Agenda Date: 11/20/12
Agenda Item: 8C

STATE OF NEW JERSEY
Board of Public Utilities
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CLEAN ENERGY

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

Parties of Record:

Joe Gennello, Honeywell Utility Solutions
Diane Zukas, TRC Energy Services
Michael Ambrosio, Applied Energy Group
Lawrence Sweeney, Jersey Central Power & Light
Timothy White, Atlantic City Electric
Holly Thompson, Orange & Rockland Utilities
Bruce Grossman, South Jersey Gas Company
Susan Ringhoff, Public Service Electric & Gas Company
Tracey Thayer, New Jersey Natural Gas
Mary Patricia Keefe, Elizabethtown Gas Company
Stefanie A. Brand, Director, Esq., Rate Counsel
BY THE BOARD:

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

BACKGROUND AND PROCEDURAL HISTORY

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

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

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").

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

2012 Budget True-Up

The 2012 Budget Order included estimated carry over of unspent funds from previous years, plus anticipated new funding of $379.25 million as set out in the CRA III Order, less $52.5 million allocated to "Legislative Action" as required by State legislation. In addition, a significant portion of the overall 2012 budget includes funds to pay rebates 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. The current commitments to pay the approved rebates once a new Energy Star home is constructed or new CHP system is installed, for example, were approximately $136 million as of June 30, 2012. 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 2012 Budget Order relied on estimates that would require "true up" at a later date.

Carry over represents unspent funds from a previous budget that carry forward to the next year's budget. Estimated 2011 expenses were developed in September 2011 and differences between estimated and actual expenses reflect both changes in market activity and commitments that were expected to be completed in 2011, but carried forward into 2012. Actual 2011 carry over is calculated by deducting actual 2011 expenses from the Board approved 2011 budgets.

The tables below show the final 2011 budgets approved by the Board; actual 2011 expenses and carry over; the estimated 2011 carry over that was used to develop initial 2012 budgets;

and the difference between the actual and estimated carry over for the EE, RE, Economic Development Authority ("EDA") and OCE Oversight budgets, which is referred to as "Additional Carry Over":

2011 Energy Efficiency Program Budget

Programs	NJBPU Approved 2011 Budget (a)	Actual 2011 Expenses (b)	Actual 2011 Carry Over (c) = (a) - (b)	Estimated 2011 Carryover from 2012 Budget Order (d)	Difference = Additional Carryover (e) = (c) - (d)
Residential EE Programs					
Residential HVAC - Electric & Gas	$22,724,583.98	$19,923,078.40	$2,801,505.58	$1,622,693.44	$1,178,812.14
Residential New Construction	$19,943,969.50	$7,039,315.47	$12,904,654.03	$7,533,309.24	$5,371,344.79
Energy Efficient Products	$18,193,381.04	$16,643,930.61	$1,549,450.43	$395,143.78	$1,154,306.65
Home Performance with Energy Star	$29,760,156.05	$15,266,819.30	$14,493,336.75	$9,173,162.89	$5,320,173.86
Residential Marketing	$1,309,984.00	$1,111,985.10	$197,998.90	$87,475.13	$110,523.77
Sub Total Residential	**$91,932,074.57**	**$59,985,128.88**	**$31,946,945.69**	**$18,811,784.48**	**$13,135,161.21**
Residential Low Income					
Comfort Partners	$30,829,308.11	$28,405,761.97	$2,423,546.14	$0.00	$2,423,546.14
Sub Total Low-Income	**$30,829,308.11**	**$28,405,761.97**	**$2,423,546.14**	**$0.00**	**$2,423,546.14**
C&I EE Programs					
C&I New Construction	$6,867,143.41	$2,387,636.95	$4,479,506.46	$3,765,517.15	$713,989.31
C&I Retrofit	$45,899,451.30	$15,697,501.92	$30,201,949.38	$26,945,246.93	$3,256,702.45
Pay-for-Performance New Construction	$7,471,645.96	$478,711.08	$6,992,934.88	$6,810,817.58	$182,117.30
Pay-for-Performance	$43,355,701.50	$5,023,091.48	$38,332,610.02	$37,498,618.40	$833,991.62
CHP	$1,002,122.83	$0.00	$1,002,122.83	$1,002,122.83	$0.00
Local Government Energy Audit	$9,115,170.97	$3,493,179.00	$5,621,991.97	$5,761,575.22	($139,583.25)
Direct Install	$35,896,150.92	$21,733,218.78	$14,162,932.14	$14,337,218.14	($174,286.00)
TEACH	$682,829.50	$121,599.50	$561,230.00	$0.00	$561,230.00
Marketing	$1,075,000.00	$1,062,330.79	$12,669.21	$0.00	$12,669.21
Large Energy Users Pilot	$20,000,000.00	$71,596.10	$19,928,403.90	$19,895,000.00	$33,403.90
Multi-Family Financing Pilot	$10,000,000.00	$0.00	$10,000,000.00	$10,000,000.00	$0.00
Sub Total C&I	**$181,365,216.39**	**$50,068,865.60**	**$131,296,350.79**	**$126,016,116.25**	**$5,280,234.54**
Other EE Programs					
Green Jobs and Building Code Training	$678,853.10	$195,895.63	$482,957.47	$195,429.97	$287,527.50
Competitive Grant/Loan Solicitation	$20,000,000.00	$0.00	$20,000,000.00	$20,000,000.00	$0.00
Sustainable Jersey	$1,070,000.00	$380,149.11	$689,850.89	$370,000.00	$319,850.89
Sub Total Other Energy Efficiency Programs	**$21,748,853.10**	**$576,044.74**	**$21,172,808.36**	**$20,565,429.97**	**$607,378.39**
Total Energy Efficiency	**$325,875,452.17**	**$139,035,801.19**	**$186,839,650.98**	**$165,393,330.70**	**$21,446,320.28**
True Grant	**$25,000,000.00**	**$3,210,125.71**	**$21,789,874.29**	**$14,374,500.00**	**$7,415,374.29**

2011 Renewable Energy Program Budget

Renewable Energy Programs	NJBPU	Actual	Actual	Estimated 2011	Difference =
	Approved	2011	2011	Carryover from	Additional
	2011 Budget	Expenses	Carry Over	2012 Budget Order	Carry Over
Existing Programs	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Customer On-Site Renewable Energy	$22,623,674.18	$13,139,812.21	$9,483,861.97	$4,150,000.00	$5,333,861.97
Clean Power Choice	$68,400.00	$29,209.40	$39,190.60	$34,954.67	$4,235.93
Offshore Wind	$11,070,253.00	$2,633,211.00	$8,437,042.00	$8,018,408.00	$418,634.00
Renewable Energy Program: Grid Connected (Formerly REDI)	$11,282,831.73	$0.00	$11,282,831.73	$10,922,831.73	$360,000.00
Renewable Energy Incentive Program	$41,612,455.10	$21,336,854.39	$20,275,600.71	$14,233,390.05	$6,042,210.66
Edison Innovation Clean Energy Fund (formerly CST)	$3,655,277.00	$1,824,234.60	$1,831,042.40	$1,671,836.75	$159,205.65
TOTAL Renewables	**$90,312,891.01**	**$38,963,321.60**	**$51,349,569.41**	**$39,031,421.20**	**$12,318,148.21**

2011 EDA Program Budget

EDA PROGRAMS					
Edison Innovation Clean Energy Manufacturing Fund	$35,634,153.38	$5,915,017.00	$29,719,136.38	$29,019,136.38	$700,000.00
Edison Innovation Green Growth Fund (EIGGF)	$4,000,000.00	$60,000.00	$3,940,000.00	$3,940,000.00	$0.00
EE Revolving Loan Fund (EERLF)	$18,000,000.00	$360,000.00	$17,640,000.00	$17,640,000.00	$0.00
TOTAL EDA Programs	**$57,634,153.38**	**$6,335,017.00**	**$51,299,136.38**	**$50,599,136.38**	**$700,000.00**

2011 OCE Oversight Budget

	NJBPU	Actual	Actual	Estimated 2011	Difference =
	Approved	2011	2011	Carryover from	Additional
	2011 Budget	Expenses	Carry Over	2012 Budget Order	Carry Over
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
OCE ADMINISTRATION AND OVERHEAD					
OCE Staff and Overhead	$1,477,499.04	$1,393,247.55	$84,251.49	$491.83	$83,759.66
Program Coordinator	$2,067,983.00	$1,872,038.25	$195,944.75	$63,537.25	$132,407.50
Sub-Total: OCE Administration and Overhead	**$3,545,482.04**	**$3,265,285.80**	**$280,196.24**	**$64,029.08**	**$216,167.16**
MEMBERSHIPS-DUES					
Clean Energy States Alliance	$25,000.00	$0.00	$25,000.00	$25,000.00	$0.00
Consortium for Energy Efficiency	$133,817.00	$131,196.00	$2,621.00	$0.00	$2,621.00
Sub-Total: Memberships-Dues	**$158,817.00**	**$131,196.00**	**$27,621.00**	**$25,000.00**	**$2,621.00**
OCE EVALUATION AND RELATED RESEARCH					
Rutgers-CEEEP	$1,308,415.71	$387,802.07	$920,613.64	$520,613.64	$400,000.00
Funding Reconciliation	$21,055.00	$0.00	$21,055.00	$0.00	$21,055.00
O&M Scoping Study/Online Academy	$450,000.00	$391,097.89	$58,902.11	$2.23	$58,899.88
Other Studies	$44,566.75	$0.00	$44,566.75	$44,566.75	$0.00
Program Evaluation	$1,351,779.65	$156,293.10	$1,195,486.55	$351,779.65	$843,706.90
Financial Audits	$498,162.35	$0.00	$498,162.35	$498,162.35	$0.00
Sub-Total: Oce Evaluation And Related Research	**$3,673,979.46**	**$935,193.06**	**$2,738,786.40**	**$1,415,124.62**	**$1,323,661.78**
OCE MARKET AND COMMUNICATIONS					
Outreach and Education/Community Partner Grants	$122,772.31	$0.00	$122,772.31	$22,772.31	$100,000.00
Sub-Total: Oce Market And Communications	**$122,772.31**	**$0.00**	**$122,772.31**	**$22,772.31**	**$100,000.00**
TOTAL	**$7,501,050.81**	**$4,331,674.86**	**$3,169,375.95**	**$1,526,926.01**	**$1,642,449.94**

The additional Carry Over shown in the tables above is equal to $43,522,292.72. These funds are available to add to the 2012 NJCEP budget.

Additional 2012 Funding

The 2012 budget approved by the Board included estimated EDA program revenues of $51,293.44 from interest payments and repayment of loans or grants. Actual EDA revenues were $88,643.78 which is $37,350.34 more than the estimated revenues used to develop the 2012 budgets. The EDA budget was increased by this amount to reflect the higher level of revenues.

The 2012 budget approved by the Board included estimated interest on the funds held in the Clean Energy Trust Fund ("Trust Fund") of $652,396.37. However, in November 2011 the New Jersey Department of Treasury ("Treasury") reported than an additional interest payment of $5,915,864.32 was credited to the Trust Fund. The additional Trust Fund interest plus the $43,522,292.72 in Additional Carry Over equals $49,438,157.04. These funds are available to add to the NJCEP budget.

Legislative Action
In the 2012 Budget Order the Board approved a total NJCEP budget of approximately $598 million. In addition, the 2012 budget Order accounted for an additional $52.5 million that was re-allocated as a result of legislative action. Specifically, in the 2012 Budget Order the Board noted that:

> "...legislative action requires Staff to revise the proposed EE and RE funding allocations included as guidance in the CRA III Order for the 2012 NJCEP. Specifically, in the Fiscal Year 2012 Appropriations Act, the Legislature transferred $52.5 million from the Clean Energy Trust Fund to the General Fund. L. 2011, c. 85, see Appropriations Handbook at B-199, B-204 and B-205. Thus, $52.5 million from the Clean Energy Program Trust Fund is no longer available for 2012 Clean Energy Programs. As a result of this legislative action, the OCE developed revised funding allocations for use in developing proposed 2012 program budgets."
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> [In the Matter of Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2009-2012 Clean Energy Program: 2012 Programs and Budgets, Docket Nos. EO07030203 and EO11100631V, at 31 (December 20, 2011.]

Subsequently, under the Supplemental Appropriations Act for FY 2012, P.L. 2012 c.12, the legislature appropriated an additional amount not to exceed $200,000,000 from the Clean Energy Trust Fund for transfer to the General Fund as State revenue. This appropriation required the Board to reduce the 2012 budget by $200,000,000, which resulted in a 2012 NJCEP funding level of $179,250,000. Further, pursuant to the Appropriations Act for FY 2013, P.L. 2012, c. 18, the legislature appropriated an amount not to exceed $131,500,000 from the Clean Energy Trust Fund for transfer to the General Fund as State revenue. This appropriation will impact the available funding for the 2013 NJCEP budget. The budgets set out below reflect these two additional appropriations.

Proposed 2013 Six Month Funding Level
The CRA III Order referenced above set funding levels for the years 2009-2012. By Order dated October 7, 2011, Docket No. EO11050324V, the Board established a procedural schedule for its fourth CRA proceeding ("CRA IV"). In this Order the Board requested

comments on a number of issues related to setting the NJCEP funding levels for the years 2013-2016.

The OCE has long recognized the benefits of aligning the NJCEP budget period with the State's fiscal year (FY) i.e., having the NJCEP budgets run from July 1st to June 30th each year instead of setting calendar year budgets. These benefits include eliminating the need to create half-year budgets and greater administrative efficiency.

Based on the above, the OCE proposed that the 2012 funding levels established by the Board in its CRA III Order be continued for the first six months of 2013 and that the ongoing CRA IV proceeding be modified to set funding levels for the subsequent four fiscal years commencing in July 1, 2013. This adjustment will align the NJCEP budget period with the State's fiscal year.

The table below shows the 2012 funding levels and utility NJCEP payment schedule approved by the Board in its CRA III Order which total $194,804,019 for the period January through June 2012.

2012 Monthly Utility Funding Levels from Board 2008 CRA III Order

2012	Jan	Feb	Mar	Apr	May	Jun	Total
ACE	$2,642,572	$2,680,833	$2,700,068	$2,428,087	$2,447,292	$2,757,545	$15,656,397
JCP&L	$5,914,365	$6,000,659	$6,447,282	$5,561,839	$5,416,934	$6,334,092	$35,675,171
PS-Electric	$11,974,398	$11,239,282	$11,649,423	$10,859,443	$11,540,798	$12,935,173	$70,198,517
RECO	$445,204	$442,799	$429,409	$397,764	$390,288	$489,585	$2,595,049
NJN	$2,374,681	$2,682,086	$1,960,255	$1,445,803	$835,250	$541,046	$9,839,121
Etown	$1,522,090	$2,327,320	$2,033,259	$1,498,540	$1,099,719	$937,393	$9,418,321
PS-Gas	$9,670,040	$10,754,629	$10,474,638	$5,987,560	$4,511,579	$2,528,870	$43,927,316
SJG	$1,697,118	$1,881,590	$1,410,598	$1,103,501	$804,968	$596,352	$7,494,127
Total	$36,240,468	$38,009,198	$37,104,932	$29,282,537	$27,046,828	$27,120,056	$194,804,019

The OCE proposed that the utilities submit SBC Clean Energy payments[2] to the NJCEP fiscal agent on the same schedule for the first six months of 2013 as they did for the first six months in 2012. Therefore, absent legislative action, the initial funding level for the first six months of 2013 would be $194,804,019. Given the FY13 appropriation of $131,500,000 from the NJCEP, however, OCE proposed to deduct that amount from the proposed 2013 six month funding leaving a balance of $63,304,019.00 available for allocation to programs.

The OCE coordinated with the Market Managers, the NJCEP Program Coordinator and other stakeholders to develop proposed modifications to the 2012 NJCEP budgets as well as initial budgets for the first six months of 2013. During those discussions it was determined that developing an 18 month budget for this period would be more efficient than developing a revised 2012 budget and a six month 2013 budget.

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[2] The Societal Benefits Charge ("SBC") includes funding for several Board approved social programs including nuclear plant decommissioning costs, manufactured gas plant clean-up costs, universal service fund, lifeline funds, consumer education funds, uncollectable payments and demand side management funds (now call clean energy funds). The Clean Energy component of the SBC, as noted in the 2011 Energy Master Plan, was approximately 44% of the total

Budget Reductions

The 2012 Additional Carry Over shown in the tables above plus the additional Trust Fund interest total $49,438,157.04. Historically, this amount would have been available to allocate to programs. However, given the FY12 appropriation of $200,000,000 noted above, Staff is proposing to allocate $40,856,999.02 of the Additional Carry Over and interest towards the $200,000,000 appropriation. The balance of the Additional Carry Over and interest ($8,581,158.02) is required to remain in the specific program budgets to pay previous commitments. The difference between the $200,000,000 appropriation and the $40,856,999.02 in Additional Carry Over plus interest is $159,143,000.98. The 2012 budgets must be reduced by this amount.

Staff is concerned that $63,304,019.00 in funds for the first six months of 2013 is not sufficient to maintain the existing programs for this period. Therefore, in developing the proposed 18 month budgets, Staff has recommended a funding level of $93,000,000.20 for the first six months of 2013. To achieve $93,000,000.20 in funding for the first six months of 2013, Staff must carry over $29,695,981.20 from the 2012 budget.

Staff has recommended to reduce the 2012 budget by an additional $29,695,981.20 in order to carry over this amount into the first six months of 2013. Therefore the total amount of reductions to the 2012 budget would be $188,838,982.18, which is $29,695,981.20 more than the required $159,143,000.98 budget reduction. The difference is available for allocation to programs. The net result is that $63,304,019.00 in new funds plus $29,695,981.20 in estimated additional 2012 carry over, or a total of $93,000,000.20, was allocated to the proposed 18 month budgets for the first six months of 2013.

The following summarizes the total funding available for the first six months of 2013:

2013 New Funding (6 months)	$194,804,019.00
Less 2013 New Funding to Legislative Action	$131,500,000.00
Equals 2013 Funding Available to allocate to programs	$63,304,019.00

2012 Budget Reduction	$188,838,982.18
Line Item Transfers	$159,143,000.98
Difference = 2012 carry over available to allocate to 2013 funding	$29,695,981.20
New 2013 funding available to allocate to programs	$63,304,019.00
Total 2013 funding available to allocate to programs	$93,000,000.20

The proposed budget reductions shown above were guided by the following parameters:

1. Staff first eliminated budgets for proposed new programs or program components that have not yet been implemented.
2. Staff requested estimated expenses plus commitments from the program managers and reduced budgets to the level needed to maintain the program at current levels.
3. Staff assessed the programs, as discussed below, and proposed reductions to programs that it deemed to be "non-core".

Based on the above, the OCE proposed the following allocation of the available 2013 funding to the various budget categories:

Allocation of 2013 Available Funding	
Res EE	$27,000,000.00
Low Income	$15,000,000.00
C&I EE	$39,750,000.20
Other EE	$250,000.00
Total EE	$82,000,000.20
RE	$5,000,000.00
EDA	$0.00
OCE	$6,000,000.00
SEO	$0.00
Total	$93,000,000.20
Total Available	$93,000,000.20

Staff Straw Proposal

Based on the above, the OCE developed proposed budgets and program changes which were included in a Staff Straw proposal. On August 17, 2012, the Board issued a Request for Public Comment on issues related to the FY12 and FY13 appropriations discussed above as well as Staff's proposal to extend the CRA III funding for six months through June 2013. The Notice included Staff's Straw proposal, requested written comments on the Straw proposal and set a date of September 7, 2012 for a public hearing held in Trenton, New Jersey, to solicit additional comments on Staff's Straw proposal. Written comments were due by September 12, 2012 and the proposed changes were discussed at the September 10, 2012 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 changes to the NJCEP budgets discussed above proposed by the OCE in its Straw Proposal:

Revised 2012 Funding Levels

	2012 Budget From 12/20/11 Board Order	Additional Carryover + Additional Interest	Line Item Transfers	Budget Reductions	Revised 2012 Funding Levels	Additional 2013 Funding Plus 2012 Carry Over	Total 2012+ 6 Months 2013 Budget	Preliminary Expenses plus Commitments as of June 30, 2012	Available Funds for the Period July 1, 2012-June 30, 2013
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)=(e)+(f)	(h)	(i)=(g)-(h)
Energy Efficiency Programs	$409,143,330.70	$21,446,320.28	($20,838,941.53)	($104,037,380.84)	$305,713,328.25	$82,000,000.20	$387,713,328.45	$176,163,612.10	$211,549,716.35
Renewable Energy Programs	$59,031,421.20	$12,318,148.21	($12,318,148.21)	($25,400,000.00)	$33,631,421.20	$5,000,000.00	$38,631,421.20	$23,908,669.95	$14,722,751.25
EDA Programs	$107,650,429.82	$700,000.00	($662,649.66)	($58,642,499.24)	$49,045,280.92	$0.00	$49,045,280.92	$6,792,649.66	$42,252,631.26
OCE Oversight	$8,424,448.38	$1,642,449.94	($1,121,394.94)	$759,102.10	$8,186,401.28	$6,000,000.00	$14,186,401.28	$2,769,045.83	$11,417,355.45
TRUE Grant	$14,374,500.00	$7,415,374.29	$0.00	$0.00	$21,789,874.29	$0.00	$21,789,874.29	$21,789,874.29	$0.00
Additional Interest		$5,915,864.32	($5,915,864.32)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
State Energy Office	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total	$598,624,130.10	$49,438,157.04	($40,856,999.02)	($188,838,982.18)	$418,366,305.94	$93,000,000.20	$511,366,306.14	$231,423,851.83	$279,942,454.31
Legislative Action	$52,500,000.00	$0.00	$200,000,000.00		$252,500,000.00	$131,500,000.00	$384,000,000.00	$384,000,000.00	$0.00
Total	$651,124,130.10	$49,438,157.04	$159,143,000.98	($188,838,982.18)	$670,866,305.94	$224,500,000.20	$895,366,306.14	$615,423,851.83	$279,942,454.31

The following tables show the net result of the modifications discussed above on a program-by-program basis for the EE, RE, EDA and OCE budgets:

Revised 2012 Energy Efficiency Program Budget

	Board Approved 2012 Budget	Additional Carry Over	Line Item Transfers	Budget Reduction	Revised 2012 Budget	Commitments as of 6/29/12	Additional 2013 Funding	Total:2012-2013 Budget
Programs	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)	(h)=(e)+(g)
Residential EE Programs								
Residential HVAC - Electric & Gas	$23,178,518.81	$1,178,812.14	($1,178,812.14)	($3,000,000.00)	$20,178,518.81	$0.00	$5,000,000.00	$25,178,518.81
Residential New Construction	$16,320,061.50	$5,371,344.79	($5,371,344.79)		$16,320,061.50	$7,426,322.00	$5,000,000.00	$21,320,061.50
Energy Efficient Products	$20,275,407.84	$1,154,306.65	($1,154,306.65)	($5,500,000.00)	$14,775,407.84	$0.00	$4,700,000.00	$19,475,407.84
Home Performance with Energy Star	$32,386,412.49	$5,320,173.86	($5,320,173.86)	($1,670,000.00)	$30,716,412.49	$6,160,000.00	$11,800,000.00	$42,516,412.49
Residential Marketing	$1,651,383.84	$110,523.77	($110,523.77)	($341,399.84)	$1,309,984.00	$0.00	$500,000.00	$1,809,984.00
Sub Total Residential	**$93,811,784.48**	**$13,135,161.21**	**($13,135,161.21)**	**($10,511,399.84)**	**$83,300,384.64**	**$13,586,322.00**	**$27,000,000.00**	**$110,300,384.64**
Available 2013 Funds							**$27,000,000.00**	
Residential Low Income								
Comfort Partners	$35,000,000.00	$2,423,546.14	($2,423,546.14)	$0.00	$35,000,000.00	$0.00	$15,000,000.00	$50,000,000.00
Sub Total Low Income	**$35,000,000.00**	**$2,423,546.14**	**($2,423,546.14)**	**$0.00**	**$35,000,000.00**	**$0.00**	**$15,000,000.00**	**$50,000,000.00**
Available 2013 Funds							**$15,000,000.00**	
C&I EE Programs								
C&I New Construction	$10,024,122.02	$713,989.31	($713,989.31)	($5,000,000.00)	$5,024,122.02	$3,373,909.14	$1,500,000.00	$6,524,122.02
C&I Retrofit	$65,699,999.97	$3,256,702.45	($3,256,702.45)	($5,725,981.00)	$59,974,018.97	$29,617,419.54	$1,900,000.00	$61,874,018.97
Pay-for-Performance New Construction	$10,310,817.58	$182,117.30	($182,117.30)	($7,800,000.00)	$2,510,817.58	$1,918,374.60	$100,000.00	$2,610,817.58
Pay-for-Performance	$60,555,958.00	$833,991.62	($833,991.62)	($13,500,000.00)	$47,055,958.00	$30,068,467.70	$3,000,000.00	$50,055,958.00
CHP	$20,000,000.00	$0.00	$0.00	($6,000,000.00)	$14,000,000.00	$5,247,500.00	$3,000,000.00	$17,000,000.00
Local Government Energy Audit	$6,000,000.00	($139,583.25)	$139,583.25	($1,000,000.00)	$5,000,000.00	$2,763,121.00		$5,000,000.00
Direct Install	$41,337,218.00	($174,286.00)	$174,286.00	$2,000,000.00	$43,337,218.00	$12,289,768.48	$17,294,944.20	$60,632,162.20
TEACH	$0.00	$561,230.00	$561,230.00)		$0.00	$0.00		$0.00
Marketing	$1,575,000.00	$12,669.21	($12,669.21)	($500,000.00)	$1,075,000.00	$0.00	$500,000.00	$1,575,000.00
Large Energy Users Pilot	$28,763,000.68	$33,403.90	($33,403.90)	($21,000,000.00)	$7,763,000.68	$6,932,041.32	$12,455,056.00	$20,218,056.68
Multi-Family Financing Pilot	$10,000,000.00	$0.00	$0.00	($10,000,000.00)	$0.00	$0.00		$0.00
Retrocommissioning	$5,000,000.00	$0.00	$0.00	($5,000,000.00)	$0.00	$0.00		$0.00
Sub Total C&I	**$259,266,116.25**	**$5,280,234.54**	**($5,280,234.54)**	**($73,525,981.00)**	**$185,740,135.25**	**$92,210,601.78**	**$39,750,000.20**	**$225,490,135.45**
Available 2013 Funds							**$39,750,000.20**	
Other EE Programs								
Green Jobs and Building Code Training	$195,429.97	$287,527.50			$482,957.47	$0.00		$482,957.47
Competitive Grant-Loan Solicitation	$0.00	$0.00	$0.00		$0.00	$0.00		$0.00
Sustainable Jersey	$870,000.00	$319,850.89			$1,189,850.89	$0.00	$250,000.00	$1,439,850.89
New Financing Programs	$20,000,000.00	$0.00	$0.00	($20,000,000.00)	$0.00	$0.00		$0.00
Sub Total Other Energy Efficiency Programs	**$21,065,429.97**	**$607,378.39**	**$0.00**	**($20,000,000.00)**	**$1,672,808.36**	**$0.00**	**$250,000.00**	**$1,922,808.36**
Available 2013 Funds							**$250,000.00**	
Total Energy Efficiency	**$409,143,330.70**	**$21,446,320.28**	**($20,838,941.89)**	**($104,037,380.84)**	**$305,713,328.25**	**$105,796,923.78**	**$82,000,000.20**	**$387,713,328.45**
Total Available 2013 Funds							**$82,000,000.20**	

Revised 2012 Renewable Energy Program Budget

	Board Approved 2012 Budget	Additional Carry Over	Line Item Transfers	Budget Reduction	Revised 2012 Budget	Commitments as of 6/29/12	Additional 2013 Funding	Total:2012-2013 Budget
Programs	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)	(h)=(e)+(g)
Customer On-Site Renewable Energy	$4,150,000.00	$5,333,861.97	($5,333,861.97)		$4,150,000.00	$2,588,943.00		$4,150,000.00
Clean Power Choice	$32,400.00	$4,235.93	($4,235.93)		$32,400.00	$0.00		$32,400.00
Offshore Wind	$8,518,408.00	$418,634.00	($418,634.00)	($3,000,000.00)	$5,518,408.00	$7,804,374.00		$5,518,408.00
Renewable Energy Program: Grid Connected (Formerly REDI)	$20,425,386.40	$360,000.00	($360,000.00)	($16,400,000.00)	$4,025,386.40	$3,856,320.00		$4,025,386.40
Renewable Energy Incentive Program	$24,233,390.05	$6,042,210.66	($6,042,210.66)	($6,000,000.00)	$18,233,390.05	$2,432,471.00	$5,000,000.00	$23,233,390.05
Edison Innovation Clean Energy Fund (formerly CST)	$1,671,836.75	$159,205.65	($159,205.65)		$1,671,836.75	$1,484,497.95		$1,671,836.75
SUB-TOTAL Renewables	**$59,031,421.20**	**$12,318,148.21**	**($12,318,148.21)**	**($25,400,000.00)**	**$33,631,421.20**	**$18,166,605.95**	**$5,000,000.00**	**$38,631,421.20**

Revised 2012 EDA Program Budget

	Board Approved 2012 Budget	Additional Carry Over	Line Item Transfers	Budget Reduction	Revised 2012 Budget	Commitments as of 6/29/12	Additional 2013 Funding	Total:2012-2013 Budget
Programs	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)	(h)=(e)+(g)
EDA PROGRAMS								
Clean Energy Manufacturing Fund	$31,067,385.29	$700,000.00	($662,649.66)	($22,740,000.00)	$8,364,735.63	$4,838,483.00		$8,364,735.63
Edison Innovation Green Growth Fund	$3,940,545.29	$0.00		($500,000.00)	$3,440,545.29	$1,000,000.00		$3,440,545.29
EE Revolving Loan Fund	$17,642,499.24	$0.00		($17,402,499.24)	$240,000.00	$0.00		$240,000.00
Large CHP Soliciatation	$55,000,000.00	$0.00		($18,000,000.00)	$37,000,000.00	$0.00		$37,000,000.00
Total EDA Programs	**$107,650,429.82**	**$700,000.00**	**($662,649.66)**	**($58,642,499.24)**	**$49,045,280.92**	**$5,838,483.00**	**$0.00**	**$49,045,280.92**

Revised 2012 OCE Oversight Budget

	Board Approved 2012 Budget	Additional Carry Over	Line Item Transfers	Budget Reduction	Revised 2012 Budget	Commitments as of 6/29/12	Additional 2013 Funding	Total:2012-2013 Budget
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)	(h)=(e)+(g)
Administration and Overhead								
OCE Staff and Overhead	$2,988,016.43	$83,759.66	($83,759.66)	$908,627.00	$3,896,643.43		$5,479,818.21	$9,376,461.64
Program Coordinator	$2,163,537.25	$132,407.50	($132,407.50)	($100,000.00)	$2,063,537.25		$171,961.44	$2,235,498.69
Sub-Total: OCE Administration and Overhead	**$5,151,553.68**	**$216,167.16**	**($216,167.16)**	**$808,627.00**	**$5,960,180.68**	**$0.00**	**$5,651,779.65**	**$11,611,960.33**
Memberships-Dues								
Clean Energy States Alliance	$25,000.00	$0.00	$0.00	($25,000.00)	$0.00			$0.00
Consortium for Energy Efficiency	$0.00	$2,621.00	($2,621.00)		$0.00			$0.00
2012 Sponsorships	$100,000.00	$0.00			$100,000.00		$100,000.00	$200,000.00
Sub-Total: Memberships-Dues	**$125,000.00**	**$2,621.00**	**($2,621.00)**	**($25,000.00)**	**$100,000.00**	**$0.00**	**$100,000.00**	**$200,000.00**
Evaluation and Related Research								
Rutgers-CEEEP	$920,613.64	$400,000.00	$0.00		$1,320,613.64			$1,320,613.64
Funding Reconciliation	$50,000.00	$21,055.00	$0.00		$71,055.00			$71,055.00
O&M Scoping Study/Online Academy	$0.00	$58,899.88	($58,899.88)		$0.00			$0.00
Other Studies	$44,566.75	$0.00	$0.00	($44,566.75)	$0.00			$0.00
Program Evaluation	$1,551,779.65	$843,706.90	($843,706.90)	($1,000,000.00)	$551,779.65		$248,220.35	$800,000.00
Financial Audits	$498,162.35	$0.00	$0.00	($498,162.35)	$0.00			$0.00
Sub-Total: Evaluation and Related Research	**$3,065,122.39**	**$1,323,661.78**	**($902,606.78)**	**($1,542,729.10)**	**$1,943,448.29**	**$0.00**	**$248,220.35**	**$2,191,668.64**
Marketing and Communications								
Outreach and Education/Community Partner Grants	$22,772.31	$100,000.00	$0.00		$122,772.31			$122,772.31
Clean Energy Business Web Site	$60,000.00	$0.00	$0.00		$60,000.00			$60,000.00
Sub-Total: Marketing and Communications	**$82,772.31**	**$100,000.00**	**$0.00**	**$0.00**	**$182,772.31**	**$0.00**	**$0.00**	**$182,772.31**
TOTAL: Administration	**$8,424,448.38**	**$1,642,449.94**	**($1,121,394.94)**	**($759,102.10)**	**$8,186,401.28**	**$0.00**	**$6,000,000.00**	**$14,186,401.28**

Proposed Changes to Program

Taking into consideration the increases in funding that result from the budget true-up, the increased EDA and Trust Fund interest, and the budget reductions required to address the legislative appropriations, the OCE developed proposed 18 month budgets and a number of program changes required to reflect the revised budgets. The following summarizes the programmatic changes proposed by the OCE:

Staff recognizes the need to continue to maintain access for all ratepayers to NJCEP programs, as well as the NJCEP's ongoing goal of transforming the market place. In the process of reducing program budgets and reallocating funds, Staff, with input from the Program Coordinator, the Market Managers, Program Partners' (EDA and Sustainable Jersey), and the utilities, focused its efforts on existing EE programs and ranked them based on the following criteria: jobs created, energy savings (with a focus on programs that promote a more comprehensive approach to EE) and participation rates. The goal of this exercise was to identify the CEP's programs that will serve as the foundation of the CEP as it transitions to a new Program Administrator (PA) and from incentive-based to market-based programs.

Based on the above, the OCE proposed to maintain, modify or temporarily suspend programs as follows:

Programs

1. Comfort Partners

Residential EE Programs

2. Home Performance with Energy Star (HPwES)
3. Residential New Construction – Based on upgraded building energy codes and appliance standards, shift program to meet Climate Choice standards as of January 1, 2013.
4. Residential Heating, Ventilation and Air Conditioning ("HVAC") – Based on upgraded appliance standards, as of January 1, 2013, eliminate furnaces and air conditioners from eligible equipment, and shift focus to a more comprehensive approach to EE; i.e. HPwES, or address air sealing.
5. EE Products – Reduce the suite of eligible products and consider reducing incentives for CFLs while increasing incentives for light-emitting diode ("LED") lighting.

Commercial & Industrial EE Programs

6. Direct Install (DI) - Focus efforts on small schools and those municipalities that took advantage of ARRA funds to perform an audit but have not implemented an energy savings program.
7. Local Government Energy Audit (LGEA) - For the first six months of 2013, incentives would be available to small schools only, as a means of jumpstarting the ESIP program. During this time, the new PA will hire a pool of regional contractors to perform the audits.
    a. The ESIP program requires two audits: the first by a third-party auditor and another Level 3 audit conducted by an ESCo. In order to eliminate this redundancy and reduce costs, Staff will seek program changes that allow the first audit to be a walk-through.
8. Pay for Performance (P4P)
9. C&I Retrofit – Based on upgraded building energy codes and appliance standards, reevaluate what measures are incentivized and reduce current suite of measures.
10. C&I New Construction – Based on upgraded building energy codes and appliance standards, reevaluate what is incentivized.
11. Small CHP

EDA Programs

12. Large CHP – Evaluate applications on technical merits; if approved, applicant provides supporting financial documentation within a prescribed time frame.
13. Clean Energy Manufacturing Fund (CEMF) – Incentives must be for manufacturing only, not software development, etc.
14. Edison Innovation Green Growth Fund (EIGGF)

Staff recommended that the following programs be temporarily suspended for further evaluation:

15. Multi-Family Financing, Retro Commissioning, and New Financing program, and EE Revolving Loan fund (within EDA) – Due to lack of launch of program or lack of participants.
16. Large Energy Users Pilot and P4P New Construction - In light of the new SBC legislation which goes into effect on January 1, 2013 and changes requested by current LEUP participants.

In addition to the changes proposed by the OCE, two additional programmatic changes were proposed by TRC and circulated for comment as follows:

1. The small CHP/Fuel Cell program currently requires that leased projects have a lease with a minimum term of 15 years. TRC proposed that projects with a lease term of 5 years or more be eligible for incentives, however, the incentive for projects with a lease of less than 15 years would be reduced proportionally, i.e., a project with a 10 year lease would receive 2/3 (10/15) of the incentive a project with a 15 year lease would receive.
2. The CHP/Fuel Cell program currently caps incentives at $2 million. Given EDA's new CHP program for projects greater than 1 MW, Staff proposed that the cap on small CHP/Fuel Cell projects be set at $1 million in order to steer projects greater than 1 MW into EDA's large CHP program.

Budget Flexibility

Participation in most CEP programs is driven by market factors outside of the control of the program managers including the economy and weather. That is, during good economic times program participation levels increase and hot and/or cold weather can impact the level of participants that purchase new heating or cooling equipment. NJCEP program budgets typically include a contingency to account for variations in participation levels. However, the significant level of funding appropriated by the Legislature required elimination of contingencies in program budgets.

The required budget reductions will leave very little room in program budgets if program participation levels increase above anticipated levels. Further, consistency in program offerings is important to maintaining contractor and customer confidence. If a program is temporarily shut down due to budget constraints, the result can be long-term damage to the program due the loss of confidence that incentives will be available when a project is completed.

The process to modify NJCEP budgets normally takes several months from beginning to end. The process includes identification of trends that indicate a budget may be exceeded, developing a proposed modification to the budget, putting the proposed modification out for public comment, presenting the proposed changes at EE and RE committee meetings, and developing the required paperwork for Board consideration which is due several weeks before an agenda meeting.

Staff is concerned that the reduced budgets may result in some programs temporarily shutting down unless the time period required to modify budgets can be reduced. Therefore, Staff is proposing that the Board grant the OCE the delegated authority to make limited modifications to

NJCEP budgets, providing the conditions set out below are met. The conditions are intended to provide Staff with the ability to move funds in a manner that does not materially diminish any program and that prevents the need to temporarily shut down a program while providing the Board with appropriate oversight of any modifications made by its Staff.

Proposed Conditions for Staff Approval of a Modification to a NJCEP Program Budget

1. Program expenses plus commitments must exceed 85% of the Board approved budget.
2. Regarding the EE program budgets, funding can be reallocated within, but not across, an EE budget sub-sector such as Residential EE, C&I EE or Other EE, from a program that does not need the funds to meet anticipated program expenses to a program that requires the funds to meet anticipated program expenses based on program participation levels, and from one budget cost category (administration, rebates, rebate processing, etc.) to another budget cost category within a program budget, provided that the reallocation does not exceed 10% of a program's budget.
3. Regarding the RE, EDA and OCE Oversight program budgets, funding can be reallocated from a program that does not need the funds to meet anticipated program expenses to a program that requires the funds to meet anticipated program expenses based on program participation levels, and funding can be reallocated from one budget cost category (administration, rebates, rebate processing, etc.) to another budget cost category within a program budget, provided that the reallocation does not exceed 10% of a program's budget. Funding may not be reallocated between the RE, EDA, and OCE Oversight budgets.
4. The Board approves a statewide budget for the Comfort Partners program as well as utility specific budgets set out in the utility compliance filing. Funds may be reallocated between utilities and budget categories provided the overall statewide Comfort Partners program budget approved by the Board remains unchanged, and the overall statewide administrative costs are not increased. The reallocation may not exceed more than 10% of the Comfort Partners' budget.
5. Staff must provide a written notice to each Commissioner at least three days prior to implementing any budget modifications. The notice must include the following information:
    a. The programs funds would be transferred to and from
    b. The amount of the transfer
    c. The reason for the transfer
6. Staff shall post notice of any budget modification on the NJCEP web site and circulate the notice to the EE and RE Committee listservs, and provide a reasonable amount of time for the public to provide comments on the budget modification.
7. After receipt of comments, Staff must present any budget modification implemented pursuant to its delegated authority to the Board for formal consideration at the next agenda meeting, or as soon as practicable.

Staff has also developed a new reporting requirement that will require the program managers to provide Staff with a monthly report that shows expenses and commitments through the end of each month plus estimated expenses and commitments through the end of the reporting period. Staff will make these reports available to the public by posting them on the web site upon receipt. The following table shows the reporting format that will be used.

New Jerseys Clean Energy Program

Esimtaed Expenses and Commitments as % of Budget

EE Programs / Program	Approved Budget	Actual Expenditures	Committed Expenditures	Actual plus Commited Expenses	Estimated Expenses through 6/30/13	Estimated Commitments as of 6/30/13	Estimated Expenses plus Estimated Commitments	Estimated Expenses plus Estimated Commitments as a % of Budget
RESIDENTIAL ENERGY EFFICIENCY PROGRAMS								
Residential HVAC - Electric & Gas	$25,178,518.81			$0.00			$0.00	0.00%
Residential New Construction	$21,320,061.50			$0.00			$0.00	0.00%
Energy Efficient Products	$19,475,407.84			$0.00			$0.00	0.00%
Home Performance with Energy Star	$42,516,412.49			$0.00			$0.00	0.00%
Marketing - Residential EE	$1,809,984.00			$0.00			$0.00	0.00%
Sub-Total: Residential Energy Efficiency Programs	*$110,300,384.64*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	0.00%
RESIDENTIAL LOW INCOME								
Comfort Partners	$50,000,000.00			$0.00				0.00%
Sub-Total: Residential Low Income	*$50,000,000.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	0.00%
C & I ENERGY EFFICIENCY PROGRAMS								
C&I New Construction	$6,524,122.02			$0.00			$0.00	0.00%
C&I Retrofit	$61,874,018.97			$0.00			$0.00	0.00%
Pay-for-Performance New Construction	$2,610,817.58			$0.00			$0.00	0.00%
Pay-for-Performance	$50,055,958.00			$0.00			$0.00	0.00%
Combined Heat & Power (CHP)	$17,000,000.00			$0.00			$0.00	0.00%
Local Government Energy Audit	$5,000,000.00			$0.00			$0.00	0.00%
Direct Install	$60,632,162.20			$0.00			$0.00	0.00%
Marketing - Commercial & Industrial EE	$1,575,000.00			$0.00			$0.00	0.00%
Large Energy Users Pilot	$20,218,056.68			$0.00			$0.00	0.00%
Sub-Total: C & I Energy Efficiency Programs	*$225,490,135.45*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	0.00%
OTHER ENERGY EFFICIENCY PROGRAMS								
Green Jobs and Building Code Training	$482,957.47			$0.00			$0.00	0.00%
Sustainable Jersey	$1,439,850.89			$0.00			$0.00	0.00%
Sub-Total: Other Energy Efficiency Programs	*$1,922,808.36*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	0.00%
TOTAL	*$387,713,328.45*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	0.00%

A similar table has been developed for RE, EDA and OCE budget items.

<u>Summary of Comments from Public Stakeholders</u>

Staff posted a straw proposal ("Straw Proposal") on the NJCEP web site and circulated it to the EE and RE Committees on or about August 17, 2012. The Board held a public hearing on September 7, 2012, in Trenton, New Jersey to solicit comments from interested stakeholders and members of the public regarding the proposed eighteen month NJCEP programs and budgets. The Board also accepted written comments on the Straw Proposal through September 12, 2012.

The following persons testified at the September 7, 2012 public hearing: Farley Hunter, New Jersey Large Energy Users Coalition ("LEUC"); Stefanie Brand, Esq., Director, Rate Counsel; Eric Degesero, Fuel Merchants Association of New Jersey ("Fuel Merchants"); Bruce Grossman, South Jersey Gas and Comfort Partners; Ben Adams, MaGrann Associates; Joseph Sullivan, Concord Engineering ("Concord Engineering"); Gearoid Foley, Department of Energy's Mid-Atlantic Clean Energy Application Center ("MACEAC"); Bill Radigan, DSM Nutritional Products ("DSM"); Kate Millsaps, Sierra Club ("Sierra Club"); Rich Gannon, New Jersey Business Council for Clean Energy; Mr. Svejnar, Green Campus Partners; William Amann, New Jersey Chapter of the U.S. Green Building Council; Bob McAllister, Air-Conditioning Association of America, New Jersey Chapter ("ACAA"); Anne-Marie Perrachio, New Jersey Natural Gas ("NJNG"); Scott Needham, Efficiency First and Princeton Air-Conditioning ("Princeton Air-Conditioning"); Christine Guhl, Sierra Club ("Sierra Club"); Rey Montalvo, Consolidated Energy Design ("Consolidated Energy Design"); Andrew Skok, Fuel Cell Energy ("Fuel Cell Energy");

Steve Goldenberg; Matthew Kaplan, Borough of Highland Park and ReVireo ("ReVireo"); John Zeller, Ameresco ("Ameresco")

In addition, written comments were received from NJNG; Rate Counsel; Sara Bluhm, the New Jersey Business & Industry Association ("BIA"); Murray Bevan, Esq., on behalf of Bloom Energy Corporation ("Bloom"); Green Campus Partners ("GCP"); EAM Associates ("EAM"); Greener by Design LLC ("GBD"); Veolia Energy North America ("Veolia"); Fuel Merchants; Lisa Ward, UTC Power ("UTCP"); Jessica Bridges, United States Clean Heat & Power Association ("USCHPA"); Joseph Allen, Solar Turbines; New Jersey Business Council for Clean Energy ("Council for Clean Energy"); Hal Bozarth, Chemistry Council of New Jersey ("Chemistry Council"); John Stanziola, South Jersey Gas ("SJG"); Keith Doell of First Source Contracting ("First Source"); Community Energy, Inc., Green Mountain Energy Company, and Sterling Planet ("Clean Power Marketers"); Rebecca Seitzmeyer; William Amann, New Jersey Chapter of U.S. Green Building Council ("Green Building Council"); ReVireo; and MaGrann Associates ("MaGrann").

The following summarizes the written comments received as well as the oral comments presented at the public hearing:

General Comments

Comment: GCP, a New Jersey based project development and investment firm, recommended a firm "use-it-or-lose-it" policy to encourage the OCE to deploy capital more efficiently.

Response: The goal is to utilize all of the NJCEP funds each year. The Board has initiated a proceeding to determine the funding levels for FY14 - FY17. As part of this proceeding Staff is exploring options to better match funding levels and budgets to actual spending. Staff welcomes any recommendations regarding the best way to achieve this goal.

Comment: Rate Counsel argued that the Board had not acted with the necessary transparency required of an administrative agency because it had not provided adequate prior notice and opportunity to be heard. In support of its contention, Rate Counsel advanced what it characterized as a "lack of information on the levels of and basis for the 'realistic' spending estimates for 2012 . . . and the absence of clear explanations of Staff's rationales for its decisions on further cuts." More precisely, the commenter alleged that there was no way to determine how much of the $188 million in cuts were to reduce budgets to what Staff calls a 'realistic' level of spending and how much was due to additional cuts identified by Staff. Rate Counsel stated that OCE's proposed budget cuts were presented as changes from the total amount budgeted for OCE programs, not from actual spending, and thus exaggerated the extent of the cuts. More specifically, Rate Counsel stated that the $49.4 million shown as carry over from 2011 represented only a small portion of the total carry over, which Rate Counsel characterized as closer to $314 million when the amount budgeted for 2011 was compared with the actual amount spent, resulting in a shortfall for fiscal years 2012 and 2013 of only $48 million and approximately $274 million left for the rest of the eighteen-month period from January 2012 to June 2013. Rate Counsel recommends that deep cuts in successful programs be moderated or eliminated based on Rate Counsel's interpretation of the budget numbers.

In addition, Rate Counsel pointed to the utility spending on clean energy programs and to the support provided by Solar Renewable Energy Certificates ("SRECs"), stating that these programs should help assure that reductions in the NJCEP budget would not unduly compromise the State's energy efficiency and renewable energy goals.

Response: Staff disagrees with Rate Counsel's assertion that the budget process lacked transparency. The process for developing the proposed budgets included presentations at several public meetings by the program managers showing program activity levels and expenses. Rate Counsel typically participates in these meetings. Further, staff circulates and posts on the web site monthly reports that show participation levels and expenses.

In addition, Staff provided Rate Counsel with the spreadsheet that shows the program manager's estimates of expenses and commitments through December 31, 2012, which was used by Staff to determine the level of carry over that would be available for the first six months of 2012. This spreadsheet shows the realistic level of spending with the difference being the additional budget cuts.

The Board issues monthly reports that show actual spending and commitments each month as compared to the budget. The 2011 final report included the following table:

Summary of 2011 Statewide Results
Budget and Expenditures

	Budget	Actual	Expenses Committed	Total
Energy Efficiency (EE)	$325,875,452.17	$139,035,801.19	$71,002,166.00	$210,037,967.19
Renewable Energy (RE)	$90,312,891.01	$38,963,321.60	$25,322,065.30	$64,285,386.90
EDA Programs	$57,634,153.38	$6,335,017.00	$6,475,983.00	$12,811,000.00
OCE Administration	$7,501,050.81	$4,331,674.86		$4,331,674.86
TRUE Grant	$25,000,000.00	$3,210,125.71	$21,789,874.29	$25,000,000.00
Total	**$506,323,547.37**	**$191,875,940.36**	**$124,590,088.59**	**$316,466,028.95**

The following table summarizes program results through June 2012:

New Jersey's Clean Energy Program
Actual and Committed Expenses for Reporting Year 2012

Statewide Summary - New Jerseys Clean Energy Program Reporting Period: YTD thru July 2012	Approved Budget	Actual Expenditures	Committed Expenditures	Actual and Committed Expenditures	Actual Expenditures as % of Authorized	Actual and Committed Expenditures as % of Authorized
Program	(a)	(b)	(c)	(d)=(b)+(c)	(e)=(b)/(a)	(f)=(d)/(a)
Energy Efficiency Programs	$409,143,330.70	$82,982,631.73	$97,261,372.90	$180,244,004.63	20.28%	44.05%
Renewable Energy Programs	$59,031,421.20	$8,705,406.18	$15,279,147.18	$23,984,553.36	14.75%	40.63%
EDA Programs	$107,650,429.82	$1,643,333.32	$5,538,483.00	$7,181,816.32	1.53%	6.67%
Office of Clean Energy	$8,424,448.38	$1,381,603.33		$1,381,603.33	16.40%	16.40%
TRUE Grant	$21,789,874.29	$2,968,033.41	$18,821,840.88	$21,789,874.29	13.62%	100.00%
TOTAL	***$606,039,504.39***	***$97,681,007.97***	***$136,900,843.96***	***$234,581,851.93***	***16.12%***	***38.71%***

While the percentages shown in Column (f) are derived by comparing the sum of the actual and committed expenditures reported in Columns (b) and (c), respectively, with the NJBPU budget approved for 2012 and shown in Column (a), it is expected that some of those committed expenses ultimately will be paid from future program budgets.

The Board currently requires the NJCEP to develop budgets taking into consideration both actual expenses plus any outstanding commitments at any given time. Rate Counsel consistently compares budgets to expenses, but does not take into consideration commitments as required. However, Staff concurs with Rate Counsel that the program significantly underspent its budget in 2011, even taking into consideration the $124 million in commitments that existed at the end of 2011.

The NJCEP needs to do a better job of matching funds collected from ratepayers to the level of funding needed to run the programs and to better align expenses and commitments with budgets. Staff is working with Treasury to streamline the process for modifying contracts and has developed a simpler contract for the to be selected Program Administrator that should help to shorten the time period between program approval and implementation which should help to reduce carry over. As noted above, Staff welcomes recommendations regarding how to achieve this goal within the CRA IV proceeding.

Rate Counsel stated that the $49.4 million shown as carry over from 2011 represented only a small portion of the total carry over, which Rate Counsel characterized as closer to $314 million when the amount budgeted for 2011 was compared with the actual amount spent. The $49.4 million referenced by Rate Counsel is clearly identified as additional carry over, which is defined as carry over in addition to the estimated level of carry over utilized to set the initial 2012 budgets. The 2012 budget Order clearly shows estimated 2011 carry over of $270 million and Staff's Straw Proposal is clear that the $49.4 million is in addition to this amount. Rate Counsel fails to take into consideration in its analysis that as of the end of 2011, $124 million of the carry over was committed to pay rebates upon project completion.

Staff concurs with Rate Counsel that deep cuts to successful programs should be moderated or eliminated and asserts that the proposed budgets are consistent with this objective.

Comment: Rate Counsel commented that "it appears that the OCE has presented its proposed budget in a way that exaggerates their impacts on the programs. The problem is that OCE's proposed budget cuts are presented as changes from the total amount that was budgeted for the OCE program, not actual spending. The proposed budget changes as presented by the OCE create the appearance of deep cuts to programs necessitated by the Legislature's appropriation from the Clean Energy Fund. Rate Counsel comments that this would be a serious concern to Rate Counsel if this impression were accurate.

Response: The OCE has not exaggerated the impact of the legislative appropriation. While new and current data on actual expenditures and commitments since Staff's Straw proposal was issued help the current situation, Staff's position is that the reduction in the spending rate is needed because of the available NJCEP budget through June 30, 2013. Staff's final recommendation is to continue several programs or program components that Staff recommended be discontinued in its Straw proposal. These programs will be closely monitored to evaluate the ongoing impact on the budget but Staff's position is the program and budget changes are needed to address the reduction in the total budget which takes into consideration the total amount of the budget, actual expenditures and commitments, as well as anticipated spending and future commitments based on past experience.

The OCE's recommendations regarding the proposed NJCEP 2012-2013 budget are based on the following:

1. The budget must address both expenditures which fund actual spending on incentives and program costs as well as commitments. Commitments represent the NJBPU's intent to pay a rebate or incentive when a specific project is completed in the future; the payment date could be in a year or two depending on the program.

For several programs the customer applies for a rebate, the program reviews and approves the application and sends a letter to the customer committing that the rebate will be paid if the project is completed and inspected to meet program requirements. Once the commitment letter is issued, these NJCEP funds are then not available for other activities.

Although some of the NJCEP rebates have a quick turn-around, such as Energy Star product rebates, most NJCEP programs require construction and installation of energy efficient equipment. These construction projects can take anywhere from several weeks in the case of HVAC rebates to several years in the case of new homes or C&I building construction. In the meantime the committed NJCEP funds, based on the rebate approval letter remain obligated for that specific purpose and are not available for other budgetary uses.

2. Program development requires a significant amount of time. Typically new program and new incentive development could take up to a year. This includes developing the concept, presenting that concept to stakeholders for informal comments, revising the concept and developing an estimated budget. This final program is presented to the Board for its consideration. Once the Board approves a new program and budget, the OCE negotiates a contract modification with the NJCEP Market Manager and Program Coordinator, which requires Treasury and Board approval.

   Until the contract modification is approved by Treasury and the Board, the NJCEP Market Manger and Program Coordinator cannot commit or spend funds other than initial program development. This process in most case can take up to a year. In the meantime the estimated budget must be committed in terms of the NJCEP budget to the new program and is not fully available for other NJCEP budgeting purposes unless staff recommends and the Board approves suspending, terminating or cancelling the new program and incentives. Both of these NJCEP budget activities are not fully recognized by Treasury as obligations and result in a reporting within the Treasury system of more NJCEP funds than the Board approves as available.

The difference in what Rate Counsel commented on as Staff's budget is not an exaggeration of the impacts given the above two issues. During the term of the current Market Manager and Program Coordinator contracts, the OCE has requested a substantial number of contract modifications from Treasury. A significant amount of the NJCEP budget is committed and not available to be used to pay incentives or program expenses for a year. Board Staff, through the new NJCEP Program Administrator RFP process, is developing a process that will be more efficient and effective in terms of program management and administration. In addition staff is proposing to align the NJCEP budget year with the state's fiscal year so that they both are reporting in the same cycle.

In 2011, the NJCEP expended approximately $192 million on rebates/incentives and program costs. In addition, the NJCEP committed approximately $125 million. Further, approximately $50 million was set aside for new program development.

Based upon the carry over of funds in 2012 and the estimated commitments and expenditures for the remaining months of 2012, Staff initially proposed $159,143,000.98 in NJCEP budget reductions for the remaining of CY 2012 to address the lapse of $200 million in NJCEP funds.

The addition of $194,804,019 in new funds in 2013 less the FY 2013 appropriation of $131,500,000 would have resulted in $63,304,019 available for rebate/incentive payments, program cost payments and commitment for 6 months of CY 2013 through June 30, 2013. The $63,304,014 that would have been available would not be sufficient.

Therefore, Staff proposed to slow the rate of NJCEP expenditures and commitments while keeping the existing rebate levels in place. This proposal required additional program reductions and suspension of some programs. The revised program with additional cuts provides for $93,000,000 for the 6 months of 2013 through June 30, 2013. While this amount is still not sufficient to cover normal expenditures and commitments for this period, with the potential efficiencies in the new NJCEP Program Administrator process, and making longer term commitments in future years, this amount should allow the Program to continue at its reducing rate.

Comment: Veolia recommended focusing on "the biggest bang for the buck," specifically: energy efficiency over renewables, CHP equal to or greater than one megawatt over smaller CHP, C&I "supply side" energy efficiency, and grant monies over loans.

Response: Staff concurs in general, subject to taking into consideration other public policy objectives such as a desire to promote multiple technologies and ensuring that all customer classes that contribute to the SBC have an opportunity to participate in the programs.

Comment: Several commentators opposed the cuts and expressed concern over their extent. The Council for Clean Energy; Rebecca Seitzmeyer; Green Building Council; First Source. The Sierra Club stated that the $300 million cut would have created more than 5,000 jobs, reduced air pollution by 100 million tons, and created millions of dollars of economic activity.

Response: The NJCEP funds were appropriated pursuant to legislation and the Board is required to ensure the budgets do not exceed available funds.

Comment: The Chemistry Council recommended that OCE promote a diverse portfolio of conventional and economically feasible renewable technologies.

Response: Staff concurs and asserts that the proposed programs are consistent with this objective.

Comment: BIA stated that the SBC has historically been set too high as it has produced an "excess" every year and that the best way to achieve the EMP's goal of reducing electricity prices is to reduce the SBC.

Response: The Board established NJCEP funding levels in its CRA III proceeding and, as noted above, has initiated a proceeding to establish funding levels for the next four years. Issues regarding NJCEP funding levels are outside of the scope of the instant proceeding.

Comment: Several commentators objected to moving from grants to revolving loans because it would negatively impact program participation because the process would be more onerous and many companies would hesitate to put more debt on their books. Fuel Cell Energy and Steve Goldenberg opposed moving from grants to loans for CHP. Steve Goldenberg stated that research into programs in other states and on the EDA's revolving loan program had not been encouraging, that the administrative costs were high, and that too aggressive a move from grants to loans could cause market shock. MaGrann; MASEAC; DSM; Sierra Club; Green Building Council; Consolidated Energy Design; Steven Goldenberg; Revirio

Response: The Board has indicated its general intent to explore the potential for transitioning to financing programs as one method of reducing the SBC. This issue will be explored further with the selected Program Administrator and within the CRA IV proceeding. Nothing within the instant proceeding moves the NJCEP towards additional financing programs.

Comment: Steve Goldenberg stated that there was a need for increased measurement and verification for the NJCEP programs via comprehensive and ongoing evaluation.

Response: Staff concurs. The NJCEP recently engaged two firms to perform market potential studies and a firm to benchmark the NJCEP against other similar programs. This is in addition to the ongoing evaluation services provided by CEEEP. Staff is coordinating with CEEEP to develop an appropriate evaluation plan going forward.

Comment: Rate Counsel, Sierra Club, and GCP support the consolidation of program managers into one Administrator.

Response: Staff concurs.

Energy Efficiency

Comment: The Sierra Club recommended a statewide energy efficiency standard with a goal of approximately 20% reduction as the most effective way to reduce demand for coal and other conventional energy sources.

Response: Energy efficiency goals were established within the recently issued Energy Master Plan and the Board will explore this issue further within the CRA IV proceeding.

Comment: Several commenters stated that the success of the NJCEP efficiency programs was tied to the success of the Energy Savings Improvement Plan ("ESIP") program for government entities and that grant funding from NJCEP is critical to the success of many ESIP projects. Consolidated Energy Design; Ameresco; and Steve Goldenberg.

Response: Staff concurs. Staff is currently exploring options for assisting the development of ESIP projects including targeted incentives. Staff welcomes specific recommendations regarding ways to increase participation in ESIPs.

Residential New Construction

Comment: Rate Counsel stated that completions under the Residential New Construction ("RNC") program had been falling short of goals by approximately 30% but that no reduction had been proposed. The commenter recommended that Staff consider transferring funds out of this program.

Response: The June NJCEP report posted on the web site shows that through June 30, 2012 the RNC program expended $5,622,729 and had $7,102,621 in outstanding commitments.

Expenses plus commitments total 78% of the $16,320,062 budget through the first six months of the year. Staff opposes cutting the budget for this program at this time since doing so would most likely cause the program to run out of funds before the end of the year.

Comment: ReVireo opposed shifting all program levels to match Tier 3 Climate Choice standards but stated that if this were to be done a more widely recognized and valued standard such as LEED or National Green Building Program ("NAHB Green") should be adopted as the Tier 3 standard.

MaGrann supported the decision, made subsequent to the public hearing on September 7, 2012, to retain the current tier structure, but stated that the current program design already provides an ideal mechanism to maximize cost effective savings by managing the balance between technical standards, upgrade costs, incentive levels and available budget by linking energy performance and code through the Home Energy Rating System ("HERS").

Response: Honeywell met with industry representatives on September 28, 2012, to discuss the issues raised above. As a result of this meeting Staff has proposed additional changes to the RNC program which are discussed further below.

Residential HVAC

Comment: Rate Counsel suggests that rather than eliminating incentives for air conditioning equipment because of the forthcoming higher appliance efficiency standards, Staff increase the threshold level for earning an incentive.

NJNG and ACAA supported the continuation of incentives for furnaces. NJNG noted that a number of issues may delay implementation of a new, higher minimum efficiency standard; that a change in incentive eligibility in advance of the new U.S. Department of Energy standard would likely have created confusion; that a request for a waiver provision in the DOE standard is pending; and that incentives are effective in inducing change to higher-efficiency equipment.

SJG, ACAA, Princeton Air Conditioning and NJNG also urged combining the furnace incentive with incentives for the installation of high-efficiency water heaters, citing improved health and safety, a more affordable combination installation, an increase in contractor awareness and enhancement of their ability to sell the combination, and the advancement of the "whole house" approach.

Response: Staff concurs with the comments regarding furnaces and has proposed to continue furnace rebates and to provide incentives for the installation of high-efficiency water heaters as discussed further below. Staff continues to support the elimination of rebates for central air conditions for the reasons set out in its Straw Proposal.

Comment: Princeton Air Conditioning recommended more funding for contractor training.

Response: Staff supports contractor training and the existing program includes contractor training. Specific proposals for additional training should be presented at an EE Committee meeting.

Comment: ACAA recommended tying the issuance of a construction permit into the rebate process to ensure the job is done to code.

Response: Staff concurs with this comment. Honeywell will modify the Home Performance with Energy Star program guidelines to require applicants to provide a copy of a building permit.

Comment: The Fuel Merchants note that heating oil equipment incentives have been made available through non-NJCEP sources and expresses concern that because a portion of these funds are distributed through the WARMAdvantage program, these customers will lose their ability to receive incentives even those these are not subject to NJCEP cuts.

The Fuel Merchants and ACAA recommend that boiler controls to reduce consumption should be incentivized as a relatively cheap and easy energy efficiency measure.

The Fuel Merchants state that WARMAdvantage incentives for oil furnaces should remain since the minimum AFUE is 85% and the new U.S. Department of Energy standard is only 83%. The commenter also questions why new standards for New Jersey will become effective on January 1, 2013, when the U.S. Department of Energy does not make these standards mandatory until May 1, 2013.

Response: Staff clarified at the hearing that its proposal was to eliminate incentives for furnaces only, not boilers. Further, Staff has modified its recommendation and now proposes to continue rebates for boilers and furnaces. The program currently includes a pilot to provide incentives for boiler controls.

Residential Marketing Budget

Comment: Rate Counsel believes that the proposed 21% budget cuts may be too high given the significant ratepayer benefits from increased participation that could result from additional marketing.

Response: Staff concurs that the marketing budget should be increased and notes that the Board approved an increase to the marketing budgets in its initial 2012 budget Order. However, increasing the marketing efforts also requires a modification to the Market Manager contracts. As discussed at the public hearing, Treasury has determined that given the pending RFP for a Program Administrator, it will not entertain modifications to the existing Market Manager contracts at this time. Staff will revisit the appropriate level of marketing upon selection of the Program Administrator.

Low Income Energy Efficiency Programs

Comment: Rate Counsel, SJG, and NJNG support the proposal to continue funding levels in this program.

Response: Staff concurs.

Commercial and Industrial Energy Efficiency Programs

Comment: MaGrann stated that SBC credits provided to large C&I customers under Assembly bill 2528 should not eliminate the opportunity to participate in other NJCEP programs.

Response: This issue is not being considered as part of the instant proceeding. Staff recently circulated for comment a proposed SBC credit program and the Board has scheduled a public hearing to solicit input on Staff's proposed SBC credit program. Staff encourages interested stakeholders to submit comments as part of the SBC credit program proceeding.

Comment: The BIA and Chemical Counsel supported redirecting the remaining funding toward energy efficiency for C&I customers since they produce a greater return on dollars spent than residential projects. Consolidated Energy Design recommended that any extra funding be directed toward smart grid programs.

Response: The proposed budget for the C&I EE programs is over $225 million as compared to $110 million for the residential EE programs and $50 million for low-income customers. C&I customers also participate in the EDA and RE programs. The proposed allocation of funds between the various customer classes represents a fair balance and allows all customers that contribute to the SBC an opportunity to benefit from the programs.

Comment: Concord Engineering, Green Campus Partners, and DSM recommended allowing longer than sixty days for C&I grant and loan applications.

Response: This comment concerns the EDA CHP program. Staff held a meeting with CHP project developers, EDA, TRC and others on September 14, 2012 to discuss this and other issues related to the forthcoming second CHP/Fuel cell solicitation to be issued by EDA. Staff concurs that additional time may be needed to prepare an application for this program. This issue will be addressed in the revisions to the CHP/Fuel cell solicitation prior to the release of the 2nd solicitation.

Comment: Green Campus Partners recommended long term based capacity payments as an incentive.

Response: PJM manages a capacity market and allows capacity that results from EE projects to bid into its auction. Staff has initiated discussions regarding aggregating capacity savings that result from the NJCEP and bidding such capacity into PJM. Staff anticipates further discussion on this issue in the near future.

Pay for Performance New Construction

Comment: Rate Counsel believes that the higher cuts in this program relative to the retrofit program are not justified given the similar level of performance. MaGrann stated that the Pay for Performance New Construction program is important for the multi-family market, particularly for certain affordable projects that have difficulty meeting NJ Energy Star Homes guidelines such as gut rehabilitations and projects over 6 stories that are not eligible for the NJ Energy Star Homes program. Although the number of participants may not be high, the impact from these large projects is still significant.

Response: Staff concurs and has modified its proposal accordingly. Specifically, Staff recommends that the Pay for Performance New Construction program continue for the time being, pending review of actual expenses over the next several months. Should expenses create overall budget pressure, i.e., should expenses approach budget caps, Staff will reconsider its proposal to suspend this program. Staff also recommends that $1,000,000 be transferred from the C&I New Construction program budget to the Pay for Performance New Construction program budget to provide funds for additional applications.

Multi-Family Financing Pilot

Comment: Rate Counsel states that because this program has been grouped with several other programs by Staff, it is not possible to distinguish whether this program is cut because it has not been launched or for lack of participation. Rate Counsel urges Staff to state clearly why this program is being cut and that unless it is legally prohibited, it should launch the pilot as soon as possible since this market segment is underserved.

Response: This program was proposed to be eliminated since it has not yet been launched. Further, implementation of this program would require a modification to TRC's contract, which will not be entertained by Treasury at this time. Staff continues to support the development of a financing program for this market segment and anticipates that the selected Program Administrator will commence implementation of this program in the next budget cycle.

Retro-commissioning

Comment: Rate Counsel states that because this program is grouped with several others it is not possible to determine whether it has been cut because of lack of launch or lack of participation and urges Staff to clarify the reason for the cut.

Response: This program was proposed to be eliminated since it has not yet been launched. Staff continues to support the development of a retro-commissioning program and anticipates that the selected Program Administrator will commence implementation of this program in the next budget cycle.

Comment: Consolidated Energy Design recommended removing the requirement of a computerized building model from Pay for Performance because it created a bottleneck which resulted in large surpluses at the end of the year and replacing it with a Board approved fully automated energy analysis submetering program. In addition, the commenter recommended that any contractor hiring new employees should be able to seek special job creation incentives.

Response: Staff recommends that these proposed changes be presented and discussed at a future EE Committee meeting to solicit additional input.

Direct Install

Comment: Rate Counsel believes that Staff should explain why this program alone received increased funding.

Response: Through June of 2012 TRC has expended $11.4 million and has over $12 million in outstanding commitments in the Direct Install program. TRC estimated it will fully expend the initial 2012 budget of $41.3 million. Further, Staff proposed a new focused effort that targets small schools and municipalities that took advantage of ARRA funds to perform an audit but have not implemented measures. This effort should increase expenditures further.

Large Energy Users Pilot

Comment: Several commenters recommended that this pilot be continued in order to better address the needs of the state's large energy users. Chemistry Council; LEUP;

Response: Staff recently circulated for comment a proposed program that addresses the requirements of the SBC credit law that included many of the current features of the LEUP. Staff will entertain comments regarding the proposal to continue the LEUP as it considers its recommendations related to the SBC credit law program.

Green Jobs and Building Code Training

Comment: Rate Counsel requests a clearer explanation of the proposed 147% increase.

Response: The additional funding represents additional 2011 carry over that is required to pay previous commitments. Staff is not recommending any new funding for new activities.

New Financing Program

Comment: Rate Counsel requests a clearer explanation of the elimination of this program.

Response: This program was proposed to be eliminated since it has not yet been developed or launched. Staff will explore potential new financing programs upon selection of the Program Administrator.

Clean Power Choice

Comment: Given the proposed elimination of funding for this program, Rate Counsel opposes any change that could result in the EDCs passing through the costs of this program to ratepayers.

The Clean Power Marketers commended the Board on its commitment to maintaining the structure of the program going forward despite the proposed elimination of its budget from the NJCEP. The commenters state that they are willing to pay the EDCs for their reasonable costs in looking up customer account numbers but believe that they should not be required to pay for the cost of Electronic Data Interface, since this service is provided to third party suppliers without a fee.

Response: Staff's proposal is to have the Clean Power Marketers directly reimburse the utilities for any expenses related to this program. The utilities will continue to implement the Clean Power Choice program through December 31, 2012, as set out in the Utility 2012 compliance filing previously approved by the Board. Staff will hold additional discussions with the utilities and the Clean Power Marketers regarding program changes to be implemented in 2013 which will be presented to the Board for consideration at a future date.

EDA Programs

Comment: Based on its analysis of EDA expenses as of June 1, 2012, Rate Counsel concluded that OCE had proposed a 722% increase but stated that it would need additional information to evaluate the EDA budget.

Response: Staff proposed reducing the EDA budget from approximately $107 million to $49 million. $37 million of the proposed EDA budget is for the CHP/Fuel Cell program related to approximately $11 million in applications EDA received in response to the 1st solicitation, $25 million for an anticipated 2nd solicitation, and administrative fees. The remaining $12 million in EDA's budget is for the Clean Energy Manufacturing Fund and the Green Growth Fund which combined currently have approximately $6 million in commitments leaving approximately $6 million for potential new projects through June 2013.

Combined Heat and Power

Comment: GCP stated that if utilities were required to pay as little as $0.01-$0.03/ kWh under long term CHP capacity contracts, a large market for on-site CHP projects would open in New Jersey.

Response: Staff is exploring alternative financing methods for EE and distributed generation within the context of the ongoing CRA IV proceeding and will coordinate with the selected Program Administrator to further explore alternative financing mechanisms. Staff will consider this recommendation further in the context of those proceedings and recommends that the commenter present this proposal to the EE Committee to solicit input from other interested stakeholders.

Comment: Many commentators opposed cutting funding for CHP-fuel cell programs and stated that the CHP/fuel cell program suffered from a lack of consistent funding. GBD; Consolidated Energy Design; NJNG; SJG; MaGrann, Concord Engineers; Fuel Cell Energy; Steve Goldenberg; MACEAC; Veolia; Concord Engineers; Solar Turbines;

Response: Consistent funding is important to the development of a robust CHP/Fuel Cell market. However, the required level of budget reductions required Staff to balance various competing interests.

Comment: The Chemistry Council supported the small CHP/Fuel Cell program.

Response: Staff concurs.

Comment: Bloom, a manufacturer of solid oxide fuel cell technology, and UTCP, which develops, designs and produces fuel cell technology, supported the overall allocation of funding toward the small CHP/Fuel Cell program but argued that the reduction in the cap per project from $2 million to $1 million was unnecessary because the program had already been limited to systems less than or equal to one MW. UTCP argued that the decrease would have the effect of discouraging New Jersey businesses from installing fuel cells over 333 kW, the size at which they would reach the cap.

Response: Staff concurs with this comment and has withdrawn its recommendation to reduce the cap on incentives for the CHP/Fuel Cell program at this time.

Comment: UTCP objected to the reduction in incentive for leased fuel cell technology with a lease term of under fifteen years, stating that it purchased equipment needed a warranty of only five years and that the 6%/year reduction produced a total reduction of 33%, placing leased fuel cells at a competitive disadvantage.

Response: Staff concurs with this comment and has modified its recommendation as follows: The intent of the program policy was to ensure that CHP/fuel cell projects remain on site and operational for at least 15 years. Based on a review of the comments and programs in other states, Staff now recommends that the program guidelines regarding leases be eliminated and replaced with more generic language that is neutral regarding the type of project financing utilized. Language will be added that clarifies the intent is to ensure projects remain on site and operational for at least 10 years, a reduction from the previous 15 year requirement.

CORE

Comment: Rate Counsel recommended that the Board discontinue funding for the CORE program because that program was ended in 2008 and its "wind-down" has gone on for too long.

Response: The budget for the CORE program is required to honor previous commitments that have not yet expired. Staff anticipates that all projects will have been completed and paid or will have expired by the end of 2012 enabling the discontinuing of funding.

REIP

Comment: Rate Counsel questions whether allocating $5 million from available 2013 funding is useful at this time because no need has been demonstrated.

Response: Staff proposed the $5 million for this program for administrative costs related to processing SREC only applications and for new biomass applications.

Offshore Wind

Comment: Rate Counsel supports the proposed elimination of the carry over and of an additional $3 million to this program.

Response: Staff concurs and has proposed the transfer of $3,418,634 from the OSW program budget to other programs.

Grid Connected (formerly REDI)

Comment: Rate Counsel supports the proposed elimination of the $360,000 carry over and additional $16.4 million reduction.

Response: Staff concurs.

OCE Oversight

Comment: Rate Counsel states that OCE has proposed a 512% increase for OCE Oversight. Noting that Staff justified the increase by stating that it included an amount intended to cover transition services for the new administrator, Rate Counsel said that in the absence of actual budget amounts and supporting information it was not able to comment on the actual budget.

Response: The required level of funding for transition will not be known until after the selection of the Program Administrator and discussions with the incumbents related to transition, if required, and are therefore estimates only at this time. Staff will propose to reallocate any funds not needed for transition activities to programs in a future budget order.

OCE Recommendations

Based on the comments received Staff is proposing several modifications to the budgets and programs set out in its Straw Proposal. Specifically, Staff recommends the following changes to the programs and budgets that were included in its Straw Proposal:

1. **Residential HVAC Program:** Staff recommends continuation of incentives for furnaces and to provide an additional incentive for the installation of energy efficient water heaters to address the stranded water heater issue discussed at the hearing and in written comments. Staff previously clarified that its initial proposal was to continue incentives for boilers. Staff recommends that the rebate for furnaces be reduced from $400 to $250, that the rebates for certain water heaters be increased from $300 to $500, and that the combined rebate for a project that installs both a qualified furnace and a water heater that addresses the stranded water heater issue be set at $900.
2. **Residential New Construction Program:** Staff recommends continuation of incentives for Tier 1 & 2 homes in the Residential New Construction program but require a five point higher HERS score at each existing incentive level in order to drive increased energy savings.
3. **Home Performance with Energy Star Program:** Honeywell has developed a proposal to include New Jersey Credit Unions in the program as an additional provider of project financing. It is anticipated that the Credit Unions will issue loans to customers at a lower interest rate than the current loan provider resulting in significant cost savings to the program due to reduced interest rate buy-down costs. Customers that utilize a credit union for financing would receive a nominal incentive that would be paid by the Credit Union from a portion of their administrative fees. Staff recommends approval of this proposal. Staff recommends that applicants be required to submit applicable building permits.
4. **Energy Efficient Products Program:** Staff's Straw Proposal recommended reducing the suite of eligible products for which incentives are provided through the Energy Efficient Products program. Based on additional discussions with Honeywell, Staff recommends eliminating direct to consumer rebates for clothes washers purchased after December 31, 2012.
5. **C&I Retrofit and New Construction Programs:** Staff's Straw Proposal recommended a reevaluation of what measures are eligible for incentives based on upgraded codes and standards. Based on this directive, TRC reviewed the list of eligible measures and recommend elimination of three measures as follows;

a. Lighting: T12 fixtures and Incandescent bulbs: Federal law established a schedule for eliminating the manufacturing of T12 fixtures and certain incandescent bulbs. TRC recommended elimination of incentives for these measures effective March 1, 2013 and Staff concurs with this recommendation.
b. LED exit signs: With the advent of Energy Star specifications and federal standards, incentives are no longer needed to promote LED exit lamps. TRC recommended elimination of incentives for these measures effective January 1, 2013 and Staff concurs with this recommendation.
c. Premium Efficiency Motors: Federal standards now closely match program minimum efficiency requirements. TRC recommended elimination of incentives for certain motors effective March 1, 2013 and Staff concurs with this recommendation.

6. **CHP/Fuel Cell Program**: Staff recommends that language in the program guidelines related to lease terms be modified as discussed above and has withdrawn its recommendation to reduce the cap on incentives at this time.
7. **Pay for Performance New Construction Program:** Staff recommends continuation of this program pending further review of actual expenses compared to budgets going forward. Should expenses and commitments approach budget caps, Staff will reconsider its proposal to suspend this program.
8. **EDA CHP/Fuel Cell Program:** The first CHP/Fuel Cell solicitation issued by EDA in early 2012 was a competitive solicitation. The second solicitation to be issued by EDA will be an open application process.
9. **Budgets:**
   a. TRC proposed a number of changes to the C&I EE budgets as follows;
      i. **Pay-for-Performance New Construction**: TRC has indicated that it recently received applications for this program that would result in the proposed budget being insufficient to approve new applications received. Therefore, Staff recommends transferring $4,000,000 from the C&I Retrofit program to the Pay-for-Performance New Construction program. Staff recommends that an additional $1,000,000 be transferred from the C&I New Construction program to the Pay for Performance New Construction program to allow the Pay for Performance New Construction program to remain open for new applications.
      ii. **Large Energy Users Pilot:** TRC has indicated that the proposed budget is insufficient to approve the applications received to date. Therefore, Staff recommends transferring $617,000 from the C&I Retrofit program to the Large Energy Users Pilot.
      iii. The level of funds remaining in the **C&I Retrofit and C&I New Construction** programs are estimated to be sufficient to meet updated anticipated participation levels.
   b. Honeywell has proposed a number of changes to the **Residential EE** budgets included in Staff's Straw proposal to reflect updated program activity levels as follows:
      i. Increase the **Residential HVAC** program budget proposed by Staff by $1,616,424.60.
      ii. Decrease the **Residential New Construction** program budget by $1,055,130.40.
      iii. Increase the **Energy Efficient Products** program budget by $2,662,391.42

iv. Decrease the **Home Performance with Energy Star** program budget by $3,157,677.78
v. Decrease the **Residential Marketing** budget by $66,007.84
vi. The budget modifications shown above do not change to the total Residential EE budget proposed by Staff.

Staff recommends approval of each of the budget modifications proposed above.

c. Staff proposed to zero out the budget for the "**Other Studies**" component of the OCE Oversight budget. However, an additional invoice is expected to close out one remaining project. Therefore, Staff recommends leaving $10,000 in this budget to pay any remaining costs associated with the previously approved grants.
d. One of the Green Jobs grants was completed at a cost $96,507 below the original grant amount. This funding is now available to reallocate to programs. Staff recommends that $96,507 be transferred from the **Green Jobs and Building Code Training** budget to the Residential HVAC program since current estimates indicate that additional funding may be needed to process anticipated HVAC rebate applications.
e. Staff inadvertently omitted 2013 funding for the **Clean Energy Business Web Site**. Staff previously committed to fund the web site in an amount of $60,000 per year for five years. Staff revised the OCE budget by transferring $60,000 from OCE Staff and Overhead to the Clean Energy Business Web Site budget.
f. Staff initially proposed to reduce the budget for the **Edison Innovation Clean Energy Fund** by transferring out $159,205.65 in additional 2011 carry over. However, this funding is needed to pay existing commitments. Therefore, Staff recommends increasing the initial budget proposed by Staff for this program by $159,205.65 and reducing the REIP budget by the same amount. The REIP budget can be reduced due to cancellations of previous commitments.

The following tables show the final budgets recommended by Staff that incorporate all of the modifications discussed above:

2012 - 2013 Funding Levels

	2012 Budget From 12/20/11 Board Order	Additional Carryover + Additional Interest	Line Item Transfers	Budget Reductions	Revised 2012 Funding Levels	Additional 2013 Funding Plus 2012 Carry Over	Total 2012+ 6 Months 2013 Budget	Preliminary Expenses plus Commitments as of June 30, 2012	Available Funds for the Period July 1, 2012- June 30, 2013
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)=(e)+(f)	(h)	(i)=(g)-(h)
Energy Efficiency Programs	$409,143,330.70	$21,446,320.28	($20,838,941.59)	($104,037,380.84)	$305,713,328.25	$82,000,000.20	$387,713,328.45	$176,163,612.10	$211,549,716.35
Renewable Energy Programs	$59,031,421.20	$12,318,148.21	($12,158,942.56)	($25,559,205.65)	$33,631,421.20	$5,000,000.00	$38,631,421.20	$23,908,669.95	$14,722,751.25
EDA Programs	$107,850,429.82	$700,000.00	($662,649.66)	($58,642,499.24)	$49,045,280.92	$0.00	$49,045,280.92	$6,792,649.66	$42,252,631.26
OCE Oversight	$8,424,448.38	$1,642,449.94	($1,121,334.94)	($759,102.10)	$8,186,401.28	$6,000,000.00	$14,186,401.28	$2,769,045.83	$11,417,355.45
TRUE Grant	$14,374,500.00	$7,415,374.29	$0.00	$0.00	$21,789,874.29	$0.00	$21,789,874.29	$21,789,874.29	$0.00
Additional Interest		$5,915,864.32	($5,915,864.32)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total	$598,624,130.10	$49,438,157.04	($40,697,793.37)	($188,998,187.83)	$418,366,305.94	$93,000,000.20	$511,366,306.14	$231,423,851.83	$279,942,454.31
Legislative Action	$52,500,000.00	$0.00	$200,000,000.00		$252,500,000.00	$131,500,000.00	$384,000,000.00	$384,000,000.00	$0.00
Total	$651,124,130.10	$49,438,157.04	$159,302,206.63	($188,998,187.83)	$670,866,305.94	$224,500,000.20	$895,366,306.14	$615,423,851.83	$279,942,454.31

2012 - 2013 Energy Efficiency Program Budget

Programs	Board Approved 2012 Budget (a)	Additional Carry Over (b)	Line Item Transfers (c)	Budget Reduction (d)	Revised 2012 Budget (e)=(a)+(b)+(c)+(d)	Commitments as of 6/29/12 (f)	Additional 2013 Funding (g)	Total:2012-2013 Budget (h)=(e)+(g)
Residential EE Programs								
Residential HVAC - Electric & Gas	$23,178,518.81	$1,178,812.14	($1,178,812.14)	($1,287,068.40)	$21,891,450.41	$0.00	$5,000,000.00	$26,891,450.41
Residential New Construction	$16,320,061.50	$5,371,344.79	($5,371,344.79)	($1,055,130.40)	$15,264,931.10	$7,426,322.00	$5,000,000.00	$20,264,931.10
Energy Efficient Products	$20,275,407.84	$1,154,306.65	($1,154,306.65)	($2,837,608.58)	$17,437,799.26	$0.00	$4,700,000.00	$22,137,799.26
Home Performance with Energy Star	$32,386,412.49	$5,320,173.86	($5,320,173.86)	($4,827,677.78)	$27,558,734.71	$6,160,000.00	$11,800,000.00	$39,358,734.71
Residential Marketing	$1,651,383.84	$110,523.77	($110,523.77)	($407,407.68)	$1,243,976.16	$0.00	$500,000.00	$1,743,976.16
Sub Total Residential	**$93,811,784.48**	**$13,135,161.21**	**($13,135,161.21)**	**($10,414,892.84)**	**$83,396,891.64**	**$13,586,322.00**	**$27,000,000.00**	**$110,396,891.64**
Residential Low Income								
Comfort Partners	$35,000,000.00	$2,423,546.14	($2,423,546.14)	$0.00	$35,000,000.00	$0.00	$15,000,000.00	$50,000,000.00
Sub Total Low Income	**$35,000,000.00**	**$2,423,546.14**	**($2,423,546.14)**	**$0.00**	**$35,000,000.00**	**$0.00**	**$15,000,000.00**	**$50,000,000.00**
C&I EE Programs								
C&I New Construction	$10,024,122.02	$713,989.31	($713,989.31)	($5,000,000.00)	$5,024,122.02	$3,373,909.14	$500,000.00	$5,524,122.02
C&I Retrofit	$65,699,999.97	$3,256,702.45	($3,256,702.45)	($10,342,981.00)	$55,357,018.97	$29,617,419.54	$1,900,000.00	$57,257,018.97
Pay-for-Performance New Construction	$10,310,817.58	$182,117.30	($182,117.30)	($3,800,000.00)	$6,510,817.58	$1,918,374.60	$1,100,000.00	$7,610,817.58
Pay-for-Performance	$60,555,958.00	$833,991.62	($833,991.62)	($13,500,000.00)	$47,055,958.00	$30,068,467.70	$3,000,000.00	$50,055,958.00
CHP	$20,000,000.00	$0.00	$0.00	($6,000,000.00)	$14,000,000.00	$5,247,500.00	$3,000,000.00	$17,000,000.00
Local Government Energy Audit	$6,000,000.00	($139,583.25)	$139,583.25	($1,000,000.00)	$5,000,000.00	$2,763,121.00		$5,000,000.00
Direct Install	$41,337,218.00	($174,286.00)	$174,286.00	$2,000,000.00	$43,337,218.00	$12,269,768.48	$17,294,944.20	$60,632,162.20
TEACH	$0.00	$561,230.00	($561,230.00)		$0.00	$0.00		$0.00
Marketing	$1,575,000.00	$12,669.21	($12,669.21)	($500,000.00)	$1,075,000.00	$0.00	$500,000.00	$1,575,000.00
Large Energy Users Pilot	$28,763,000.68	$33,403.90	($33,403.90)	($20,383,000.00)	$8,380,000.68	$6,932,041.32	$12,455,056.00	$20,835,056.68
Multi-Family Financing Pilot	$10,000,000.00	$0.00	$0.00	($10,000,000.00)	$0.00	$0.00		$0.00
Retrocommissioning	$5,000,000.00	$0.00	$0.00	($5,000,000.00)	$0.00	$0.00		$0.00
Sub Total C&I	**$259,266,116.25**	**$5,280,234.54**	**($5,280,234.54)**	**($73,525,981.00)**	**$185,740,135.25**	**$92,210,601.78**	**$39,750,000.20**	**$225,490,135.45**
Other EE Programs								
Green Jobs and Building Code Training	$195,429.97	$287,527.50		($96,507.00)	$386,450.47	$0.00		$386,450.47
Sustainable Jersey	$870,000.00	$319,850.89			$1,189,850.89	$0.00	$250,000.00	$1,439,850.89
New Financing Programs	$20,000,000.00	$0.00	$0.00	($20,000,000.00)	$0.00	$0.00		$0.00
Sub Total Other Energy Efficiency Programs	**$21,065,429.97**	**$607,378.39**	**$0.00**	**($20,096,507.00)**	**$1,576,301.36**	**$0.00**	**$250,000.00**	**$1,826,301.36**
Total Energy Efficiency	**$409,143,330.70**	**$21,446,320.28**	**($20,838,941.89)**	**($104,037,380.84)**	**$305,713,328.25**	**$105,796,923.78**	**$82,000,000.20**	**$387,713,328.45**

2012 - 2013 Renewable Energy Program Budget

Programs	Board Approved 2012 Budget (a)	Additional Carry Over (b)	Line Item Transfers (c)	Budget Reduction (d)	Revised 2012 Budget (e)=(a)+(b)+(c)+(d)	Commitments as of 6/29/12 (f)	Additional 2013 Funding (g)	Total:2012-2013 Budget (h)=(e)+(g)
Customer On-Site Renewable Energy	$4,150,000.00	$5,333,861.97	($5,333,861.97)		$4,150,000.00	$2,588,943.00		$4,150,000.00
Clean Power Choice	$32,400.00	$4,235.93	($4,235.93)		$32,400.00	$0.00		$32,400.00
Offshore Wind	$8,518,408.00	$418,634.00	($418,634.00)	($3,000,000.00)	$5,518,408.00	$7,804,374.00		$5,518,408.00
Renewable Energy Program: Grid Connected (Formerly REDI)	$20,425,386.40	$360,000.00	($360,000.00)	($16,400,000.00)	$4,025,386.40	$3,856,320.00		$4,025,386.40
Renewable Energy Incentive Program	$24,233,390.05	$6,042,210.66	($6,042,210.66)	($6,159,205.65)	$18,074,184.40	$2,432,471.00	$5,000,000.00	$23,074,184.40
Edison Innovation Clean Energy Fund (formerly CST)	$1,671,836.75	$159,205.65			$1,831,042.40	$1,484,497.95		$1,831,042.40
SUB-TOTAL Renewables	**$59,031,421.20**	**$12,318,148.21**	**($12,158,942.56)**	**($25,559,205.65)**	**$33,631,421.20**	**$18,166,605.95**	**$5,000,000.00**	**$38,631,421.20**

2012 - 2013 EDA Program Budget

Programs	Board Approved 2012 Budget (a)	Additional Carry Over (b)	Line Item Transfers (c)	Budget Reduction (d)	Revised 2012 Budget (e)=(a)+(b)+(c)+(d)	Commitments as of 6/29/12 (f)	Additional 2013 Funding (g)	Total:2012-2013 Budget (h)=(e)+(g)
EDA PROGRAMS								
Clean Energy Manufacturing Fund	$31,067,385.29	$700,000.00	($662,649.66)	($22,740,000.00)	$8,364,735.63	$4,838,483.00		$8,364,735.63
Edison Innovation Green Growth Fund	$3,940,545.29	$0.00		($500,000.00)	$3,440,545.29	$1,000,000.00		$3,440,545.29
EE Revolving Loan Fund	$17,642,499.24	$0.00		($17,372,499.24)	$270,000.00	$0.00		$270,000.00
Large CHP Soliciatation	$55,000,000.00	$0.00		($18,030,000.00)	$36,970,000.00	$0.00		$36,970,000.00
Total EDA Programs	**$107,650,429.82**	**$700,000.00**	**($662,649.66)**	**($58,642,499.24)**	**$49,045,280.92**	**$5,838,483.00**	**$0.00**	**$49,045,280.92**

2012 - 2013 OCE Oversight Budget

	Board Approved 2012 Budget	Additional Carry Over	Line Item Transfers	Budget Reduction	Revised 2012 Budget	Commitments as of 6/29/12	Additional 2013 Funding	Total:2012-2013 Budget
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)	(h)=(e)+(g)
Administration and Overhead								
OCE Staff and Overhead	$2,988,016.43	$83,759.66	($83,759.66)	$898,627.00	$3,886,643.43		$5,419,818.21	$9,306,461.64
Program Coordinator	$2,163,537.25	$132,407.50	($132,407.50)	($100,000.00)	$2,063,537.25		$171,961.44	$2,235,498.69
Sub-Total: OCE Administration and Overhead	**$5,151,553.68**	**$216,167.16**	**($216,167.16)**	**$798,627.00**	**$5,950,180.68**	**$0.00**	**$5,591,779.65**	**$11,541,960.33**
Memberships-Dues								
Clean Energy States Alliance	$25,000.00	$0.00	$0.00	($25,000.00)	$0.00			$0.00
Consortium for Energy Efficiency	$0.00	$2,621.00	($2,621.00)		$0.00			$0.00
2012 Sponsorships	$100,000.00	$0.00			$100,000.00		$100,000.00	$200,000.00
Sub-Total: Memberships-Dues	**$125,000.00**	**$2,621.00**	**($2,621.00)**	**($25,000.00)**	**$100,000.00**	**$0.00**	**$100,000.00**	**$200,000.00**
Evaluation and Related Research								
Rutgers-CEEEP	$920,613.64	$400,000.00	$0.00		$1,320,613.64			$1,320,613.64
Funding Reconciliation	$50,000.00	$21,055.00	$0.00		$71,055.00			$71,055.00
O&M Scoping Study/Online Academy	$0.00	$58,899.88	($58,899.88)		$0.00			$0.00
Other Studies	$44,566.75	$0.00	$0.00	($34,566.75)	$10,000.00			$10,000.00
Program Evaluation	$1,551,779.65	$843,706.90	($843,706.90)	($1,000,000.00)	$551,779.65		$248,220.35	$800,000.00
Financial Audits	$498,162.35	$0.00	$0.00	($498,162.35)	$0.00			$0.00
Sub-Total: Evaluation and Related Research	**$3,066,122.39**	**$1,323,661.78**	**($902,606.78)**	**($1,532,729.10)**	**$1,953,448.29**	**$0.00**	**$248,220.35**	**$2,201,668.64**
Marketing and Communications								
Outreach and Education/Community Partner Grants	$22,772.31	$100,000.00	$0.00		$122,772.31			$122,772.31
Clean Energy Business Web Site	$60,000.00	$0.00	$0.00		$60,000.00		$60,000.00	$120,000.00
Sub-Total: Marketing and Communications	**$82,772.31**	**$100,000.00**	**$0.00**	**$0.00**	**$182,772.31**	**$0.00**	**$60,000.00**	**$242,772.31**
TOTAL: Administration	**$8,424,448.38**	**$1,642,449.94**	**($1,121,394.94)**	**($759,102.10)**	**$8,186,401.28**	**$0.00**	**$6,000,000.00**	**$14,186,401.28**

The following tables show the allocation of the EE and RE budgets to the various program managers:

2012 - 2013 Energy Efficiency Program Budget by Program Manager

Energy Efficiency Programs					
	Honeywell	**TRC**	**Utilities**	**OCE**	**Total**
Programs					
Residential EE Programs					
Residential HVAC - Electric & Gas	$26,891,450.41				$26,891,450.41
Residential New Construction	$20,264,931.10				$20,264,931.10
Energy Efficient Products	$22,137,799.26				$22,137,799.26
Home Performance with Energy Star	$39,358,734.71				$39,358,734.71
Residential Marketing	$1,743,976.16				$1,743,976.16
Sub Total Residential	**$110,396,891.64**	**$0.00**	**$0.00**	**$0.00**	**$110,396,891.64**
Residential Low Income					
Comfort Partners			$50,000,000.00		$50,000,000.00
Sub Total Low Income	**$0.00**	**$0.00**	**$50,000,000.00**	**$0.00**	**$50,000,000.00**
C&I EE Programs					
C&I New Construction		$5,524,122.02			$5,524,122.02
C&I Retrofit		$57,257,018.97			$57,257,018.97
Pay-for-Performance New Construction		$7,610,817.58			$7,610,817.58
Pay-for-Performance		$50,055,958.00			$50,055,958.00
CHP		$17,000,000.00			$17,000,000.00
Local Government Energy Audit		$5,000,000.00			$5,000,000.00
Direct Install		$60,632,162.20			$60,632,162.20
TEACH		$0.00			$0.00
Marketing		$1,575,000.00			$1,575,000.00
Large Energy Users Pilot		$20,835,056.68			$20,835,056.68
Multi-Family Financing Pilot		$0.00			$0.00
Retrocommissioning		$0.00			$0.00
Sub Total C&I	**$0.00**	**$225,490,135.45**	**$0.00**	**$0.00**	**$225,490,135.45**
Other EE Programs					
Green Jobs and Building Code Training				$386,450.47	**$386,450.47**
Sustainable Jersey				$1,439,850.89	**$1,439,850.89**
New Financing Programs				$0.00	**$0.00**
Sub Total Other Energy Efficiency Programs	**$0.00**	**$0.00**	**$0.00**	**$1,826,301.36**	**$1,826,301.36**
Total Energy Efficiency	**$110,396,891.64**	**$225,490,135.45**	**$50,000,000.00**	**$1,826,301.36**	**$387,713,328.45**

2012 - 2013 Renewable Energy Program Budget by Program Manager

Renewable Energy Programs				
	Honeywell	OCE/EDA	Utilities	Total
Programs				
Customer On-Site Renewable Energy	$4,150,000.00			$4,150,000.00
Clean Power Choice			$32,400.00	$32,400.00
Offshore Wind		$5,518,408.00		$5,518,408.00
Renewable Energy Program: Grid Connected (Formerly REDI)		$4,025,386.40		$4,025,386.40
Renewable Energy Incentive Program	$23,074,184.40			$23,074,184.40
Edison Innovation Clean Energy Fund (formerly CST)		$1,831,042.40		$1,831,042.40
SUB-TOTAL Renewables	**$27,224,184.40**	**$11,374,836.80**	**$32,400.00**	**$38,631,421.20**

Honeywell, TRC, the Utilities and the OCE (the OCE filing includes EDA and Sustainable Jersey) each submitted revised 2012-2013 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 upon proper notice.

DISCUSSION AND FINDINGS

The OCE coordinated with the Market Managers, the NJCEP Program Coordinator and other stakeholders to develop proposed modifications to the 2012-2013 NJCEP budgets. On or about August 17, 2012 the Board circulated a Request for Public Comment and the OCE circulated a Straw proposal for public comment. Written comments were due by September 12, 2012 and the proposed changes were discussed at the September 10, 2012 meetings of the EE and RE Committees. In addition, the Board held a public hearing on this matter on September 7, 2012. Accordingly, the Board **FINDS** that the process utilized in developing the 2012-2013 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 programs and budgets proposed by Staff, the written comments received and the public comments presented at the public hearing. The changes proposed by Staff represent a reasonable approach to maintaining NJCEP programs while meeting the mandates of the FY12 and FY13 State budget appropriations.

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 2012-2013 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 2012-2013 compliance filing filed by Honeywell and the Utilities dated November 8, 2012, and by TRC and the OCE dated November 14, 2012. 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. If there is any conflict between a compliance filing or related program document and Board order, the terms of this Board order shall govern.

The Board **HEREBY DIRECTS** the utilities to submit payments to the NJCEP Fiscal Agent (Treasury) for the months of January through June 2013 set out in the table above (see pg. 6), consistent with existing Board and Treasury policies and procedures.

In addition, the Board recognizes that the six month transition period in 2013 to align with the State fiscal year, along with significant reductions to the NJCEP may impose certain administrative burdens on Staff to ensure that the programs are meeting expectations and remain open through the entire funding period. The typical process for modifying the budget takes several months, including staff proposals, public comment periods, and Board action. Considering the budget cuts described in this Order and the six-month transition to the State fiscal year, the Board **FINDS** that an expedited budget modification process is necessary to avoid potential budget shortfalls and/or program closures. For these reasons, it is reasonable to delegate additional limited authority to Staff to properly manage the NJCEP.

Staff has proposed a process that streamlines the process to modify the NJCEP budget during the transition for the first six months of 2013. In part, Staff's proposal includes: 1) an expenditure threshold that triggers Staff's authority to reallocate funds; 2) a 10% cap on Staff's authority; 3) limits on how funds may be reallocated; 4) notice to the Commissioners prior to implementing any reallocation; 5) notice to the public and opportunity for comment prior to Board action; and 6) prompt submission to the Board for ratification, modification, or reversal of any budget adjustment.

The Board **FINDS** that Staff's proposal, set forth in the body of this Order, is specific, properly limited in scope, and is necessary for the six-month transition period. The Board also **FINDS** that the proposed delegated authority is administrative in nature and is not intended to give Staff authority to materially diminish any program. Therefore, the Board **HEREBY AUTHORIZES** Staff to exercise delegated authority consistent with the terms of this Order until June 30, 2012.

DATED: 11/20/12

BOARD OF PUBLIC UTILITIES
By:

ROBERT M. HANNA
PRESIDENT

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

NICHOLAS ASSELTA
COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

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

IN THE MATTER OF COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR THE 2009 - 2012 CLEAN ENERGY PROGRAM: REVISED 2012 AND INITIAL 2013 PROGRAMS AND BUDGETS
DOCKET NOS. EO07030203 & EO1110631V

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