

Request for Comments

To: Interested Stakeholders

From: Seçil Uztetik Onat, Executive Director

Re: Request for Comments on Proposed Modifications to the NJCEP Budget

Date: December 28, 2015

The Office of Clean Energy is developing several proposed changes to the New Jersey Clean Energy Program (NJCEP) budget and is requesting comments on the proposed changes prior to submitting its recommendations to the Board for consideration.

Proposed Budget Modifications

Several programs have experienced higher than anticipated participation levels since the beginning of the Fiscal Year 2016 (FY16). The following summarizes the proposed changes to the budget intended to address the higher participation levels:

Commercial and Industrial (C&I) Energy Efficiency Programs

- **CHP-Fuel Cells:** On December 11, 2015 the Board issued a notice that the NJCEP will temporarily cease accepting applications for the CHP-FC program. Prior to issuance of this notice, the program received a large number of applications such that the applications in the pipeline, if approved, would exceed the available budget by \$19,779,782.69. Staff recommends that this amount be allocated to the CHP-Fuel Cell program budget which will provide sufficient funds to consider all of the applications submitted prior to December 11, 2015.
 - \$19,779,782.69 for the CHP-FC program would be allocated from the following programs:
 - \$3,000,000 from the Renewable Energy Incentive Program (REIP). The proposed transfer of \$3,000,000 from the REIP incentive budget is not expected to have a substantial impact on the renewable energy program offerings for FY16. Several bio-power and renewable electric storage projects have been cancelled by the applicants, thus freeing up some portion of previously committed funds.
 - \$3,168,000 from the EDA large CHP program. These funds are no longer required due to project cancellations.
 - \$2,000,000 from the EDA Green Growth Fund. This would leave approximately \$3,768,000 for new commitments in this program which has experienced lower than anticipated participation rates.
 - \$500,000 from the Rutgers CEEEP budget. CEEEP has not expended its full budget in past years so these funds are no longer required.
 - \$2,111,782.69 from the funds for the anticipated new Marketing contract. Staff remains committed to increasing marketing efforts and due to procurement delays, the marketing contract is expected to be awarded in the fourth quarter of FY16. Sufficient funds remain in the FY16 budget to allow for the project to be

awarded and start work in FY16 with the remainder of the contract funded in future fiscal years.

- \$9,000,000 from Energy Resilience Projects. The continued efforts of the Energy Resilience Bank and other State infrastructure reinforcement programs decrease the likelihood of these funds being required to support any projects that would be completed by the end of FY16. This allocation will allow sufficient funds to continue any required resiliency studies in the second half of FY16.
- **Pay-for-Performance New Construction (P4P NC):** The program currently has Energy Reduction Plans in the pipeline that total just over \$7,500,000 and an available incentive budget of only \$5,166,512.51. Staff is proposing that an additional \$2,000,000 be added to the rebate component of the budget to cover the current pipeline, as well as any new applications that may come in before the end of FY16.
 - \$2,000,000 for P4P NC would be allocated from uncommitted funds in the Direct Install program. Direct Install continues to complete projects that have been previously committed but has not been accepting new commitments in anticipation of the Program Administrator contract transition. With this transfer of \$2,000,000 and the transfer of \$3,000,000 proposed for the C&I Retrofit program below, Direct Install would retain approximately \$9,000,000 in uncommitted funds that will be available for the program under the new Program Administrator contract.
- **C&I Retrofit:** The program has a pipeline of pending applications in the amount of \$5,401,873 and an available incentive budget of \$6,328,766. Staff is proposing that an additional \$3,000,000 be added to the rebate component of the budget to cover the current estimated incentive pipeline, as well as any new applications that may come in before the end of FY16 based on current program participation levels.
 - \$3,000,000 for C&I Retrofit would be allocated from uncommitted funds in the Direct Install program. Direct Install continues to complete projects that have been previously committed but has not been accepting new commitments in anticipation of the Program Administrator contract transition. With this transfer of \$3,000,000 along with the transfer of \$2,000,000 proposed for P4P NC above, Direct Install program would retain approximately \$9,000,000 in uncommitted funds that will be available for the program under the new Program Administrator contract.

NJCEP Administration

- **Program Coordinator:** The initial FY16 budget approved by the Board included sufficient funding for the Program Coordinator through December 31, 2015, which was the anticipated expiration date of the contract. Staff is currently coordinating with Treasury to extend the contract through March 31, 2016. The proposed \$300,000 in additional funding is sufficient to cover anticipated costs for the proposed three-month extension.
- **Program Transition:** The True Up budget approved by the Board on November 16, 2015, included \$1,157,694.04 for Program Transition services and noted that this amount would need to be increased once transition costs were known. The Program Administrator contract

was awarded on December 1, 2015, and the additional funding of \$1,873,282.75 is sufficient to cover the transition costs included in the new Program Administrator contract.

- \$2,173,282.75 for NJCEP Administration will be allocated from the Marketing contract. With this transfer of \$2,173,282.75 in addition to the transfer of \$2,111,782.69 proposed for the CHP-FC program above, Staff remains committed to increasing marketing efforts. Due to procurement delays, the marketing contract is expected to be awarded in the fourth quarter of FY16. Sufficient funds remain in the FY16 budget to allow for the project to be awarded and start work in FY16 with the remainder of the contract funded in future fiscal years.

Comfort Partners: By email dated December 14, 2015, PSE&G, on behalf of the Utilities, notified Staff that it is requesting a transfer of funds between utilities and between certain budget categories. This request is primarily driven by the Program experiencing a higher than expected need for gas related measures which created the need to shift funding among Utilities. The purpose of this request is to align current work projections for each Utility to the available Program budget. This budgetary re-alignment is to ensure that none of the Utilities exceed a particular budget category across their individual allocations. The overall budget for the Comfort Partners Program remains unchanged. The specific budget modifications proposed by the utilities are set out in the attached spreadsheet.

The proposed budget modifications and resultant budgets are shown on the attached spreadsheet. These recommendations and any adjustments made based on feedback gathered during the comment period are being scheduled for consideration at the January 27, 2016, Board agenda meeting.

Comments should be submitted by **January 11, 2016** to: publiccomments@NJCleanEnergy.com and reference “Proposed Changes to the NJCEP Budget.”

2nd Revised FY16 Budget

	True Up Budget	Line Item Transfers	Revised FY16 Budget
	(a)	(b)	(c) = (a)+(b)
Energy Efficiency Programs	\$282,101,624.09	\$0.00	\$282,101,624.09
CHP-Fuel Cells	\$21,778,704.42	\$19,779,782.69	\$41,558,487.11
Renewable Energy Programs	\$20,314,906.22	(\$3,000,000.00)	\$17,314,906.22
EDA Programs	\$19,539,784.71	(\$5,168,000.00)	\$14,371,784.71
NJCEP Administration	\$17,223,999.85	(\$2,611,782.69)	\$14,612,217.16
TRUE Grant	\$3,000,000.00	\$0.00	\$3,000,000.00
Total NJCEP	\$363,959,019.29	\$9,000,000.00	\$372,959,019.29
State energy initiatives and utility costs	\$118,289,000.00		\$118,289,000.00
Energy Resilience Projects	\$10,000,000.00	(\$9,000,000.00)	\$1,000,000.00
Total	\$492,248,019.28	\$0.00	\$492,248,019.29

2nd Revised FY16 Energy Efficiency and CHP-FC Program Budget

	True Up Budget	Line Item Transfers	Revised FY16 Budget
Programs	(a)	(b)	(c) = (a)+(b)
Residential EE Programs			
Residential HVAC - Electric & Gas	\$13,187,678.81		\$13,187,678.81
Residential New Construction	\$15,832,692.95		\$15,832,692.95
Energy Efficient Products	\$19,449,665.72		\$19,449,665.72
Home Performance with Energy Star	\$37,038,090.33		\$37,038,090.33
Residential Marketing	\$1,249,033.75		\$1,249,033.75
Sub Total Residential	\$86,757,161.56	\$0.00	\$86,757,161.56
Residential Low Income			
Comfort Partners	\$30,000,000.00		\$30,000,000.00
C&I EE Programs			
C&I New Construction	\$2,966,229.94		\$2,966,229.94
C&I Retrofit	\$51,970,880.80	\$3,000,000.00	\$54,970,880.80
Pay-for-Performance New Construction	\$16,140,835.90	\$2,000,000.00	\$18,140,835.90
Pay-for-Performance	\$34,771,374.30		\$34,771,374.30
Local Government Energy Audit	\$3,232,012.50		\$3,232,012.50
Direct Install	\$37,661,579.73	(\$5,000,000.00)	\$32,661,579.73
Marketing	\$1,075,000.00		\$1,075,000.00
Large Energy Users Program	\$17,526,549.36		\$17,526,549.36
Sub Total C&I	\$165,344,462.53	\$0.00	\$165,344,462.53
Total Energy Efficiency	\$282,101,624.09	\$0.00	\$282,101,624.09

CHP-Fuel Cell Program

CHP-Fuel Cell Program	\$21,778,704.42	\$19,779,782.69	\$41,558,487.11
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2nd Revised FY16 Renewable Energy Program Budget

	True Up Budget	Line Item Transfers	Revised FY16 Budget
Programs	(a)	(b)	(c) = (a)+(b)
Offshore Wind	\$450,433.41		\$450,433.41
Renewable Energy Incentive Program	\$19,864,472.81	(\$3,000,000.00)	\$16,864,472.81
SUB-TOTAL Renewables	\$20,314,906.22	(\$3,000,000.00)	\$17,314,906.22

2nd Revised FY16 EDA Program Budget

	True Up Budget	Line Item Transfers	Revised FY16 Budget
Programs	(a)	(b)	(c) = (a)+(b)
EDA PROGRAMS			
Clean Energy Manufacturing Fund	\$6,579,560.26		\$6,579,560.26
Edison Innovation Green Growth Fund	\$5,768,544.45	(\$2,000,000.00)	\$3,768,544.45
Large CHP Solicitation	\$7,191,680.00	(\$3,168,000.00)	\$4,023,680.00
Total EDA Programs	\$19,539,784.71	(\$5,168,000.00)	\$14,371,784.71

Revised FY16 NJCEP Administration Budget

	True Up Budget	Line Item Transfers	Revised FY16 Budget
	(a)	(b)	(c) = (a)+(b)
Administration and Overhead			
OCE Staff and Overhead	\$2,400,000.00		\$2,400,000.00
Program Coordinator	\$1,020,995.51	\$300,000.00	\$1,320,995.51
Sub-Total: Administration and Overhead	\$3,420,995.51	\$300,000.00	\$3,720,995.51
Memberships-Dues			
<i>FY15 Sponsorships</i>	\$10,000.00		\$10,000.00
Sub-Total: Memberships-Dues	\$10,000.00	\$0.00	\$10,000.00
Evaluation and Related Research			
<i>Rutgers-CEEEP</i>	\$2,252,478.12	(\$500,000.00)	\$1,752,478.12
<i>Program Evaluation</i>	\$2,988,412.00		\$2,988,412.00
Sub-Total: Evaluation and Related Research	\$5,240,890.12	(\$500,000.00)	\$4,740,890.12
Miscellaneous			
<i>Clean Energy Business Web Site</i>	\$92,488.14		\$92,488.14
<i>Rutgers LESS</i>	\$150,000.00		\$150,000.00
<i>NJIT Clean Energy Learning Center</i>	\$375,000.00		\$375,000.00
<i>Sustainable Jersey</i>	\$776,932.04		\$776,932.04
Sub-Total: Miscellaneous	\$1,394,420.18	\$0.00	\$1,394,420.18
New Marketing Contract	\$6,000,000.00	(\$4,285,065.44)	\$1,714,934.56
Program Transition	\$1,157,694.04	\$1,873,282.75	\$3,030,976.79
TOTAL: NJCEP Administration	\$17,223,999.85	(\$2,611,782.69)	\$14,612,217.16
True Grant	\$3,000,000.00		\$3,000,000.00

Approved by the Board by Order dated 6/25/15

July 1st 2015 - June 30th 2016 CP Budget (Approved by the Board by Order dated 6/25/15)								
		Admin and Program Development	Sales, Marketing, Call Centers, Web Site	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other QC	Evaluation & Research	Contractor Perf. Incentives
ACE	\$1,370,791.14	\$95,442.63	\$14,201.90	\$13,962.48	\$1,167,321.88	\$79,862.25	\$0.00	\$0.00
JCP&L	\$3,787,858.00	\$343,733.84	\$74,709.21	\$35,354.58	\$3,066,128.48	\$267,931.89	\$0.00	\$0.00
PSE&G- Elec	\$6,551,946.24	\$397,008.67	\$168,883.38	\$68,092.00	\$5,618,759.33	\$299,202.86	\$0.00	\$0.00
RECO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NJNG	\$3,942,216.15	\$227,397.78	\$206,577.43	\$40,757.71	\$3,329,709.68	\$137,773.55	\$0.00	\$0.00
Elizabethtown	\$2,503,064.09	\$130,706.32	\$44,886.28	\$35,873.28	\$2,177,664.00	\$113,934.21	\$0.00	\$0.00
PSE&G-Gas	\$9,827,919.36	\$595,513.00	\$253,325.08	\$102,138.00	\$8,428,138.99	\$448,804.29	\$0.00	\$0.00
SJG	\$2,016,205.02	\$202,993.63	\$52,363.06	\$52,612.41	\$1,543,394.74	\$164,841.18	\$0.00	\$0.00
TOTAL	\$30,000,000.00	\$1,992,795.87	\$814,946.34	\$348,790.46	\$25,331,117.10	\$1,512,350.23	\$0.00	\$0.00
PSE&G - Combined	\$16,379,865.60	\$992,521.67	\$422,208.46	\$170,230.00	\$14,046,898.32	\$748,007.15	\$0.00	\$0.00

New Budget Filing 12-7-2015

July 1st 2015 - June 30th 2016 CP Budget (Proposed 12-7-2015)								
		Admin and Program Development	Sales, Marketing, Call Centers, Web Site	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other QC	Evaluation & Research	Contractor Perf. Incentives
ACE	\$1,370,791.14	\$95,442.63	\$17,621.99	\$17,621.99	\$1,167,321.88	\$72,782.65	\$0.00	\$0.00
JCP&L	\$3,247,858.00	\$341,833.84	\$70,409.21	\$30,654.58	\$2,566,128.48	\$238,831.89	\$0.00	\$0.00
PSE&G- Elec	\$6,379,146.24	\$394,608.67	\$167,883.38	\$68,492.00	\$5,458,759.33	\$289,402.86	\$0.00	\$0.00
RECO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NJNG	\$4,482,216.15	\$233,397.78	\$212,577.43	\$46,757.71	\$3,785,276.00	\$204,207.23	\$0.00	\$0.00
Elizabethtown	\$2,395,064.09	\$129,706.32	\$43,886.28	\$34,873.28	\$2,077,664.00	\$108,934.21	\$0.00	\$0.00
PSE&G-Gas	\$9,568,719.36	\$591,913.00	\$251,825.08	\$102,738.00	\$8,188,138.99	\$434,104.29	\$0.00	\$0.00
SJG	\$2,556,205.02	\$214,793.63	\$47,363.06	\$44,412.41	\$2,043,394.74	\$206,241.18	\$0.00	\$0.00
TOTAL	\$30,000,000.00	\$2,001,695.87	\$811,566.43	\$345,549.97	\$25,286,683.42	\$1,554,504.31	\$0.00	\$0.00
PSE&G - Combined	\$15,947,865.60	\$986,521.67	\$419,708.46	\$171,230.00	\$13,646,898.32	\$723,507.15	\$0.00	\$0.00

(+/-)

(\$) Difference Between Current & Proposed								
		Admin and Program Development	Sales, Marketing, Call Centers, Web Site	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other QC	Evaluation & Research	Contractor Perf. Incentives
ACE	(\$0.00)	\$0.00	\$3,420.09	\$3,659.51	\$0.00	(\$7,079.60)	\$0.00	\$0.00
JCP&L	(\$540,000.00)	(\$1,900.00)	(\$4,300.00)	(\$4,700.00)	(\$500,000.00)	(\$29,100.00)	\$0.00	\$0.00
PSE&G- Elec	(\$172,800.00)	(\$2,400.00)	(\$1,000.00)	\$400.00	(\$160,000.00)	(\$9,800.00)	\$0.00	\$0.00
RECO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NJNG	\$540,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$455,566.32	\$66,433.68	\$0.00	\$0.00
Elizabethtown	(\$108,000.00)	(\$1,000.00)	(\$1,000.00)	(\$1,000.00)	(\$100,000.00)	(\$5,000.00)	\$0.00	\$0.00
PSE&G-Gas	(\$259,200.00)	(\$3,600.00)	(\$1,500.00)	\$600.00	(\$240,000.00)	(\$14,700.00)	\$0.00	\$0.00
SJG	\$540,000.00	\$11,800.00	(\$5,000.00)	(\$8,200.00)	\$500,000.00	\$41,400.00	\$0.00	\$0.00
TOTAL	(\$0.00)	\$8,900.00	(\$3,379.91)	(\$3,240.49)	(\$44,433.68)	\$42,154.08	\$0.00	\$0.00
PSE&G - Combined	(\$432,000.00)	(\$6,000.00)	(\$2,500.00)	\$1,000.00	(\$400,000.00)	(\$24,500.00)	\$0.00	\$0.00

(+/-)

(%) Difference Between Current & Proposed								
		Admin and Program Development	Sales, Marketing, Call Centers, Web Site	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other QC	Evaluation & Research	Contractor Perf. Incentives
ACE	0.00%	0.00%	24.08%	26.21%	0.00%	-8.86%	0.00%	0.00%
JCP&L	-14.26%	-0.55%	-5.76%	-13.29%	-16.31%	-10.86%	0.00%	0.00%
PSE&G- Elec	-2.64%	-0.60%	-0.59%	0.59%	-2.85%	-3.28%	0.00%	0.00%
RECO	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NJNG	13.70%	2.64%	2.90%	14.72%	13.68%	48.22%	0.00%	0.00%
Elizabethtown	-4.31%	-0.77%	-2.23%	-2.79%	-4.59%	-4.39%	0.00%	0.00%
PSE&G-Gas	-2.64%	-0.60%	-0.59%	0.59%	-2.85%	-3.28%	0.00%	0.00%
SJG	26.78%	5.81%	-9.55%	-15.59%	32.40%	25.12%	0.00%	0.00%
TOTAL	0.00%	0.45%	-0.41%	-0.93%	-0.18%	2.79%	0.00%	0.00%
PSE&G - Combined	-2.64%	-0.60%	-0.59%	0.59%	-2.85%	-3.28%	0.00%	0.00%