

Request for Comments

Proposed Changes to NJCEP 2012-2013 Programs and Budgets February 22, 2013

REVISED FEBRUARY 26 (SEE REDLINE)

By Order dated November 20, 2012 the Board approved 18 month NJCEP programs and budgets for the period January 1, 2012 through June 30, 2013. Office of Clean Energy (OCE) Staff is proposing a number of changes to the programs and budgets and is soliciting comments on the proposed changes prior to submitting its recommendation to the Board for consideration.

Comments are due by March 5, 2013. Comments should be submitted to:

publiccomments@njcleanenergy.com

and reference: “proposed changes to 2012-2013 NJCEP programs and budget”

The following summarizes the changes to NJCEP programs and budgets proposed by Staff:

The OCE tracks program expenses and commitments monthly and also asks the program managers to submit estimated expenses and commitments through June 30, 2013. The table below shows actual EE expenses and commitments through December 31, 2012, estimated expenses for the period January 1, 2013 through June 30, 2013 and estimated commitments as of June 30, 2013:

New Jerseys Clean Energy Program										
Estimated Actual and Committed Expenses for Reporting Year 2012-2013										
Statewide Summary - EE Programs	2012-2013 Budget	Actual Expenditures	Committed Expenditures	Actual plus Committed Expenses	Actual plus Committed Expenses as % of Budget	Estimated Actual Expenditures through 6/30/13	Estimated Committed Expenditures as of 6/30/13	Estimated Actual plus Committed	Estimated Actual plus Committed Expenses as % of Budget	Estimated Unspent Funds
Reporting Period: 1/2012 - 12/2012										
Program	(a)	(b)	(c)	(d) = (b)+(c)	(e) = (d)/(a)	(f)	(g)	(h) = (f)+(g)	(i) = (h)/(a)	(j) = (a)-(g)
RESIDENTIAL EE PROGRAMS										
Residential HVAC - Electric & Gas	\$26,891,450.41	\$14,883,934.26		\$14,883,934.26	55.35%	\$23,682,745.94		\$23,682,745.94	88.07%	\$3,208,704.47
Residential New Construction	\$20,264,931.10	\$11,096,499.95	\$9,241,315.00	\$20,337,814.95	100.36%	\$16,828,392.54	\$9,035,515.60	\$25,863,908.14	127.63%	(\$5,598,977.04)
Energy Efficient Products	\$22,137,799.26	\$14,530,276.19		\$14,530,276.19	65.64%	\$21,694,363.85		\$21,694,363.85	98.00%	\$443,435.41
Home Performance with Energy Star	\$39,358,734.71	\$24,813,646.67	\$7,274,848.00	\$32,088,494.67	81.53%	\$33,618,306.37	\$8,074,690.67	\$41,692,997.04	105.93%	(\$2,334,262.33)
Marketing - Residential EE	\$1,743,976.16	\$1,102,306.86		\$1,102,306.86	63.21%	\$1,707,329.48		\$1,707,329.48	97.90%	\$36,646.68
Sub-Total: Residential Ee Programs	\$110,396,891.64	\$66,426,663.93	\$16,516,163.00	\$82,942,826.93	75.13%	\$97,531,138.18	\$17,110,206.27	\$114,641,344.44	103.84%	(\$4,244,452.80)
RESIDENTIAL LOW INCOME										
Comfort Partners	\$50,000,000.00	\$31,465,895.21		\$31,465,895.21	62.93%	\$50,000,000.00		\$50,000,000.00	100.00%	\$0.00
Sub-Total: Residential Low Income	\$50,000,000.00	\$31,465,895.21	\$0.00	\$31,465,895.21	62.93%	\$50,000,000.00	\$0.00	\$50,000,000.00	100.00%	\$0.00
C & I EE PROGRAMS										
C&I New Construction	\$5,524,122.02	\$1,825,928.93	\$788,771.52	\$2,614,700.45	47.33%	\$2,725,000.00	\$1,800,000.00	\$4,525,000.00	81.91%	\$999,122.02
C&I Retrofit	\$57,257,018.97	\$20,278,977.16	\$21,035,153.53	\$41,314,130.69	72.16%	\$33,500,000.00	\$23,655,669.75	\$57,155,669.75	99.82%	\$101,349.22
Pay-for-Performance New Construction	\$7,610,817.58	\$874,646.08	\$2,225,783.70	\$3,100,429.78	40.74%	\$2,334,604.72	\$5,095,876.00	\$7,430,480.72	97.63%	\$180,336.86
Pay-for-Performance	\$50,055,958.00	\$8,437,899.74	\$29,592,671.05	\$38,030,570.79	75.98%	\$14,235,760.32	\$35,021,518.18	\$49,257,278.50	98.40%	\$798,679.50
Combined Heat & Power (CHP)	\$17,000,000.00	\$185,424.05	\$2,082,000.00	\$2,267,424.05	13.34%	\$700,000.00	\$11,657,500.00	\$12,357,500.00	72.69%	\$4,642,500.00
Local Government Energy Audit	\$5,000,000.00	\$2,213,625.50	\$2,355,839.43	\$4,569,464.93	91.39%	\$3,235,298.99	\$452,369.61	\$3,687,668.60	73.75%	\$1,312,331.40
Direct Install	\$60,632,162.20	\$21,264,846.70	\$11,580,997.97	\$32,845,844.67	54.17%	\$40,000,000.00	\$16,549,953.91	\$56,549,953.91	93.27%	\$4,082,208.29
Marketing - Commercial & Industrial EE	\$1,575,000.00	\$1,017,500.37		\$1,017,500.37	64.60%	\$1,575,000.00		\$1,575,000.00	100.00%	\$0.00
Large Energy Users Pilot	\$20,835,056.68	\$272,457.86	\$9,677,422.34	\$9,949,880.20	47.76%	\$5,000,000.00	\$15,218,056.68	\$20,218,056.68	97.04%	\$617,000.00
Sub-Total: C & I Ee Programs	\$225,490,135.45	\$56,371,306.39	\$79,338,639.54	\$135,709,945.93	60.18%	\$103,305,664.03	\$109,450,944.13	\$212,756,608.16	94.35%	\$12,733,527.29
OTHER EE PROGRAMS										
Green Jobs and Building Code Training	\$386,450.47	\$269,527.60		\$269,527.60	69.74%	\$386,450.47		\$386,450.47	100.00%	\$0.00
Sustainable Jersey	\$1,439,850.89	\$433,400.31		\$433,400.31	30.10%	\$1,439,850.89		\$1,439,850.89	100.00%	\$0.00
Sub-Total: Other Ee Programs	\$1,826,301.36	\$702,927.91	\$0.00	\$702,927.91	38.49%	\$1,826,301.36	\$0.00	\$1,826,301.36	100.00%	\$0.00
TOTAL	\$387,713,328.45	\$154,966,793.44	\$95,854,802.54	\$250,821,595.98	64.69%	\$252,663,103.57	\$126,561,150.40	\$379,224,253.96	97.81%	\$8,489,074.49

The table above shows that if the estimates are correct several programs would exceed the current budget and several programs would remain below budget. Over all, \$8.489 million would remain unspent/uncommitted.

Based on the above, the OCE is proposing several changes to the programs and budgets aimed at accelerating spending and fully expending the budgets by the end of June 2013. The proposed changes are summarized below.

Proposed Program Changes

Residential EE Programs

Energy Efficient Products

- Award additional funds to the Lighting Partners that can accelerate distribution and move product quickly into the marketplace to expand support for CFLs and LEDs and to leverage retailer and manufacturer distribution networks and efforts, while continuing to support lighting transition from CFLs to LEDs.
- Award additional funds to the Green New Jersey Resource Team (GNJRT) initiative to distribute CFLs, LEDs, fixtures, and smart power strips and educate customers through community outreach and events.
- Increase target quantities for mid-stream incentives such as CEE Tier 2 clothes washers and refrigerators with retail partners based on market and participation opportunities. Additional retailer site visits will be scheduled to properly educate and accelerate uptake across participating retailers.
- For customers of retailers unable to participate through the midstream promotions, the program will offer consumers the opportunity to apply directly for energy efficient clothes washer and refrigerator incentives through a direct mail-in process for a \$50 incentive. This would entail restarting the popular consumer mail in clothes washer incentive program statewide, and not just for homes impacted by Super Storm Sandy.

Honeywell intends to increase its focus on set top boxes and refrigerator recycling. However, neither of these represent a change to either the Board approved compliance filing or budget.

HVAC Program

- To accelerate contractor participation and provide intensified statewide marketing, increase the co-op marketing percentage from 25% to 40% for qualifying advertising, while maintaining the current \$10,000 cap per contractor. Contractors that participate in both the HVAC and Home Performance programs will continue to be able to receive the maximum incentive amount of \$20,000.

Home Performance with Energy Star Program

- To accelerate contractor participation and provide intensified statewide marketing, increase the co-op marketing percentage from 40% to 50% for qualifying advertising, while maintaining the current ~~\$10,000~~\$20,000 cap per contractor. Home Performance is an excellent fit for many consumers rebuilding following Super storm Sandy damage and this will augment program exposure and support increased contractor marketing efforts.
- Correct the recently broadened co-op advertising reference that now includes “lender” to read “lender/lending trade association”.

Residential New Construction Program

- To accelerate contractor participation and provide intensified state wide marketing, increase the co-op marketing percentage from 25% to 40% for qualifying advertising, while maintaining the current Co-Op Advertising variable volume based cap per builder.

C&I EE Programs

Direct Install

- Increase the per project incentive cap from \$75,000 to \$125,000. The annual per entity cap will remain \$250,000.
- Increase the existing kW limit from 150kW to 200kW.

Smart Start Equipment Incentives

- Allow all eligible commercial and industrial customers to submit and receive incentives for Food Service energy efficiency measures. These measures were originally created for those impacted by Hurricane Sandy under the C&I Sandy Relief plan and this change would expand the incentives for food service measures to all eligible customers.

Proposed Budget Modifications

Residential New Construction Program

The Residential New Construction (RNC) program received a large number of rebate applications in November 2012 that resulted in actual expenses plus commitments equaling the Board approved budget (column e in the table above). As of this writing Staff is in the process of approving a modification to the Residential EE budget in accordance with the budget flexibility authorization set out in the November 20, 2012 Order. Specifically, Staff intends to authorize the transfer of \$2.5 million from the Residential HVAC program to the RNC program. The Board's Order requires Staff to post notice of any budget modification on the NJCEP web site and to circulate for comment prior to submitting the change to the Board for formal consideration. This notice meets this requirement.

Staff is also proposing a number of other changes to the proposed budgets as follows:

Transfer from C&I to Residential EE

Column j in the table above shows estimates of whether a program will be over or under budget as of June 30, 2013. Two programs, RNC and Home Performance with Energy Star are estimated to exceed their respective budgets. Other programs are all estimated to remain below budget. Therefore, to enable all programs to remain operational through June 30, 2013 and to accommodate anticipated increases in participation levels that should result from the proposed program changes described above, Staff recommends that \$10 million be transferred from the C&I programs to the Residential EE programs. The remaining C&I budget is estimated to be sufficient to allow all C&I programs to remain operational.

Honeywell and TRC are proposing a number of line item transfers intended to balance program budgets with estimated needs and that result in \$10 million being reallocated from C&I to Residential EE. These changes are shown in the table below.

Transfer from RE to Residential EE

Expenses plus commitments for the Renewable Energy Incentive Program (REIP) as of June 30, 2013 are estimated to be approximately \$4.8 million below budget. Staff recommends that \$4 million of the estimated excess funds be reallocated to the Residential EE programs. Staff believes that the program changes described above will result in fully expending the Residential EE budget. Sufficient funds remain in the REIP to meet anticipated expenses and commitments.

Storm Response

The Board recently approved a number of changes to the NJCEP that include additional incentives for customers impacted by Sandy. Staff has little experience to date regarding the impact these additional incentives will have on program participation rates. Staff is concerned that the additional incentives will drive demand for the programs such that certain programs may reach their budget limits. In order to avoid any delays in providing incentives to customers impacted by the storm that would result from requiring Board approval of any budget changes, Staff recommends that \$3.6 million be set aside in a Storm Response Contingency budget line and will ask the Board to authorize Staff to allocate these funds to programs as required to meet the demand for Sandy response programs.

The \$3.6 million would be reallocated from the RE Grid program. These funds are no longer required due to project cancellations and the remaining funds are sufficient to meet all existing commitments.

Program Coordinator Budget

The 2012-2013 budgets were established assuming that Program Coordinator services would be transferred to the new Program Administrator in February 2013. Due to delays in award of that contract, Staff now anticipates the need for Program Coordinator services through the end of June 2013. Staff recommends that \$750,000 be reallocated from the OCE Staff and Overhead budget to the Program Coordinator budget. The remaining funds in the OCE Staff and Overhead budget are estimated to be sufficient to meet anticipated program demand.

Summary of Proposed Budget Modifications

Residential EE Programs

- Increase the Residential HVAC - Electric & Gas program budget by \$3,250,000
- Increase the Residential New Construction program budget by \$5,000,000
- Increase the Energy Efficient Products program budget by \$4,00,000
- Increase the Home Performance with Energy Star program budget by \$1,750,000

C&I EE Programs

- Decrease the C&I New Construction program budget by \$1,000,000
- Decrease the CHP program budget by \$5,500,000
- Increase the Local Government Energy Audit program budget by \$500,000
- Decrease the Direct Install program budget by \$4,000,000

RE Programs

- Decrease the RE Grid Program budget by \$3,600,000
- Decrease the REIP budget by \$4,000,000

OCE Oversight Budget

- Transfer \$750,000 from the OCE Staff and Overhead budget to the Program Coordinator budget

Other

- Create and new EE budget line for Storm Response Contingency with a budget of \$3,600,000

The tables below show the proposed budgets that incorporate all of the changes discussed above:

Revised 2012 - 2013 NJCEP Budget

	2012 + 6 Month 2013 Budget From 11/20/12 Board Order	Line Item Transfers	Revised 2012 + 6 Month 2013 Budget
	(a)	(b)	(c)=(a)+(b)
Energy Efficiency Programs	\$387,713,328.45	\$7,600,000.00	\$395,313,328.45
Renewable Energy Programs	\$38,631,421.20	(\$7,600,000.00)	\$31,031,421.20
EDA Programs	\$49,045,280.92	\$0.00	\$49,045,280.92
OCE Oversight	\$14,186,401.28	\$0.00	\$14,186,401.28
TRUE Grant	\$21,789,874.29	\$0.00	\$21,789,874.29
Total	\$511,366,306.14	\$0.00	\$511,366,306.14
Legislative Action	\$384,000,000.00	\$0.00	\$384,000,000.00
Total	\$895,366,306.14	\$0.00	\$895,366,306.14

Revised 2012 - 2013 Energy Efficiency Program Budget

	2012 + 6 Month 2013 Budget From 11/20/12 Board Order	OCE Approved Budget Modifications	Line Item Transfers	Revised 2012 + 6 Month 2013 Budget
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)
Residential EE Programs				
Residential HVAC - Electric & Gas	\$26,891,450.41	(\$2,500,000.00)	\$3,250,000.00	\$27,641,450.41
Residential New Construction	\$20,264,931.10	\$2,500,000.00	\$5,000,000.00	\$27,764,931.10
Energy Efficient Products	\$22,137,799.26		\$4,000,000.00	\$26,137,799.26
Home Performance with Energy Star	\$39,358,734.71		\$1,750,000.00	\$41,108,734.71
Residential Marketing	\$1,743,976.16			\$1,743,976.16
Sub Total Residential	\$110,396,891.64	\$0.00	\$14,000,000.00	\$124,396,891.64
Residential Low Income				
Comfort Partners	\$50,000,000.00			\$50,000,000.00
Sub Total Low Income	\$50,000,000.00	\$0.00	\$0.00	\$50,000,000.00
C&I EE Programs				
C&I New Construction	\$5,524,122.02		(\$1,000,000.00)	\$4,524,122.02
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		(\$5,500,000.00)	\$11,500,000.00
Local Government Energy Audit	\$5,000,000.00		\$500,000.00	\$5,500,000.00
Direct Install	\$60,632,162.20		(\$4,000,000.00)	\$56,632,162.20
Marketing	\$1,575,000.00			\$1,575,000.00
Large Energy Users Pilot	\$20,835,056.68			\$20,835,056.68
Sub Total C&I	\$225,490,135.45	\$0.00	(\$10,000,000.00)	\$215,490,135.45
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
Sub Total Other Energy Efficiency Programs	\$1,826,301.36	\$0.00	\$0.00	\$1,826,301.36
Storm Response Contingency	\$0.00	\$0.00	\$3,600,000.00	\$3,600,000.00
Total Energy Efficiency	\$387,713,328.45	\$0.00	\$7,600,000.00	\$395,313,328.45

Revised 2012 - 2013 Renewable Energy Program Budget			
	2012 + 6 Month 2013 Budget From 11/20/12 Board Order	Line Item Transfers	Revised 2012 + 6 Month 2013 Budget
Programs	(a)	(b)	(c)=(a)+(b)
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	(\$3,600,000.00)	\$425,386.40
Renewable Energy Incentive Program	\$23,074,184.40	(\$4,000,000.00)	\$19,074,184.40
Edison Innovation Clean Energy Fund (formerly CST)	\$1,831,042.40		\$1,831,042.40
SUB-TOTAL Renewables	\$38,631,421.20	(\$7,600,000.00)	\$31,031,421.20

Revised 2012 - 2013 OCE Oversight Budget			
	2012 + 6 Month 2013 Budget From 11/20/12 Board Order	Line Item Transfers	Revised 2012 + 6 Month 2013 Budget
Programs	(a)	(b)	(c)=(a)+(b)
Administration and Overhead			
OCE Staff and Overhead	\$9,306,461.64	(\$750,000.00)	\$8,556,461.64
Program Coordinator	\$2,235,498.69	\$750,000.00	\$2,985,498.69
Sub-Total: OCE Administration and Overhead	\$11,541,960.33	\$0.00	\$11,541,960.33
Memberships-Dues			
2012 Sponsorships	\$200,000.00		\$200,000.00
Sub-Total: Memberships-Dues	\$200,000.00	\$0.00	\$200,000.00
Evaluation and Related Research			
Rutgers-CEEEP	\$1,320,613.64		\$1,320,613.64
Funding Reconciliation	\$71,055.00		\$71,055.00
Other Studies	\$10,000.00		\$10,000.00
Program Evaluation	\$800,000.00		\$800,000.00
Sub-Total: Evaluation and Related Research	\$2,201,668.64	\$0.00	\$2,201,668.64
Marketing and Communications			
Outreach and Education/Community Partner Grants	\$122,772.31		\$122,772.31
Clean Energy Business Web Site	\$120,000.00		\$120,000.00
Sub-Total: Marketing and Communications	\$242,772.31	\$0.00	\$242,772.31
TOTAL: Administration	\$14,186,401.28	\$0.00	\$14,186,401.28

The OCE is not proposing any changes to the EDA budget at this time.