011 and by the OCE dated March 23, 2011. The Board **HEREBY AUTHORIZES** the program managers to implement the budget and program changes set out in the filings as soon as practicable and upon proper notice.

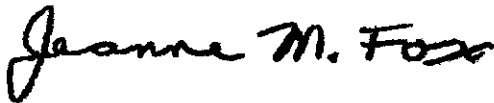
The Board concurs with Staff's recommendation regarding the Utilities request for approval of revised true up budgets for the 2009 and 2010 Comfort Partners program and 2010 CleanPower Choice program. Therefore, the Board **HEREBY APPROVES** to revised budgets proposed by the Utilities as set out in the letter dated March 23, 2011.

DATED: 4/13/11

BOARD OF PUBLIC UTILITIES  
BY:



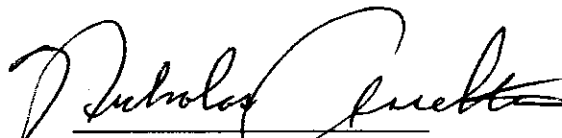
LEE A. SOLOMON  
PRESIDENT



JEANNE M. FOX  
COMMISSIONER




JOSEPH L. FIORDALISO  
COMMISSIONER



NICHOLAS ASSELTA  
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

