Request for Comments
Proposed Revisions to FY14 NJCEP Programs and Budget
October 29, 2013

Staff is requesting comments on the proposed revisions to the FY14 budget and programs summarized below by COB Friday, November 15, 2013. Comments should be submitted to:

publiccomments@njcleanenergy.com

and reference: "Proposed changes to FY14 NJCEP programs and budget"

Staff Considerations
The FY14 NJCEP budget was established based upon estimated expenses for the 2012-2013 (18 month) budget period. The Board of Public Utilities ("the Board") has historically revised budgets to reflect actual expenses once known. In additional, the State FY14 budget lapsed $194,665,000 from the NJCEP Trust Fund to the State's General Fund, of which $32,829,745 was lapsed from the Solar Alternative Compliance Payment (SACP) account and the remainder, or $161,855,255, was lapsed from the NJCEP account. The NJCEP budgets must be reduced by this amount to reflect the lapse to the General Fund.

The True Up budget spreadsheet included with this notice includes a tab for each budget category such as EE and RE that shows the final 2012-2013 NJCEP budget and actual expenses for each program for this period. Expenses are deducted from the budget to calculate "Actual Carry Over". Actual Carry Over is then compared to the "Estimated Carry Over", which was used to establish the initial FY14 NJCEP budget that was approved by the Board at its June, 2013 agenda meeting. The difference between Actual and Estimated Carry Over is calculated and shown as "Additional Carry Over". These funds are available to add to the FY14 budget and partially offset the budget reductions required to address the lapse to the General Fund.

The initial FY14 budget was also based, in part, on estimated revenues related to the programs managed by the NJ Economic Development Authority (EDA). Specifically, the funds held by the EDA earn interest and the EDA has issued loans and repayable grants. As these are repaid, the funds become available to reallocate to programs. The difference between the estimated revenues used in the development of the initial FY14 budget and actual EDA revenues is $90,233.01.

Working with the Market Managers and the Program Coordinator, Staff developed proposed revisions that reflect the factors discussed above. Staff reviewed current program spending and activity levels, and considered other factors such as programs that have not yet commenced implementation and the status of the future transition to a new Program Administrator. Staff also reviewed 2012-2013 spending levels, actual spending through the first quarter of FY14, and the current level of commitments. A report showing 2012-2013 spending and activity levels and a spreadsheet showing actual expenses through and commitments as of October 29, 2013 is also attached.

Attached are Staff's proposed revisions to the FY14 NJCEP budget. The proposed changes are shown in the True Up spreadsheet included with this notice. These changes will also be discussed at the November 7, 2013 meetings of the EE and RE committees.

Proposed Program Changes

CHP-FC Program

TRC's compliance filing and the CHP-FC application state that projects "will be evaluated for funding according to the following criteria…", one of which is "annual system utilization". While projects were evaluated to assess annual system utilization, no minimum run time hour requirement is specified on the CHP-FC program application or program guidelines. TRC has used 6,000 hours as the minimum annual system utilization threshold and all recently approved projects have met this threshold.

As stated in the OCE compliance filing, the NJCEP CHP-FC program is an energy efficiency program focused on reducing energy consumption at the site. Although demand response is a worthy endeavor, Staff believes that ratepayer dollars should not pay for underutilized CHP-FC capacity, and where the primary benefit of CHP is to deliver capacity to PJM demand response programs.

While Staff and TRC recognize the benefits of CHP and fuel cells as a resiliency measure, NJCEP CHP-FC program is an energy efficiency program, not a resiliency program. The Board is reviewing this policy and exploring potential sources of funding for resiliency efforts that are separate from SBC funds.

Based on the above, TRC proposes to add the following language to the CHP-FC program application and Operations Manual:

"In order to qualify for incentives, systems must operate a minimum of 5,000[1] *full load equivalent hours per year (i.e. run at least 5,000 hours per year at full rated KW output). The Office of Clean Energy (OCE) may grant exceptions to this minimum operating hours requirement for critical facilities (as defined by the OCE), assuming the proposed system operates a minimum of 3,500 full load equivalent hours per year."*

The above language is included in the current CHP-FC application and program guidelines, pending the receipt of comments and a final determination by the Board.

Pay-for-Performance New Construction Program

When the Pay-for-Performance New Construction (P4P NC) program was launched in 2009, the following policy was established:

[1] According to EPA's CHP Partnership, one of the criteria for determining whether CHP is a good fit for a facility is whether the facility operates a minimum of 5,000 hours per year. EPA also issues annual ENERGY STAR CHP awards; one of the requirements for applying is the CHP system must have a minimum of 12 months and 5,000 hours of measured operating data.

Measures installed prior to the Proposed Energy Reduction Plan approval date can NOT be included in the Energy Reduction Plan work scope, will not count towards the 15% performance requirement, and will not receive Program incentives.

TRC's Board-approved FY14 compliance filing revised this policy in order to give customers more flexibility on the timing of their projects relative to program rules. The current policy is as follows:

Pre-approval of the Proposed Energy Reduction Plan (ERP) is required for all projects. A Proposed ERP must be approved by the program and an approval letter sent to the customer in order for incentives to be committed. In the event that a project needs to start construction prior to the Proposed ERP approval letter being issued, the Market Manager will conduct a pre-inspection of the site. Measures installed prior to pre-inspection of the facility shall not be included as part of the Proposed ERP scope of work and will not be eligible for incentives. Measures installed prior to Proposed ERP approval, but after pre-inspection, are done at the customer's own risk. In the event that a Proposed ERP is rejected by the program, the customer will not receive any incentives.

Upon recent review of a number of P4P NC projects, it has become evident that the current policy is still too restrictive. P4P NC projects are typically large, costly, high-profile developments or renovations that need to abide by strict construction schedules. In almost all cases to date, these construction schedules have not been able to line up with the P4P NC pre-approval policy, thereby disqualifying high-efficiency new construction projects from benefiting from this incentive program.

In order to not jeopardize these projects, Staff proposes the following revised policy:

Pre-inspections, as outlined in the current policy, will no longer be performed. Projects may complete construction on their own timeline with the understanding that any measures installed prior to approval of the Proposed ERP are done so at the project's risk. In the event that the equipment selected does not qualify for an incentive, it will be removed from the Proposed ERP and no incentives will be paid for that equipment. To avoid "old" projects entering the program (i.e. buildings completed `prior to applying for the program), invoices for qualifying measures cannot pre-date the initial application receipt date by more than 6 months. This will be verified through (a) proposed timeline outlined in the initial application and (b) dates on invoices collected at construction completion.

This new policy would become effective upon approval by the Board and would also apply to all projects with pending applications.