

Office of Clean Energy
Proposed Modifications to 2011 NJCEP Budgets
May 3, 2011

By Order dated April 13, 2011 the Board approved revised 2011 budgets for New Jersey's Clean Energy Program (NJCEP). The Office of Clean Energy (OCE) anticipates proposing additional modifications to the 2011 budgets for consideration by the Board at its May 16, 2011 agenda meeting as described more fully below.

The OCE is requesting comments on the proposed budget modifications set out herein by 5:00 p.m. May 10, 2011. Comments should be submitted to:

publiccomment@njcleanenergy.com

The proposed modifications address two key issues;

1. Using NJCEP funds to "backstop" ARRA funded applications once ARRA funds are exhausted
2. Provide additional funds to the Comfort Partners low-income program

ARRA Programs

The Board has approved a number of programs that provide incentives for customers of non-investor owned utilities (non-IOU) and local government entities. Incentives for non-IOU customers are paid with the American Recovery and Reinvestment Act ("ARRA") funds and incentives for local government entities are paid with both ARRA and New Jersey Clean Energy Program (NJCEP) funds. ARRA funds are provided through three separate grants: State Energy Program (SEP), State Energy Efficiency Appliance Rebate Program (SEEARP), and Energy Efficiency and Conservation Block Grants (EECBG). Several of the programs are inter-related with a portion of the incentives provided through one of the programs with additional incentives provided from a different program.

For example, in 2010 the NJCEP Direct Install program offered an incentive to small commercial customers, including certain local government entities, equal to 60% of an energy efficiency project's cost. Certain local government entities were also eligible for an EECBG of up to \$20,000. By combining the Direct Install program incentive with an EECBG, a local government entity could receive \$50,000 in energy efficiency measures at no cost with the Direct Install program paying 60% of the cost, or \$30,000, and the EECBG paying the remaining 40%, or \$20,000 in costs. In 2011 these customers could receive \$125,000 in energy efficiency measures at no cost with the Direct Install-Local Government Entity program paying 60% of the cost, or \$75,000 with SEP-ARRA funds, and the EECBG paying the remaining 40%, up to \$50,000.

The SEP-ARRA, EECBG, and SEEARP funding awards all require that 100% of the funding be obligated or spent in 2011 or 2012, with the specific dates varying for each funding source. Staff

has been carefully monitoring expenses and commitments for these programs to ensure that all of the available funding is fully utilized. Given the number of programs and interrelationship between the programs, as described above, Staff must monitor activity levels in several programs to determine when to close each program to new applications. If a program is closed to new applicants too soon all of the available ARRA funds may not be utilized, if a program is closed to new applicants too late some applications may need to be returned to customers if funding to pay the incentive is no longer available.

Based on information provided by the Market Managers it appears that the number of applications received to date, or expected to be received in the near future, are sufficient to exhaust the available funds in the Energy Efficiency Programs through the Clean Energy Program (EEP through CEP) component of the SEP-ARRA budget. Therefore, in early April 2011, Staff coordinated with the Market Managers to close most of the SEP-ARRA EEP through CEP programs to new applicants. Specifically, Staff directed the Market Managers to close the following programs:

- Home Performance with Energy Star - ARRA Supplemental
- Local Government Energy Audit - ARRA Supplemental
- Direct Install - ARRA Supplemental

Further, as directed by Staff, in April 2011 the Market Managers issued a notice that applications for the following programs will no longer be accepted after May 31, 2011:

- Home Performance with Energy Star - ARRA Non-IOU
- Pay-for-Performance - ARRA-Non-IOU
- Local Government Energy Audit - ARRA-Non-IOU
- Direct Install - ARRA-Non-IOU

The Direct Install - Local Government program remains open to new applicants.

The applications received to date by the Market Managers may result in incentives that exceed the level of available funds for a particular program if all of the applications were approved and all of the projects are completed. Therefore, either additional funds must be allocated to certain programs or the applications must be returned to the customers if insufficient funds are available to issue an approval.

The Direct Install-Local Government program provides significant benefits to local government entities by helping to reduce energy usage and energy costs which will exert downward pressure on property taxes. Therefore, the OCE explored options to redirect funding to the program so that additional applications can be approved. The OCE has reviewed available source of funds and recommends the following:

1. Applications for the 2011 Direct Install-Local Government program are funded 40% with EECBG funds up to \$50,000 and 60% with SEP-ARRA funds. Therefore, a qualified local government entity can receive up to \$125,000 in energy efficiency measures at no cost with \$50,000 from EECBG funds and \$75,000 or 60% from SEP-ARRA funds. Continue approving incentives at the 40% EECBG and 60% SEP-ARRA level until 100% of the EECBG funding is expended or committed.

2. Once 100% of the EECBG funds are expended or committed, allow for 100% of a Direct Install-Local Government program projects cost, up to \$125,000, to be funded using SEP-ARRA EEP through CEP funds.
3. The Board's Revised 2011 Budget Order included a budget of \$27,896,150.92 for the Direct Install program. Based on current program activity levels Staff believes sufficient funds are available to meet projected program participation levels. Therefore, once 100% of the SEP-ARRA EEP through CEP and EECBG funds are expended or committed, allow for 100% of a Direct Install-Local Government program projects cost, up to \$125,000, to be funded utilizing NJCEP Direct Install Program funds.

Honeywell has reported that it is targeting May 31, 2011 as the date it will close out both the HVAC and Products component of the SEEARP. Staff is carefully tracking expenses to ensure that 100% of the funding is expended. However, it is possible that the number of applications received by May 31, 2011 could exceed the available funds. Therefore, if SEEARP applications are received before the program is closed in an amount that exceeds the SEEARP budget, Staff recommends that the NJCEP Residential HVAC program budget be utilized to pay any SEEARP HVAC program incentives and the NJCEP Energy Efficiency Products program budget be utilized to pay any SEEARP Products program incentives for which there is insufficient SEEARP funding to pay the incentive.

The Market Managers have issued notices that they will no longer accept applications for SEP-ARRA EEP through CEP Non-IOU programs after May 31, 2011. However, it is possible that the number of applications received by May 31, 2011 could exceed the available funds. Therefore, if the program receives SEP-ARRA EEP through CEP Non-IOU program applications in an amount that exceeds the SEP-ARRA EEP through CEP Non-IOU budget prior to the date the program is closed, Staff recommends that the NJCEP program budget be utilized to pay the incentive for which there is insufficient SEP-ARRA funding to pay the incentive.

Comfort Partners Program

The 2010 budget for the Comfort Partners program was \$32,206,497.01 which resulted in the Utilities installing energy conservation measures in the homes of 6,814 low-income customers. In late 2010 the OCE commenced discussions with the New Jersey Department of Community Affairs (DCA) regarding the potential allocation of \$16 million in federal ARRA Weatherization Assistance Program funds to the Board to supplement the 2011 Comfort Partners program budget. The Board approved a revised 2011 budget for the Comfort Partners program of \$25,829,308.11, in part, based on the anticipated allocation of \$16 million from the DCA to supplement the Comfort Partners program budget.

However, the Board and the DCA were unable to agree to terms acceptable to the USDOE related to the allocation of the federal ARRA funds from the DCA to the Board. Therefore, the anticipated allocation of \$16 million to supplement the Comfort Partners 2011 budget will not occur.

The Comfort Partners program provides for the installation of energy conservation measures in the homes of low-income customers at no cost to the customers. These measures result in a reduction in energy usage and energy costs for the State's neediest customers.

The Board approved 2011 budget is approximately \$7 million below 2010 budget which will reduce the number of homes the program will be able to serve as compared to the number of homes served in 2010. Further, the Utilities have reported to the Board that without addition funds, the contractors that deliver program services will be forced to lay off employees. Therefore, to both enable the program to serve additional low-income customers and to avoid the need to lay off contractors, Staff is proposing to allocate an additional \$5 million to the Comfort Partners program. The funding would be reallocated from the following programs:

1. \$1 million from the Offshore Wind program budget to reflect the Board's recent approval of a reduction to the rebate for one of the OSW projects.
2. \$600,000 from the CORE program. This program was terminated in 2008. An additional \$600,000 in rebate approvals have expired and these funds are available for allocation to other programs.
3. \$3.4 million from the Renewable Energy Incentive Program (REIP). \$2.9 million in previous rebate approvals have expired and these funds are available for allocation to other programs. In addition, Staff recommends that the EDC Solar Financing Incentive (ESFI) component of the budget be reduced by \$500,000. Staff believes sufficient funds remain in this component of the budget to meet anticipated 2011 participation levels.

The following tables show the proposed budget revisions incorporating the changes recommended above:

2nd Revised 2011 Energy Efficiency Program Budget

	Revised 2011 Budget From 4/13/11 Board Order	Line Item Transfers	2nd Revised 2011 Funding Levels
Programs	(a)	(b)	(c)=(a)+(b)
Residential EE Programs			
Residential HVAC - Electric & Gas	\$19,786,157.98		\$19,786,157.98
Residential New Construction	\$19,943,969.50		\$19,943,969.50
Energy Efficient Products	\$16,006,633.80		\$16,006,633.80
Home Performance with Energy Star	\$34,885,329.29		\$34,885,329.29
Residential Marketing	\$1,309,984.00		\$1,309,984.00
Sub Total Residential	\$91,932,074.57	\$0.00	\$91,932,074.57
Residential Low Income			
Comfort Partners	\$25,829,308.11	\$5,000,000.00	\$30,829,308.11
Sub Total Low Income	\$25,829,308.11	\$5,000,000.00	\$30,829,308.11
C&I EE Programs			
C&I New Construction	\$8,867,143.41		\$8,867,143.41
C&I Retrofit	\$39,899,451.30		\$39,899,451.30
Pay-for-Performance New Construction	\$7,471,645.96		\$7,471,645.96
Pay-for-Performance	\$52,355,701.50		\$52,355,701.50
CHP	\$1,002,122.83		\$1,002,122.83
Local Government Energy Audit	\$12,115,170.97		\$12,115,170.97
Direct Install	\$27,896,150.92		\$27,896,150.92
TEACH	\$682,829.50		\$682,829.50
Marketing	\$1,075,000.00		\$1,075,000.00
Large Energy Users Pilot	\$20,000,000.00		\$20,000,000.00
Sub Total C&I	\$171,365,216.39	\$0.00	\$171,365,216.39
Other EE Programs			
Green Jobs and Building Code Training	\$678,853.10		\$678,853.10
Competitive Grant-Loan Solicitation	\$30,000,000.00		\$30,000,000.00
Sustainable Jersey	\$625,000.00		\$625,000.00
Sub Total Other Energy Efficiency Programs	\$31,303,853.10	\$0.00	\$31,303,853.10
Total Energy Efficiency	\$320,430,452.17	\$5,000,000.00	\$325,430,452.17

2nd Revised 2011 Renewable Energy Program Budget

	Revised 2011 Budget From 4/13/11 Board Order	Line Item Transfers	2nd Revised 2011 Funding Levels
Programs	(a)	(b)	(c)=(a)+(b))
Customer On-Site Renewable Energy	\$23,668,674.18	(\$600,000.00)	\$23,068,674.18
Clean Power Choice	\$68,400.00		\$68,400.00
Offshore Wind	\$11,870,253.00	(\$1,000,000.00)	\$10,870,253.00
Renewable Energy Program: Grid Connected (Formerly REDI)	\$11,282,831.73		\$11,282,831.73
Renewable Energy Incentive Program	\$45,012,455.10	(\$3,400,000.00)	\$41,612,455.10
Edison Innovation Clean Energy Fund (formerly CST)	\$3,655,277.00		\$3,655,277.00
SUB-TOTAL Renewables	\$95,557,891.01	(\$5,000,000.00)	\$90,557,891.01