Agenda Date: 12/14/11
Agenda Item: 8B

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: 2012 PROGRAMS AND BUDGETS: COMPLIANCE FILINGS	)))))	ORDER 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
Elaine Bryant, Public Service Electric & Gas Company
Tracey Thayer, New Jersey Natural Gas
Mary Patricia Keefe, Elizabethtown Gas Company
Stefanie Brand, Director, Rate Counsel

(SERVICE LIST ATTACHED)

BY THE BOARD:[1]

This Order memorializes action taken by the Board of Public Utilities ("Board") at its December 14, 2011 public meeting, where the Board considered the proposed 2012 programs and budgets for New Jersey's Clean Energy Program.[2]

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[1] This matter was heard by the Board, including then President Lee Solomon, on December 14, 2011, and was passed by unanimous vote. President Solomon's last day in office was December 15, 2011. The final Board Order was not available until after December 15th and therefore the Order contains the signatures of only three Commissioners.

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

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 ("SBC"). 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 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").

As required by EDECA, in 1999, the Board initiated its first comprehensive EE and RE resource analysis proceeding. At the conclusion of this proceeding, the Board issued its initial order, dated March 9, 2001, Docket Nos. EX99050347 et seq. ("CRA I Order"). The CRA I Order set funding levels for the years 2001 through 2003, established the programs to be funded, and approved budgets for those programs. By Order dated July 27, 2004, Docket No. EX03110945 et seq., the Board set the funding level for 2004, established the programs to be funded, and approved budgets for those programs.

By Order dated May 7, 2004, Docket Nos. EX03110946 and EX04040276, the Board initiated its second comprehensive EE and RE resource analysis proceeding and established a procedural schedule for the determination of the funding levels, allocations and programs for the years 2005 through 2008. By Order dated December 23, 2004 (the "CRA II Order"), Docket No. EX04040276, the Board concluded its proceeding, set funding levels for the years 2005 through 2008, and approved 2005 programs and budgets. The Board approved funding levels of $140 million for 2005, $165 million for 2006, $205 million for 2007, and $235 million for 2008.

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 22, 2010, Docket Nos. EO07030203 and EO10110865 ("2011 Budget Order"), the Board approved the NJCEP 2011 programs and budgets. The 2011 Budget Order approved the compliance filings that included program descriptions and detailed budgets, which break down the larger budgets of the EE and RE programs. As it had done in prior years, the Board took action throughout the year to update and otherwise modify the programs and budgets described in the 2011 Budget Order. These revisions to the 2011 Budget Order were memorialized in Orders dated April 13, June 2, June 20, August 18, September 22, and November 30, 2011, in the above-captioned docket.

Development of the 2012 Programs and Budget Filings

In conjunction with the Department of Treasury, Division of Purchase and Property ("Treasury"), Staff prepared requests for proposals for Market Manager and Program Coordinator services. On August 19, 2005, Treasury issued, on behalf of the Board, Request for Proposal 06-X-38052 for NJCEP Management Services. Section 3.0.4 of the Market Manager RFP describes the Market Manager function as follows:

> The Market Manager(s), in conjunction with the Program Coordinator, shall lead and facilitate the development and revision of programs and program budgets in a coordinated process with the OCE, CEEEP[3] and CEC[4]. These changes may be in reaction to program adjustments proposed by CEEEP. The Market Manager(s) shall review the programs and their effectiveness for the purpose of improving and modifying program designs on a periodic basis . . . .

In addition, on March 20, 2007 Treasury issued, on behalf of the Board, Request for Proposal 07-X-38468 for NJCEP Program Coordinator Services. Section 3.0 of the RFP for Program Coordinator services states: “[t]he Program Coordinator shall manage, monitor and ensure the performance of the Market Managers and other entities that receive funds through the New Jersey Clean Energy Programs[.]”

On October 19, 2006, Honeywell International, Inc. (“Honeywell”) was awarded Contract No. 67052 to manage the residential energy efficiency programs and renewable energy programs and TRC Energy Services (“TRC”) was awarded Contract No. 67053 to manage the commercial and industrial (“C&I”) energy efficiency programs.[5] On July 11, 2007, Applied Energy Group (“AEG”) was awarded Contract No. 68922 to provide Program Coordinator services.[6] Over the course of 2007, the Board completed the transition of the management of many of the EE and RE programs from the utilities and Staff to Honeywell and TRC. On October 15, 2007, AEG, the Program Coordinator, completed its transition and commenced operation.

In 2007, the process for developing proposed programs and budgets was revised to take into account the fact that the majority of the programs are now managed by the Market Managers. Specifically, the Market Managers and the Program Coordinator, consistent with their contracts, were tasked with the role of presenting proposed changes to the programs and budgets to the EE and RE committees and for incorporating the changes recommended by public stakeholders into the programs presented to the Board.

CEEEP was engaged by the Board to manage the evaluation of the NJCEP. CEEEP evaluation activities included preparation of a program cost benefit analysis, preparation of a multi-year evaluation plan, and management of other evaluation activities performed by third party contractors including: an EE Market Assessment performed by Summit Blue Consulting

[3] CEEEP refers to the Center for Energy, Economic and Environmental Policy at Rutgers University.
[4] CEC refers to the Clean Energy Council which is no longer operational. However, the EE and RE Committees of the former CEC continue to meet regularly and are open to any member of the public and function as public stakeholder groups.
[5] Treasury issued revised contracts dated December 30, 2010 that extended the Honeywell and TRC contracts to January 19, 2012. The OCE has submitted proposed contract extensions to Treasury, which are currently pending approval.
[6] Treasury issued a revised contract dated June 9, 2010 that extended the AEG contract to July 10, 2012.

("Summit Blue"), an RE Market Assessment performed by Summit Blue, and an Impact Evaluation performed by KEMA, Inc. ("KEMA"). All of the evaluation reports are posted on the NJCEP web site and are available to public stakeholders.

Like in prior years, the 2012 budget process commenced with the preparation of a 7&5 Report (7 months of actual expenses and 5 months of estimated expenses) by the Program Coordinator. The Program Coordinator utilized actual program expenses through July 2011 reported through its Information Management System (IMS) and requested that all program managers provide estimated expenses for the remainder of the year and estimated commitments that would exist as of December 31, 2011. This 7&5 Report informed the OCE's proposed budgets discussed below.

The OCE used the following process in developing the 2012 NJCEP programs and budgets. Monthly public stakeholder meetings of the EE and RE committees, chaired by the OCE, began to include discussion of the 2012 program plans and budgets starting in June 2011. Discussions ensued at the meetings held on June 7, July 12, August 9, September 20, and October 11, 2011. Meeting notices, including dates, times, and locations, were posted on the NJCEP website and sent to the committee listservs. All agenda and discussion materials were distributed to the committee listservs and meeting notes were posted on the website at:

http://www.njcleanenergy.com/main/clean-energy-council-committees/clean-energy-committee-meetings-notes

At these meetings representatives of the OCE, Honeywell, TRC, the Utilities, the Program Coordinator, Rate Counsel, the Economic Development Authority ("EDA"), EE/RE installers, EE/RE technology companies, and other interested parties discussed proposed changes to the programs and budgets. The OCE also solicited comments from meeting participants regarding other suggested changes to the programs.

Subsequent to the September meetings of the EE and RE committees, each program manager was directed by the OCE to submit proposed 2012 programs and budgets for consideration by the Board. Pursuant to the Board's CRA III Order at 58, each program filing was required to include at a minimum:

1. A description of the program
2. Identification of the target market and of customer eligibility
3. A description of the program offerings and customer incentives
4. A description of program delivery methods
5. A description of quality control provisions
6. Program goals including specific energy savings or renewable generation targets
7. Minimum requirements for program administration
8. Marketing plans
9. Detailed budgets that include, at a minimum, a breakdown of costs by the following budget categories:
    a. Administration and program development
    b. Sales, marketing, call centers and website support
    c. Training
    d. Rebates and other direct incentives
    e. Rebate processing, inspections and other quality control
    f. Performance incentives, and
    g. Evaluation and Related Research

Proposed 2012 programs and budgets were submitted by:

1. Honeywell
2. TRC
3. The Utilities, and
4. The OCE including programs jointly managed with the EDA and Sustainable Jersey

In the CRA III Order, the Board directed that stakeholders and interested members of the public shall have an opportunity to comment on the detailed program plans and budgets prior to the Board's review. Id. at 59. The proposed programs and budgets were posted on the NJCEP web site and circulated to the EE and RE Committee listservs on or about October 10, 2011. Pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-6 et seq., the Board gave notice that a public hearing was scheduled for November 3, 2011. Board President Solomon presided over the hearing. During the public hearing, members of the public discussed the proposed programs and budgets. The hearing notice, which was circulated on October 27, 2011, requested written comments on the proposed programs and budgets by November 10, 2011. The numerous written comments received as well as the testimony taken at the public hearing are considered below.

This Order will discuss the OCE's recommendations and issues related to the Board's review of each of the filings that were submitted.

The 2012 Program and Budget Filings

The following discusses each of the 2012 program and budget filings submitted to the Board for consideration and approval.

The Utilities' Filing

By email dated October 6, 2011, South Jersey Gas Company, on behalf of seven natural gas and electric utilities (collectively the "Utilities"), submitted a draft compliance filing for the Residential Low-income Program ("Comfort Partners") and utility support for the CleanPower Choice Program. Rockland Electric Company ("RECO") has not joined the other electric and gas utilities in delivering the Comfort Partners program, but is proposing to continue support for the CleanPower Choice program. The Utilities' compliance filing includes the components required by the CRA III Order.

The Comfort Partners Program did not transition to the Market Managers and will continue to be managed by the six Utilities. This program is implemented through third party contracts and overseen collectively by the six Utilities. The Utilities have not proposed any significant new changes to the program in 2012. The program is designed to improve energy affordability for low-income households through energy conservation. A more detailed description of the program is included in the compliance filing.

The four investor owned electric utilities proposed to continue to support the CleanPower Choice Program, which will offer retail electric customers the option of selecting an energy product with higher levels of RE than is required by the Renewable Portfolio Standard. This program will be delivered through a collaborative utility and clean power marketer program hosted by the four investor owned electric utilities, with oversight by the OCE. The Utilities will support the CleanPower Choice program by maintaining the IT changes needed to support a line item on customer's bills and systems to support EDI transactions with Clean Power Marketers. The Utilities' compliance filing budget includes funding for these CleanPower Choice support services. In addition, the Utilities represent that, in 2012, they will implement the Customer Account Look-up pilot program, track the program cost, and file program information with the Board pursuant to a Board Order dated August 19, 2008, in Docket No. EA07110885. A more detailed description of the program is included in the Utilities' compliance filing.

The Market Managers' Filings

The non-rebate/incentive component of the Market Managers budget includes fees for program administration, sales and marketing, training, rebate processing and quality assurance including inspections, evaluation and performance incentives. In 2010, the Market Managers budgets for these items exceeded $40 million. Prior to commencing discussions of 2011 programs and budgets, the OCE notified the Market Managers of its desire to significantly reduce the costs associated with these non-rebate budget items and directed the Market Managers to identify opportunities for reducing these costs. The Market Managers complied with this request and proposed significant changes to the programs that are estimated to reduce the non-rebate component of the budget in 2011 by over $14 million as compared to the 2010 budget.

The budget reductions were achieved by eliminating certain program elements or support services that do not result in direct incentives to customers and redesigning programs to eliminate certain administrative tasks. For example, in 2011, for the Residential New Construction program, the transition to an open rater system will be completed such that the program will no longer provide design, training, or certification services except for Climate Choice homes. Alternatively, these services will be provided by independent rater companies. For the Renewable Energy Incentive Program the process for submitting and reviewing applications will be streamlined and automated resulting in a significant reduction in the cost per application processed. The OCE continued to pursue further reductions to the administrative costs in 2012. Additional details regarding the proposed changes submitted by the Market Managers are summarized below.

❖ ***The Honeywell Filing***

After public input on draft programs initiated in June, Honeywell submitted proposed 2012 programs and budgets dated October 7, 2011 for the programs it manages. Honeywell proposes to continue delivering the following existing programs:

- Residential New Construction
- Residential HVAC
- Energy Efficient Products
- Home Performance with ENERGY STAR
- Renewable Energy Incentive Program ("REIP")
- Customer On-Site Renewable Energy ("CORE")

Honeywell's 2012 compliance filing provides the required details regarding the programs. The filing also includes a marketing plan and budget. The following is a summary of the program changes proposed by Honeywell.

- **HVAC Program**

  - Modify the minimum efficiency level to qualify for a rebate for furnaces to the new Energy Star level 95% annual fuel utilization efficiency (“AFUE”) + 2%e fan motor, from 92% AFUE with electric commutated motor (“ECM”) optional.
  - Support upstream (manufacturer level) central air conditioning incentives at 14.5-15 seasonal energy efficiency rating (“SEER”) levels.
  - Geothermal: provide incentives at Energy Star energy efficiency rating/coefficient of performance (“EER/COP”) levels
  - Boilers: minimum efficiency level remains at 85% AFUE but adjust criteria to 82% for steam units
  - Water heaters: minimum efficiency level remains at .82 energy factor (“EF”) for tankless units and adding incentives for .90 thermal efficiency condensing storage, sealed combustion units
  - Pilot midstream promotion (retailer point of sale rebates) of power vented water heaters at .67 EF and heat pump water heaters
  - Pilot drain water heat recovery and boiler controls

- **Home Performance with Energy Star**

  - Support Building Performance Institute (“BPI”) training for new contractors through the Eastern Heating and Cooling Council
  - Offer contractor sales training
  - Offer partial reimbursement to contractors of cost of BPI accreditation
  - Increase cooperative marketing incentive from 20% to 40%
  - Increase cooperative marketing cap from $10,000 to $20,000
  - Continue to offer a zero interest loan up to $10,000 for Tier 3 projects where utility loans are unavailable
  - Offer a zero interest loan up to $5,000 for Tier 2 projects where utility loans are unavailable
  - Modify the contractor incentive, offer a $700 incentive for projects that pass quality assurance (QA) with no incentive for projects that fail QA
  - Increase customer incentives to $2000, $4000, and $5000 for Tier 2, Tier 3 Level 1 and Tier 3 Level 2 projects, respectively
  - Increase incentives for multi-family projects to $500, $1000, and $1500 from $300, $900 and $1,200, depending on the energy savings level

- **ENERGY STAR Homes**

  - The US Environmental Protection Agency (“EPA”) establishes the standards to qualify as an Energy Star home. Energy Star version 3.0 takes effect in January 2012
  - The New Jersey program will offer a three tiered approach with different incentives for reaching higher levels of energy savings. The following are the three tiers for which incentives will be offered:
    - Energy Advantage: Energy Star version 2.0 + NJ specific requirements
    - Energy Star version 3.0
    - Climate Choice Homes
  - Incentives will be based on HERS rating
  - Broaden co-op marketing offer to allow for TV, radio, and web based marketing
  - Develop templates to increase uptake and decrease administrative costs

- Reflect EPA's new high rise multi-family requirements, including a $1,000/unit incentive
- Monitor EPA/DOE criteria as "Climate Choice" transitions to "Advanced Technology New Homes Program"

- **Efficient Products**

  - Continue to increase share of LEDs and specialty CFLs as 100 watt incandescent bulbs phase out in 2012
  - Educate consumers about lighting standards changes
  - Offer midstream incentives (retailer point of sale rebates) for products such as washers, heat pump dryers and room air conditioners
  - Continue some direct to consumer washer rebates for purchase through smaller retail outlets
  - Continue electronics programs
  - Revisit set top box program to achieve more buy-in at a lower cost
  - Add advanced power strips to the program

- **Renewable Energy Programs**

  - Discontinue the Renewable Energy Manufacturing Incentive ("REMI") component of the Renewable Energy Incentive Program ("REIP") due to low participation and other factors. Staff will work with EDA to consider a replacement for this program at a later date.
  - Rebates for biopower projects have been increased with emphasis on CHP over power-only generation and the tier structure has been streamlined.
  - The temporary hold on new wind applications is continued into 2012 pending results and recommendations of NREL investigation into safety-related incidents.
  - Following an initial test by designated installers, all new SRP applications will have to be submitted through online portal.
  - All SRP registrations must include a copy of one recent EDC bill for the host facility (for Net Metered projects only), the cost of equipment and installation, a site map, construction schedule and contract elements.
  - The extension policy for SRP projects will be modified to reduce both the number of extensions granted and the length of the approved extensions.
  - The Market Manager may conduct site visits to verify the installation of ANSI-C12 revenue grade output meters on randomly selected solar projects, as requested by OCE.

- **Marketing**

  - Proposed increasing marketing budget by $1,400,000. However, as discussed further below, the proposed increase was reduced based on further discussions with Staff.

❖ ***The TRC Filing***

After public input on draft programs initiated in June, TRC submitted proposed 2012 programs and budgets dated October 7, 2011 for the programs it manages. TRC proposes to continue delivering the following existing programs.

- C&I New Construction
- C&I Retrofit
- Pay-for-Performance New Construction
- Pay-for-Performance
- Local Government Energy Audit ("LGEA")
- Direct Install
- Sector Specific Program Enhancement Initiative
- Energy Efficiency Conservation Block Grants
- Large Energy Users Pilot
- Multi-family Financing Pilot

TRC is also proposing to add two new programs as follows:

- A stand-alone CHP/fuel cell program
- Retro-commissioning

TRC's filing provides all of the required details regarding the above programs. The filing also includes a marketing plan and budget. The following provides a summary of the program changes proposed by TRC.

Combined Heat & Power ("CHP") and Fuel Cell program

- Offer a new stand-alone CHP and fuel cell program for projects up to 1 MW
- Entities will be eligible to receive a combination of NJCEP and utility incentives up to a maximum of $2,000,000
- A bonus incentive of $0.25/watt will be offered for customers who incorporate combined heat & power or fuel cells into a Pay for Performance program project.

Local Government Energy Audit Program ("LGEA")

- TRC will have the ability to rebid the audit delivery portion of this contract to solicit qualified contractors to provide energy audit services in 2012.
- Selected contractors will become subcontractors under TRC.
- The audit scope will be expanded to include demand response equipment and water conservation measures along with greenhouse gas reductions for the recommended measures. This is designed to make the audit reports compatible with Energy Savings Improvement Program ("ESIP") requirements. Audit pricing may change from an hourly rate to a flat price per square foot based on building type and usage.
- Facilities with monthly peak demand ≤ 150 kW will not be audited but moved to Direct Install unless the entity wants thermal shell measures evaluated or are using this audit to participate in ESIP

Direct Install

- Peak monthly demand threshold increased for all customers from ≤ 100 kW to ≤ 150 kW
- TRC will have the ability to rebid participating contractor services
- TRC may conduct the energy assessments rather than this service being provided by the participating contractors

- Incentives will increase from 60% to 70% of the eligible project costs
- Incentive cap will increase from $50,000 to $75,000 per project

Multi-family Financing Program

- Financing program for the multi-family market segment. This financing program adheres to the guidelines of the Pay for Performance Program and is delivered through Pay for Performance Program partners. Participating entities that finance projects will be eligible for Pay for Performance Program incentives. Program may also be available to customers that participate in the Home Performance with Energy Star program.
- Offered to customers with peak demand in excess of 100 kW in any of the preceding twelve months
- TRC may release bids to obtain subcontracted services of a Master Loan Servicer provider who will facilitate the loan and repayment process

Pay for Performance – New Construction

- Incentive payment milestones #2 and #3 have been modified:
    - Incentive #2 will be paid upon submittal and approval of the As Built Energy Reduction Plan (rather than the proposed energy reduction plan)
    - Incentive #3 will be paid upon construction completion and approval of the commissioning report (rather than the as built energy reduction plan approval)
    - The total maximum incentives per gross heated square foot increased from $1.60 to $1.75.

Retro-commissioning

- Offer a new retro-commissioning program that provides incentives for customers to improve the performance of energy consuming systems

Smart Start Equipment Incentives

The following summarizes new equipment incentives or changes to current equipment incentives:

- New prescriptive incentive - kitchen hoods and draft air fans for boilers:
    - ≥5 to <10 HP - $155/HP
    - ≥10 to <20HP - $120/HP
    - ≥20HP - $65/HP

- New prescriptive incentive - boiler feed water pumps
    - ≥5 to <10 HP - $155/HP
    - ≥10 to <20HP - $120/HP
    - ≥20HP - $60/HP

- New prescriptive incentive – infrared heating – low intensity infrared heater with reflectors
    - ≤100,000 btu/hr incentive $300 per unit
    - > 100,000 btu/hr incentive $500 per unit

- New prescriptive incentive – air conditioning economizing controls
  - ≤5 tons, incentive of $85
  - >5 tons incentive of $170

- New boiler economizing controls
  - $1,200 - $2,700 depending on boiler input capacity size

- No change to the incentive for screw-in parabolic reflector lamps (“PAR”) 38 and PAR 30 compact fluorescent lamps with aluminum reflector replacing existing incandescent fixtures. However, to be eligible for incentive, lamps must be Energy Star qualified with GU24 (2-pin base for self-ballasted CFL lamps)

- LED Lighting – the following are changes to existing incentives:
  - Refrigerated case lighting – 4’ LED strip fixtures – incentive of $30 per fixture
  - LED linear panels – incentive to include 1’ X 4’ and 2’ X 4’ panels
  - LED retrofit kits – Incentive offered as a custom measure for Design Lights Consortium qualified outdoor roadway decorative luminaries four foot linear replacement lamps

Marketing

- Increase budget by $500,000
  - Accelerate Energy Savings Improvement Program (ESIP) within the LGEA participant group
  - Launch the Multifamily Financing Program
  - Introduce the Retro-Commissioning Pilot Program
  - Transfer Combined Heat & Power and Fuel Cell incentives to a stand-alone program
  - Extend the Large Energy Users Pilot program
  - Increased responsibility for marketing the Direct Install program

The Office of Clean Energy (“OCE”) Filing

The OCE’s proposed 2012 program and budget filing, dated October 7, 2011, includes program descriptions and budgets for the OCE Oversight budget as well as details for the EE and RE programs managed or co-managed by the OCE, EDA, and Sustainable Jersey. The major initiatives included in the OCE’s 2012 compliance filing are summarized below.

OCE EE Programs

In 2009, the Board issued a solicitation and awarded grants to three entities that will provide green jobs training. The 2012 Green Jobs and Building Code Training budget includes $195,429.97 for the remaining costs related to the grants to these three entities.

The OCE budget for 2012 includes funding for Sustainable Jersey. The Sustainable Jersey Statewide Municipal Government Sustainability Certification Program is an initiative of municipal governments and leading organizations across New Jersey working to assist communities in attaining a sustainable future. Sustainable Jersey is a comprehensive suite of policies, resources, support, and incentives available to help New Jersey municipalities make progress on a suite of sustainability issues. Sustainable Jersey will continue working with the OCE to drive local government participation in NJCEP programs and removing barriers to local government participation in those programs. Additional details regarding this program are included in the compliance filing.

OCE RE Programs

Clean Power Choice

The OCE will continue to manage this program, but proposes to reduce the level of support provided and, instead, rely on the efforts of Clean Power Marketers to market and verify the delivery of renewable energy. The Utilities' support for this program is discussed above. In 2012, the OCE will make efforts to shift all costs, including the costs for utility support, to the Clean Power Marketers.

Offshore Wind

The Offshore Wind Program provides rebates to entities that install offshore meteorological wind towers. The 2012 budget includes the remaining balances from $9 million in rebate commitments made in 2009, as modified by the Board in 2010 and 2011, which will be paid upon completion of the installation of the meteorological wind towers or buoys.

The 2012 Offshore Wind program budget includes funding to pay the remaining costs related to an offshore wind study being performed by the Rutgers Institute of Marine and Coastal Sciences. This study was previously approved by the Board. In addition, the 2012 Offshore Wind budget includes funding to pay costs related to a contractor engaged by the Board to review Offshore Wind incentive applications.

The Edison Innovation Clean Energy Fund

The Board entered into a Memorandum of Understanding ("MOU") with the Commission on Science and Technology ("CST") dated September 17, 2008 to manage the Edison Innovation Clean Energy Fund. The fund was developed to provide research and development grants to support renewable energy and energy efficiency companies entering or expanding clean energy technology products in New Jersey. The Board has awarded a number of grants under this program. The proposed 2012 budget includes sufficient funds to pay all outstanding grants previously awarded by the Board. The Board has now terminated the MOU with CST and the program has been terminated. All outstanding grants previously approved by the Board will be managed by the OCE going forward.

RE Grid Connected

In 2009, the Board released a solicitation to provide incentives to large grid connected renewable energy systems. In 2010 the Board awarded a number of grants to projects that responded to the solicitation. The proposed 2012 budget includes sufficient funds to pay all outstanding commitments related to the grants previously approved by the Board as well as approximately $17 million for a new solicitation to be issued in 2012. The OCE will submit a proposed solicitation for additional grants to the Board for review and approval prior to release. Any grant solicitation issued under this program will conform to the requirements of N.J.S.A. 52:14-34.4.

- ***Programs Managed by the EDA***

The EDA initially proposed to manage four programs in 2012. However, Staff determined that the proposed Large Scale CHP program should also be managed in partnership with EDA. The following provides a description of the five programs now proposed to be managed by EDA.

The Edison Innovation Clean Energy Manufacturing Fund

The Board has entered into an MOU with EDA to implement the Clean Energy Manufacturing Fund ("CEMF"). The CEMF will provide low-interest loans and non-recoverable grants for innovative clean energy technologies, including both energy efficiency and renewable energy manufacturing businesses intended to stimulate the clean energy industry in New Jersey.

Edison Innovation Green Growth Fund

The Edison Innovation Green Growth Fund program will offer assistance in the form of loans to clean technology companies that have achieved 'proof of concept' and have achieved successful, independent beta results and are seeking funding to grow and support their technology business. The program will be administered by the EDA pursuant to an MOU between the EDA and the Board.

Clean Energy Solutions EE Revolving Loan Fund

The Clean Energy Solutions EE Revolving Loan Fund program will offer financial support in the form of low-interest loans for commercial, institutional and industrial entity end-use energy efficiency building projects in New Jersey that have the potential to reduce source energy use by at least 15%. This low interest loan program is structured as a companion to the NJCEP Pay for Performance incentive program, which is designed to provide grant incentives to large commercial and industrial customers who comprehensively upgrade their facilities through investments in energy efficiency. Loans will also be available to customers that participate in the Large Energy Users Pilot and CHP programs. The program will be administered by the EDA pursuant to an MOU between the EDA and the Board.

Edison Innovation Clean Energy Manufacturing Incentive

The initial OCE compliance filing included a proposal for EDA to manage the proposed Edison Innovation Clean Energy Manufacturing Incentive ("CEMI") program. However, this proposal has been withdrawn pending further discussion with Staff and has been removed from the draft OCE compliance filing.

CHP-Fuel Cell Solicitation

In September 2011 the OCE circulated for comment a proposed new Large CHP Solicitation. However, due to delays in developing the program, it was not considered by the Board in 2011. Therefore, Staff is now proposing that this new program, to be managed in partnership with EDA, be included in the 2012 programs and budgets.

The Draft EMP analysis sets a goal of developing 1,500 MW of CHP projects in the next 10 years. Prior solicitations issued by EDA and the Board demonstrated a significant demand for incentives for medium and large scale CHP projects. Specifically, 31 applications, representing over 200 MW of CHP capacity, were submitted in response to the prior solicitations. However, the prior solicitations were funded with Retail Margin funds ("RMF") and RGGI carbon allowance funds (Clean Energy Solution Carbon Initiative ("CESCI")) and due to budget issues, no incentives were awarded to the project proposals submitted in response to those solicitations.

TRC's 2012 compliance filing includes a proposed program that provides incentives for the first 1 MW of capacity for CHP and fuel cell projects. Staff is proposing coordinating with the EDA to develop a solicitation to award incentives for CHP and fuel cell projects greater than 1 MW. Past solicitations issued by EDA included a fixed, dollar per megawatt of capacity incentive. The proposed new structure may be performance-based for energy production as well as address summer peak reduction. In addition, awards may be based, in part, on the level of incentive needed to construct a project. That is, projects with lower proposed incentive levels may be given a higher priority in the bid evaluation. Staff will work with stakeholders, including the Utilities and Rate Council, to present an incentive structure and then coordinate with EDA and other government agencies to develop the competitive solicitation.

- ***OCE Oversight***

The OCE will manage all of the items included in the OCE Oversight budget including:

1. Administration and Overhead;
2. Evaluation and Related Research; and,
3. Marketing and Communications.

The OCE's filing includes details regarding each of these efforts.

The Administration and Overhead component of the OCE Oversight budget includes two sub-components:

1. OCE Staff and Overhead
2. Program Coordinator Services

The 2012 budget for sponsorships/memberships is for outstanding balances on previous commitments made by the Board and includes $100,000 for a 2012 sponsorship of the National Association of State Energy Offices ("NASEO") and other potential sponsorships including the Consortium for Energy Efficiency ("CEE") and others.

The Evaluation and Related Research component of the OCE budget includes funding for a number of evaluation related activities planned for 2012. These activities include the following:

- Rutgers CEEEP: evaluation support. This is a continuation of an existing contract to provide overall program evaluation management services and cost benefit analyses.
- Other Studies: This budget includes funding for continuation of the Regional Anemometer Program previously approved by the Board.
- Program Evaluation: The budget includes funding for 2012 evaluation activities. Staff will develop proposals for the specific uses of these funds subject to Board approval.
- Financial Audits: The budget includes funding for a proposed audit of the utilities that manage or managed NJCEPs. Staff will develop proposals for the specific uses of these funds subject to Board approval.

The Marketing and Communications component of the OCE Oversight budget includes funding to pay all outstanding commitments related to Outreach and Education grants previously approved by the Board. There are no new Outreach and Education activities planned for 2012. This component of the budget also includes $60,000 for the development of a new Clean Energy Business web site that is designed to assist EE and RE companies to grow and prosper in New Jersey.

Summary of Comments from Public Stakeholders

The compliance filings summarized above were posted on the NJCEP web site and circulated to the EE and RE committees on or about October 10, 2011. The Board held a public hearing on November 3, 2011, in Trenton, New Jersey to solicit comments from interested stakeholders and members of the public regarding the proposed NJCEP 2012 programs and budgets. The Board also accepted written comments on the 2012 filings through November 10, 2011.

The following persons testified at the November 10, 2010 public hearing: Jeff Tittel, New Jersey Chapter of the Sierra Club; Anne Marie Perrachio, New Jersey Natural Gas; Randy Solomon, Sustainable Jersey; Paul Madden, South Jersey Gas Company; and Stefanie Brand, Rate Counsel.

In addition, written comments were received from Anne-Marie Perrachio, New Jersey Natural Gas; Rate Counsel; Jim Freihaut, Mid-Atlantic Clean Energy Application Center, University of Pennsylvania; Brian Bovio, Scott Needham, Angela Hines, and Fred Hutchinson, Air Conditioning Contractors of American and Efficiency First (“ACCA/EF”); the New Jersey Business & Industry Association (“BIA”); Jeffrey Grant, Mack-Cali Realty Corporation; David Torres, New Millennium Lighting, Inc. (“Millennium”); Fred Hauber, Eastern Energy Services; and Murray Bevan, Esq., on behalf of Bloom Energy Corporation (“Bloom”).

The following paragraphs summarize the written comments received as well as the oral comments presented at the public hearing.

Energy Efficiency

Comment: Rate Counsel recommends, generally, that if the proposed energy efficiency budget is approved and those dollars are not spent, the Board adjust the SBC downward so that the funds collected through the SBC match the amounts needed to support ongoing programs.

Response: Staff strives to develop annual program budgets that align with the level of funds collected each year. However, several factors outside of the control of program managers, such as weather which impacts the number of installations of heating and cooling systems and the state of the general economy which impacts whether or not customers invest in EE or RE, have an impact on the level of spending. Further, the Board has developed several new programs which were implemented in the past few years which take time to develop, implement and then for customer participation levels to ramp up. Funds for such programs need to be set aside so that funds are available to pay incentives when customer participation in new programs begins to ramp up.

In addition, in its CRA III Order, the Board established a fixed annual schedule for payments into the fund which Staff has utilized in developing 2012 budgets. However, Staff believes that this issue, which has been raised by Rate Counsel in numerous forums over the past several years, warrants further consideration. Staff believes that the appropriate forum for consideration of this issue is the ongoing CRA proceeding in which the Board will establish NJCEP funding levels for the years 2013 to 2016. Staff is considering proposing, within the ongoing CRA proceeding, potential mechanisms for adjusting the amount collected from ratepayers each year to equal the level of funding needed each year that also takes into consideration the need for funds to be available for new program activities.

Comment: Millennium commented generally that NJCEP appeared to award contracts only to large companies and thereby placed smaller companies at a disadvantage. Millennium commented that there should not be multiple programs promoting the same end use measure but that all incentive programs for a single type of efficiency measure should be incorporated into one. For example, were all lighting programs combined into one, the incentive could be based upon a set amount paid per watt saved, a table established to determine the amount saved for various end use measures, and the program would be open to all customers.

Response: Staff disagrees with Millennium's observation that the NJCEP appears to award contracts only to large companies. In fact, most programs are designed to allow participation by any qualified contractor or customer.

Staff generally concurs with Millennium's comment that there should not be multiple programs promoting the same end use measure and that all incentive programs for a single type of efficiency measure should be incorporated into one. However, in certain circumstances such as when certain market segments are underserved utilizing prescriptive rebates, or when the Board is trying to promote a certain objective such as comprehensive EE projects, differing incentives levels are made available to promote other objectives.

Commercial & Industrial ("C&I") Energy Efficiency

Comment: Rate Counsel generally supports the increase in funding for C&I energy efficiency because of its overall higher cost effectiveness versus residential energy efficiency. However, the commenter argues that some proposed funding allocations do not reflect demonstrated cost effectiveness and wishes to see a demonstration of the cost effectiveness of proposed EE programs in the program proposals so that a determination can be made as to which will benefit ratepayers.

Response: Staff concurs that demonstrated cost effectiveness is an important tool that can be used to determine which programs benefit ratepayers. CEEEP performs an annual cost benefit analysis of the existing programs and the market managers performed a cost benefit analysis prior to implementing existing programs.

The 2012 programs include two new C&I initiatives: a solicitation for large CHP and fuel cell projects and a Retrocommissioning Pilot. The State Energy Master Plan ("EMP") assessed the costs and benefits of CHP and set a goal of developing 1,500 MW of CHP in the next 10 years. Thus, State policy related to CHP has been established and the proposed new CHP program is intended to assist in achieving this goal. The proposed Retrocommissioning program is a pilot program that has as one objective collecting the information needed to perform a cost benefit analysis to determine if the pilot should be offered as a full program. The proposed pilot includes funding to conduct an assessment at the end of the pilot which will include a cost benefit analysis.

Direct Install

Comment: Millennium comments that the energy efficiency programs should be re-structured to better enable all energy service companies to participate, alleging that the present structure prevents most companies from competing and results in higher costs to the customer. Millennium cites Direct Install as an example, claiming that by selecting only five contractors to implement the program statewide and offering an initial incentive of 80% to the customer, other contractors which had not been selected and could not offer that incentive were unfairly disadvantaged.

Response: The Direct Install program was implemented, in part, based on a determination that small commercial customers were not being served through the SmartStart rebate program. Specifically, a very small percentage of small commercial customers were participating in the rebate programs that were open to all customers or contractors.

The OCE reviewed with TRC and others why only a small percentage of small commercial customers were participating in the NJCEP. Two issues that were identified were the cost to contractors of "selling" EE projects to small C&I customers and that small C&I customers were generally reluctant to invest the initial upfront cost. The Direct Install program was designed to overcome these two barriers to small C&I customers investing in EE.

The Direct Install program is a program that has been implemented in several states in an effort to reach these customers. Staff coordinated with TRC and reviewed programs in other states. An important component of the design of the program is assigning a contractor a specific geographic area with the intent being a contractor could work in a specific town or strip mall, for example, and perform a number of audits and install measures in a number of buildings in the same area, thereby reducing the cost of reaching these customers.

Staff is currently working with TRC and is considering opening the Direct Install program to additional contractors. However, an important component of the program is to continue to assign a contractor a specific geographic area in order to minimize the costs of serving these hard to reach customers.

Large Energy Users ("LEU") Pilot Program

Comment: Rate Counsel argues that the proposed $39 million budget for this program is too high given that it has only committed half of its $20 million budget for 2011. Rate Counsel recommends that the Market Manager seek immediate feedback from eligible customers that did not apply in order to evaluate the program. The NJBIA stated that a pre/post program evaluation would allow the reasons for under-subscription to be explored.

Response: Staff concurs with Rate Counsel's comment that the Market Manager should seek immediate feedback from eligible customers that did not apply in order to evaluate the program. Staff has directed TRC to poll customers to determine why they did not participate. Staff also concurs with the NJBIA that a program evaluation should be performed to determine the reasons for the under-subscription. Staff will coordinate with TRC to perform an assessment of the LEU Pilot.

The LEU Pilot commenced operation in August of 2011. Based on initial feedback from customers, some customers had already developed and implemented EE projects based on previously approved internal budgets and others had already applied for a level of rebates under existing programs that exceeded the level of funds available under the Pilot. While the level of participation in the program in 2012 is still largely unknown due to a lack of program history, Staff concurs with Rate Counsel that the proposed 2012 LEU Pilot budget appears high and TRC's revised compliance filing reflects a reduction in the budget to approximately $28 million. As is the typical practice, if it turns out that participation levels are higher than anticipated next year, funds can be transferred from other programs in a revised budget Order.

Comment: Mack-Cali, which participated in the 2011 LEU Pilot program, expressed concern that the existing eligibility requirements do not allow for aggregation of usage for those buildings, of otherwise qualified entities, which do not meet the minimum demand of 400 kW. The commenter urged amending the program language to explicitly allow stand-alone facilities to be aggregated provided that the entity possessing them had previously qualified as a large energy user. Mack-Cali suggested that language specifically excluding franchise affiliates also be added, in order to avoid small franchise chain operators from aggregating their usage and utilizing the program.

Response: Staff concurs with Mack-Cali's recommendation to amend the program language to allow stand-alone facilities to be aggregated provided that the entity possessing them had previously qualified as a large energy user. Staff has coordinated with TRC and its revised compliance filing will include language that will modify the program to include this change.

Comment: Sustainable Jersey stated that it was in the process of developing a program in which municipalities would solicit customer participation in the Direct Install program and said that contractor response to a pilot program had been encouraging.

Response: Staff met with Sustainable Jersey subsequent to the circulation of proposed budgets and has reached an agreement on a scope of services and 2012 budget for Sustainable Jersey. The OCE's compliance filing and budget will be revised accordingly. Staff will coordinate with Sustainable Jersey and TRC to determine whether the provision of services related to the Direct Install program proposed by Sustainable Jersey are needed or whether similar services provided by TRC are sufficient.

Incentive Levels

Comment: Eastern Energy Services strongly objected to the incentives for the 2 x4 and 1 x 4 LED fixtures, stating that research has shown that the white LEDs have a greatly reduced life span, a 30% Lumen maintenance rating, and are not yet ready to be used in standard general lighting. According to the commenter, the expected life of a white LED in a general environment is about the same as a high quality T8, while the T8 costs much less.

Response: LEDs are continuing to improve in quality and cost while still saving energy over other lighting systems available today. With the advent of the qualified product lists provided by the Design Lights Consortium and Energy Star, LEDs are held to a strict performance requirement in order to receive program incentives. In 2011, 2x2 LED troffer panel fixtures were provided an incentive and the addition of the 1x4 and 2x4 sizes are simply an expansion to this current program offering. Additionally, a number of energy efficiency programs in other states follow these qualified product lists and expand their incentive offering accordingly as new categories and/or fixture styles are added. The customer and contractors will make the ultimate decision on which technology they prefer while understanding the limitations, savings, and cost differences of each product. Based on the above, the OCE does not support Eastern Energy Services' recommendation to eliminate rebates for 2 x4 and 1 x 4 LED fixtures.

Program Evaluation

Comment: Rate Counsel stated that spending 0.3% on C&I evaluations was insufficient and that other states are spending 1% to 5% on program evaluation. Rate Counsel recommends that going forward the OCE ensure monthly or quarterly electronic reports on performance and cost of NJCEP and utility EE programs on a regular basis. Rate Counsel recommends that measurement and verification plans for the EE program expenditures be presented in greater detail in the Market Managers' compliance filings.

Response: Evaluation budgets should be determined based on an assessment of needs and not as a percentage of program budgets. Staff coordinated with CEEEP, program managers, the utilities and Rate Counsel to develop an evaluation plan. The proposed 2012 evaluation budget is estimated to be sufficient to perform the studies recommended in that plan. Staff has developed RFPs and has coordinated with Treasury and CEEEP regarding the release of evaluation RFPs which Staff anticipates will occur shortly.

Staff works with CEEEP to provide program evaluation including annual and multi-year cost and benefit analysis ("CBA") which are part of CEEEP's budget and not the evaluation budget. These CBA are posted on the CEEEP website and the NJCEP website. In addition, the OCE currently posts monthly reports on the cost and performance of the NJCEP and quarterly reports on the cost and performance of the utility EE programs. The Market Managers utilize the Board approved Protocols to Measure Resource Savings which set out the requirements for measuring and verifying energy savings. Staff does not believe that any value is added by having the Market Managers also include this information in the Market Managers' compliance filings as recommended by Rate Counsel.

Marketing and Training Budget

Comment: Rate Counsel stated that the proposed marketing budget of .7% of total C&I EE and training and technical support budget of .8% of the total was inadequate and lagged behind spending by other states. Rate Counsel recommended that the NJCEP focus more on marketing in order to meet its long-term EE goals.

Rate Counsel commented that the 3% of the total residential EE budget directed to sales and marketing is an increase over the 1.5% spent in 2011 but still lags behind other states' spending on these areas; Rate Counsel noted that several other states active in the EE market spend significantly larger amounts. Along the same lines, Rate Counsel noted that the proposed budget for training is only .6% of the total 2012 residential EE budget and that other states are putting more into training and technical support. The commenter stated its belief that more aggressive and innovative marketing of EE programs and training of contractors would be needed to meet energy savings goals in the EMP.

Response: Marketing and training budgets should be developed based on need and not as a percentage of a programs budget. Staff has coordinated with the Market Managers to develop a bottom up approach to marketing and training and believes the proposed marketing and training activities and budgets are sufficient to meet program goals.

Residential Energy Efficiency Programs
Residential New Construction

Comment: Commenting on the market manager's proposal to restructure the Residential New Construction program into three tiers, with increasing efficiency requirements and higher incentives, Rate Counsel recommended that Tier 2 should include the requirement of Tier 1 that the house size be less than or equal to 4000 square feet, in order to support greater total energy savings.

Response: The Residential New Construction program Tier 2 requirements are based on the U.S. Environmental Protection Agencies ("EPA's") Version 3 methodology which includes a house size adjustment that modifies the required HERS rating needed to be certified as an Energy Star home. Specifically, larger homes are required to achieve a higher efficiency level to be certified as an Energy Star Home. Given that the existing EPA methodology already includes an adjustment based on the homes size, a square footage cap is not necessary.

Home Performance with Energy Star ("HPwES")

Comment: Rate Counsel expressed a number of concerns with the proposed incentive levels: that they are likely to exceed the incremental cost of installing high efficiency versus standard equipment; that the market manager has not provided any basis for the incentive amounts; and that the 2011 "Summer Promotion" for this program had not produced participation proportional to the increased incentive provided, suggesting that customer incentive levels are not the primary barrier to participation. Rate Counsel noted that other measures, such as increased contractor incentives and support for BPI and sales training, might boost the program without an increase to customer incentives.

Response: Unlike most rebate programs, the HPwES program is not designed to convince consumers to decide between a standard efficiency or high efficiency measure, but rather to perform a comprehensive home retrofit it would not otherwise undertake. Convincing a customer to perform a comprehensive home energy retrofit is a much higher barrier than convincing a customer to upgrade from a standard to high efficiency air conditioner, for example, and therefore requires higher incentives. In addition, the incentives are set to encourage people to address health and safety issues. Therefore, factors other than incremental cost were considered in setting incentive levels for the HPwES program.

Rate Counsel noted that other measures, such as increased contractor incentives and support for BPI and sales training, might boost the program without an increase to customer incentives. Staff concurs and the proposed 2012 program incorporates additional training and contractor incentives.

Comment: NJNG supported the proposed change to Tier 2 energy efficiency measures, stating that this "seal-up work" was not only beneficial to the customer but resulted in more job creation than some other energy efficiency measures.

Response: Staff thanks NJNG for its support of this proposed change.

Comment: ACCA/EF previously submitted comments dated September 14, 2011 and August 23, 2011 which were attached to it comments dated November 10, 2011 and were presented and discussed at the EE Committee meeting. Many of the program changes recommended by

ACCA/EF were incorporated into the draft compliance filing submitted by Honeywell including higher incentive levels and additional contractor incentives. ACCA/EF agreed with many of the proposed changes and expressed its appreciation for consideration the proposed changes. However, ACCA/EF felt that the proposed changes fell short in addressing several issues that negatively affect the programs.

Specifically, ACCA/EF identified three areas that it believes require additional consideration as follows:

1. Ratepayers should be informed of all NJCEP Program offerings.
2. Incentives should be structured based on energy savings achieved and considering all competing programs.
3. All programs should stand on equal ground as far as minimum technical standards to ensure the safety of program participants, such as ensuring work is performed by a licensed contractor and application was made for all required permit(s).

Response: Staff concurs with the first recommendation above and has coordinated with Honeywell to develop a notice to all participating customers outlining the various program options. Regarding the second recommendation, the HPwES program currently bases incentives on energy savings achieved. In addition, incentive levels did take into consideration rebate levels of competing programs. However, Staff recognizes that the proposed changes did not meet all of ACCA/EF's objectives which included lowering the incentive levels for customers that participate in the *WarmAdvantage* rebate program. Staff will continue to coordinate with Honeywell and the utilities to assess the impact of the *WarmAdvantage* and utility rebate programs to determine their impacts on HPwES program participation levels and may recommend additional changes going forward.

Regarding the third recommendation above, New Jersey currently requires home contractors to be licensed and contractors to apply for any required permits. The State Department of Community Affairs (DCA) is responsible for policing these requirements. Staff does not believe the NJCEP should duplicate the DCA's efforts to ensure contractors are meeting existing licensing and permitting requirements.

WarmAdvantage

Comment: NJNG stated that there was a window of opportunity in 2012 because a new U.S. Department of Energy (DOE) furnace standard will become effective in May 2013 requiring that all gas furnaces be high efficiency. In the commenter's opinion, a large number of contractors that have done few or no high-efficiency furnace installations will need to alter their approach to installations and this will provide an opportunity to educate them in both high-efficiency work and in the whole-house approach favored by the NJCEP. The commenter believes that this will be helpful in creating job growth.

Response: Staff has begun to and will continue to coordinate with the utilities and Honeywell to assess whether any program changes are warranted based on the forthcoming DOE furnace efficiency standards.

Memberships

Comment: NJNG recommended membership in the Consortium for Energy Efficiency, stating that it was very cost effective to learn which measures had worked and which had not in other states.

Response: Staff concurs. The final OCE compliance filing was revised to include a budget for potential funding for CEE and/or other trade associations.

Comfort Partners

Comment: Rate Counsel supports the increase in the budget for Comfort Partners, noting that the program may experience an increase in demand when the anticipated scaling-back of the Weatherization Assistance Program occurs. South Jersey Gas also supported the proposed budget of $35 million for this program, stating this budget level would enable the utilities to stabilize risk to their implementing contractors and subcontractors. NJNG noted that since the program increases energy efficiency and reduces load, it effectively uses one portion of SBC funds to decrease other elements of the SBC.

Response: Staff thanks the commenters for their support for the proposed increase to the Comfort Partners program budget.

EDC Energy Efficiency Programs

Comment: The NJBIA comments that there must be a better mechanism for coordinating utility programs so that ratepayers pay for complimentary but not duplicative programs. Rate Counsel recommends that the NJCEP programs encourage contractors to play a greater role in identifying prospective EDC Demand Response ("DR") candidate facilities and providing that information to the EDCs to reduce lost opportunities for DR participation.

Response: Staff concurs with both of these comments. Staff has commenced discussions with utilities and program managers regarding ways to better coordinate the NJCEP and utility programs and has commenced discussions regarding this issue as part of its review of pending utility filings related to EE programs. Staff has also commenced discussions with utilities and program managers regarding potential mechanisms to better coordinate NJCEP EE programs with utility DR programs.

Combined Heat and Power
CHP under 1 MW

Comment: Rate Counsel expressed concern with the overlap between the proposed NJCEP CHP/Fuel Cell program and RGGI-funded CHP programs. Since the portion of the incentive to be paid by NJCEP depends on the utility incentive offered and not all EDCs or GDCs offer incentives, the incentive offered by NJCEP will vary considerably depending upon the participant's location. Rate Counsel stated that NJCEP funding should be as closely aligned as possible to the SBC contributions within a service territory.

Response: As noted by Rate Counsel, different utilities offer different levels of CHP incentives. To avoid market confusion and to maximize the development of CHP and fuel cell projects across the state, Staff felt it was important to have consistent incentive levels across the state regardless of the specific utility incentive and the proposed incentive levels achieve this objective. Staff disagrees that efforts should be made to align funding to SBC contributions within a service territory. Alternatively, two key components of the current program design is that consistent incentives be offered statewide and to avoid having different programs in different service territories based on available funding levels.

Comment: Bloom, NJNG and DOE/CEAC support the Board's proposal to make the CHP/fuel cell program a stand-alone program, rather than tied to the Pay-for-Performance ("P4P") program, since they believe this change will encourage more robust participation in the CHP/fuel cell program.

Response: Staff thanks the commenters for their support for this proposal.

Comment: The Sierra Club expressed concern that funding for CHP would reduce funds available for energy efficiency, which gives "more bang for the buck." The commenter suggested alternate sources of funding for CHP, including a possible revolving loan fund and possible expansion of tax increment financing to include CHP.

Response: CHP has the potential to produce significant energy savings by both generating electricity more efficiently than grid generated power and by utilizing waste heat to offset boiler fuel. Staff is continuing to explore potential revolving loan funds for CHP. Any tax based incentives for CHP is beyond the scope of this proceeding.

Comment: DOE/CEAC comments that the maximum system size of one megawatt be eliminated, stating that this cap places an unnecessary restriction on implementation of larger scale projects which cannot meet the strict credit requirements of the EDA program. The commenter does support maintaining the maximum incentive cap at one megawatt.

Response: Staff concurs that the maximum size of one megawatt should be eliminated while maintaining the maximum incentive cap at one megawatt and TRC's final compliance filing has been modified to reflect this change.

***CHP over 1 MW*[7]**

Comment: Bloom and DOE/CEAC support the Board's allocation of $55 million towards a CHP program for projects greater than 1 MW, stating that CHP is the most cost effective and efficient form of power generation. Referencing the EMP goal of 1,500 MW of CHP within ten years, DOE/CEAC notes that the current level of CHP development falls far short of meeting that goal and necessitates the level of investment contained in the 2012 compliance filings to develop the industry to a self-sustainable level of activity. DOE/CEAC suggests the use of the process employed for the Retail Margin Fund CHP program as a template for NJCEP's CHP/Fuel Cell program, recommends that incentives be awarded on a "merit based system" rather than first come, first served, and suggests a minimum carve-out of 10% of the total funds for fuel cells.

Bloom encourages the Board to specifically include all-electric solid oxide fuel cells in this CHP program for projects greater than one MW, stating that inclusion of these fuel cells will increase customer choice and encourage robust participation, as well as promoting the energy efficiency policy expressed by the Board and the Energy Master Plan. Responding to a concern that the

[7] Since the draft programs and budgets were circulated, a determination has been made to propose that the EDA administer the CHP program for projects over one MW.

Board was shifting funding from energy efficiency to CHP and fuel cells in the proposed budget, Bloom stated that CHP/fuel cell projects are themselves energy efficient, reducing consumption of power from dirty and non-renewable sources among consumers and using less natural gas to produce the same amount of electricity as traditional power sources. With respect to funds carried over in Board programs aimed at CHP and fuel cells in the past, Bloom stated its confidence that the CHP/fuel cell incentives available in the proposed 2012 Budget would provide a clear market signal leading to robust customer participation.

Response: Staff thanks the commenters for their support of the proposed CHP program. Regarding Bloom's comment to specifically include all-electric solid oxide fuel cells in the CHP program for projects greater than 1 MW, Staff is currently coordinating with EDA to develop program details and intends to allow any CHP or fuel cell technology that meets the minimum program requirements to participate in the anticipated solicitation. Regarding DOE/CEAC's comments, Staff intends to solicit additional public input regarding the incentive structure for the Large CHP and Fuel Cell Market segment. Staff will coordinate with DOE/CEAC, utilities, Rate Counsel and other stakeholders to solicit input regarding the incentive structure and to discuss the issues raised by DOE/CEAC and others. However, Staff and EDA will propose a competitive solicitation and present it to the Board for consideration at a later date.

Comment: Rate Counsel recommends that NJCEP continue to work towards establishing and implementing a structure and mechanism to "offer" NJCEP peak demand savings into the existing PJM Reliability Pricing Model.

Response: Staff has commenced discussions with the utilities and program managers regarding the ability to sell NJCEP peak demand savings into the existing PJM Reliability Pricing Model. While Staff concurs that this is a worthwhile objective, there are several obstacles to achieving this objective that must be overcome such as determining ownership of the capacity savings that result from EE programs and identifying the entity that will bid the demand savings into PJM on behalf of the program. Staff will continue to explore potential solutions to these issues and may do so with the Large CHP/Fuel Cell Solicitation.

Renewable Energy

Comment: Rate Counsel, noting that $18.383 million of the total RE budget of $28.282 million is carry-over from the previous year, states that carry-over dollars should be credited to the SBC rather than allocated to new or existing programs in the absence of a thorough evaluation and analysis of current programs and policies to prevent future carryovers.

Response: Approximately $18.34 million of the $18.383 million in estimated RE carry over is estimated to be committed as of December 31, 2011. A key tenet of the NJCEP for over 20 years has been to honor rebate commitments. Since almost all of the estimated carry over is estimated to be committed, that is, the program will have issued a rebate commitment letter to a customer, none of these funds are available to be credited to the SBC. As discussed above, Staff recommends that issues regarding the treatment unspent/uncommitted carry over as they relate to the level of funds collected from ratepayers be addressed in the ongoing CRA proceeding.

CORE

Comment: With respect to the $4.15 million in carry-over in the CORE budget, Rate Counsel urged that the Board discontinue this funding. The commenter argued that canceling the funding would have no impact on future development since the program is closed; that OCE has noted that rebates are no longer needed in today's market for solar projects; and that there are other funding and financial mechanisms that exist to support solar development.

Response: As noted above, a key tenet of the NJCEP for over 20 years has been to honor rebate commitments. The entire proposed 2012 CORE budget represents the amount needed to pay previous rebate commitments for projects whose rebate commitment expiration date, or expiration date as extended by the Board, has not occurred. Cancelling the funding as recommended by Rate Counsel would have major negative implications for any other rebate program by sending a signal that the market could no longer rely on rebate commitment letters. Staff also believes that canceling rebate commitments would likely result in litigation initiated by projects that relied on the rebate commitment letter as a source of project financing. For these reasons Staff strongly rejects Rate Counsel's premise that canceling these rebate commitments would have no impact on future development.

REIP

Comment: As to the proposed REIP funding, Rate Counsel disagrees with the OCE that the onshore wind and biomass industries require rebates to support them. Rate Counsel asserts that the reason for the relative lag in their development is that OCE policy initiatives for the past four years have focused on solar energy. The commenter recommends that the Board eliminate rebate funding for onshore wind and biomass and direct the OCE to investigate the causes associated with the lack of in-state, non-solar resources.

Response: Significant efforts led by the OCE and the RE Market Manager have focused on wind and biomass market development. Staff has formed working groups with both the small wind and biomass industry participants and has worked closely with the national energy laboratories in developing wind and biomass programs. Staff concurs, with the findings from the Summit Blue market assessment conducted in 2007, that there are other, non-financial, impediments to the rapid market uptake of these technologies and continues to work with various stakeholders to overcome these barriers. While Staff will continue to work with the various stakeholders to overcome resource related obstacles, rebates continue to be necessary to make wind and biopower investments financially attractive and to stimulate development of these technologies.

Comment: The Sierra Club expressed concern over the elimination of rebates for solar energy and support for exploring the potential for energy storage.

Response: The NJCEP eliminated rebates for solar energy projects in 2010 as it transitions to a market, SREC based approach to incentives. The transition has proven successful with significantly more solar installed in 2011, without rebates, than was installed in any other year. The NJCEP continually explores new technologies for potential incentives including energy storage technologies.

Clean Energy Manufacturing Incentive

Comment: NJNG expressed support for the EDA's plan to change from the Renewable Energy Manufacturing Incentive to a Clean Energy Manufacturing Incentive which will be able to take advantage of significant opportunities in energy efficiency manufacturing.

Response: Staff thanks NJNG for its support of this initiative. However, Staff has recommended to place this program on hold and to work with the parties to develop a program for the Board's consideration at a later date.

Administrative Budget

Comment: The Sierra Club recommended that the Board seek to further reduce the percentage of funds used for administration of the program to below the current 2% level.

Response: Staff strives to keep the administrative budget as low as possible. However, the administrative budget includes several important functions to ensure the funding is expended as intended by the Board including OCE program oversight, regular reporting, quality assurance and inspections and program evaluation. As noted by Rate Counsel, program evaluation is important in determining the costs and benefits of programs and to identify ways to improve program delivery. Based on an informal review of other programs by Staff, the NJCEP administrative budget is significantly lower than any other program reviewed by Staff.

Proposed Large CHP Solicitation

In September 2011 the OCE proposed changes to the 2011 NJCEP budget that would allocate funding to a new Large CHP Solicitation. However, consideration of this matter was deferred such that Staff is now proposing consideration of this new program in this Order. The following summarizes the comments received regarding the proposed Large CHP Solicitation.

On September 26, 2011, Staff circulated to the EE and RE listservs for comment a proposal to utilize $20 million in EE funds for a new CHP-fuel cell solicitation. Comments were received from PowerHouse Energy, Rate Counsel and South Jersey Gas Company (SJG).

Comment: PowerHouse Energy commented that the proposal appeared to eliminate incentives for CHP systems less than 1 MW. Staff responded to this comment to clarify that the existing program for CHP systems less than 1 MW would remain in place, i.e., the proposed new CHP solicitation would be in addition to the existing program, not instead of. PowerHouse Energy thanked Staff for the clarification.

Comment: SJG supported the proposal to reallocate $20 million for CHP and fuel cell projects. SJG noted that CHP provides greater efficiency as an alternative to the separate generation of electricity and thermal energy. The proposal advances that State's overall energy goals and will help to overcome barriers to CHP development.

Response: Staff appreciates SJG's support of the proposed CHP solicitation.

Comment: Rate Counsel did not object to the proposed solicitation for large CHP and fuel cell projects. However, Rate Counsel noted its concern with the lack of detail in the proposal. Rate Counsel stated it is not clear whether a project could receive funding from both the existing CHP component of the Pay-for-Performance program and through the new solicitation. Rate Counsel stated that the OCE should provide a description of the solicitation process and design, including when the solicitation document will be developed, whether the public would have the opportunity to comment on the document and how the proposal will be assessed.

Rate Counsel supported two concepts noted in the proposal. Specifically, setting incentive levels based partly on production and using a competitive bidding approach. Rate Counsel proposed that the program adopt a maximum incentive level per kW, which should be set at a lower level than currently set for CHP units less than 1 MW.

Response: The proposed solicitation will be modeled after previously CHP solicitations issued by EDA. However, as noted in Staff's proposal, certain modifications to EDA's solicitation may be made including tying incentives to production levels, peak reduction and setting incentives based on bid prices as opposed to a fixed rate.

Staff concurs with Rate Counsel's comment that a maximum incentive level should be included in the solicitation and will take this into consideration when developing the solicitation. Staff will also clarify that a project may participate in either the CHP component of the Pay-for-Performance program or the new stand-alone CHP program, or the large CHP solicitation, but not both. As noted above, Staff intends to seek additional public comments as it develops the incentive structure. However, Staff will develop the competitive solicitation consistent with past practice and will not make the solicitation available for comment prior to release.

Staff Recommendations and Proposed Modifications to the Compliance Filings

The OCE participated in the EE and RE committee meetings and provided input regarding proposed programs and budgets. The OCE also reviewed the initial filings, the written comments submitted, and the oral comments presented at the public hearing. The OCE coordinated with the Market Managers regarding proposed changes to be incorporated into the final 2012 compliance filings. Following this review, the OCE now recommends several changes to the initial compliance filings submitted in October 2011. These changes are discussed below.

Residential Marketing

Staff held further discussions with Honeywell regarding its proposed marketing budget subsequent to the draft plans being circulated for comment. Staff recommends that some specific marketing activities included in the draft plan be eliminated such as additional print advertising and a cable television buy. Elimination of these activities reduces the proposed 2012 marketing budget from $2,709,163.84 to $1,651,383.84, a reduction of $1,057,780. Honeywell proposed that $500,000 of this reduction be allocated to the rebate component of the HVAC program budget and that $557,780 be allocated to the rebate component of the HPwES program budget. Staff supports this proposed change.

Direct Install

Staff held additional discussions with several Direct Install contractors and TRC to discuss concerns related to TRC's draft compliance filings. As a result of those discussions, Staff agreed that TRC's compliance filing should be modified to provide that either TRC or the Direct Install contractors may perform energy assessments for customers. This modifies the draft filing which provided for TRC to perform all of the energy assessments.

CHP

Small CHP – Fuel Cell Market segment

Staff concurs with DOE/CEAC recommendation to tier incentives for small CHP-fuel cell projects and TRC's compliance filing was modified to reflect this change.

Large CHP Fuel Cell

Staff will seek additional public input from stakeholders for the incentive structure and will work with EDA and other government entities to develop the competitive solicitation. The EDA compliance filing has been modified to reflect that Staff and EDA will coordinate to gather additional input and will present the competitive solicitation to the Board for consideration prior to release. Consistent with past practices Staff and EDA will not provide the draft solicitation for public comment.

HVAC Program

Incentives for solar domestic hot heating have been expanded to include gas water heating customers. Honeywell's compliance filing has been revised to provide six months notice prior to implementing the new efficiency requirements for furnaces to allow for existing equipment stock to work its way through the distribution chain.

Wind and Biomass

Staff solicited written public comment on issues related to wind system safety. However, the responses received did not adequately address Staff's concerns. Therefore, Staff recommends that the temporary hold on processing wind applications be continued for new applications until the results and recommendations from the forthcoming National Renewable Energy Laboratory (NREL) forensic study has been completed.

Wind Projects that have not received an extension but will be expiring prior to the opening of the 2012 REIP for wind systems may be eligible for only one extension (4 months if < or =10 kW, 6 months if > 10kW). Once the 2012 REIP program for wind system is accepting new applications, no extensions will be granted for projects under the previous rebate programs, those projects must resubmit a new application under the new program guidelines.

LEU Pilot

Conoco Phillips is a participant in the LEU Pilot. Conoco Phillips is a very large natural gas user and owns a cogeneration plant that meets the majority of its electric needs. The current LEU Pilot program requires a minimum "billed" electric demand of 400 kW. Because Conoco Phillips self-generates most of its electric needs it does not meet the program requirement of a minimum billed electric demand of 400 kW.

Staff believes that the lack of inclusion of an alternative minimum natural gas demand was an oversight in developing the Pilot. Staff recommends that the Pilot be modified to include a minimum gas demand of 4,000 Dtherms as an alternative to the minimum electric demand and TRC has modified its compliance filing to incorporate this change. Staff also recommends that this change be applicable to the 2011 LEU Pilot which would allow TRC to consider Conoco Phillips' pending LEU application.

Mack-Cali submitted comments asking that the Board consider allowing all of its facilities to participate in the LEU Pilot, regardless of the buildings billing demand. Staff concurs and TRC's draft compliance filing was modified to allow for certain customers that otherwise qualify for the LEU Pilot to treat all of their buildings.

C&I Budgets

Based on the comments received and updated information regarding program participations levels, TRC's revised compliance filing increased the budgets for the C&I Retrofit and Pay for Performance programs by about $5 million each and, as discussed above, reduced the budget for the LEU pilot by about $10 million.

Clean Energy Business Web Site

The BPU is seeking to procure services from a State University to maintain and update a statewide web-based database that is designed to assist RE and EE companies to grow and prosper in New Jersey. The objective of the web-site is to attract new RE and EE companies in New Jersey and to retain and expand existing RE and EE companies in New Jersey. The web-site would assist the State in meeting its renewable energy and energy efficiency goals as set forth in the Energy Master Plan including green jobs development, greenhouse gas reduction, and creating a partnership for developing innovative RE and EE technologies between businesses and the state's universities.

These objectives would be met by providing a wide range of business resources on this site including information about:

- State and Federal renewable energy and energy efficiency incentives
- Business financing opportunities
- Policies and permitting information
- Business development assistance
- Green job training

Staff proposes that $60,000 be allocated to the OCE Oversight budget to support this effort. The funding for Clean Energy Business web site was transferred from the proposed OCE Oversight budget.

Sustainable Jersey

Staff held discussions with Sustainable Jersey and reached an agreement to provide $500,000 in new funding for new 2012 activities. This funding will be added to the 2011 carry over from the Sustainable Jersey budget to allow for Sustainable Jersey to complete projects approved by the Board in 2011 as well as for the new 2012 activities. The funding for Sustainable Jersey was transferred from the proposed OCE Oversight budget. Staff is currently finalizing the details of Sustainable Jersey's 2012 compliance filing which will be presented to the Board for consideration at a future date.

Smart Growth Policies

Honeywell and TRC's compliance filings include language that provide for incentives in non-Smart Growth areas. Changes to the Smart Growth rules that would permit those incentives have been circulated by Board Staff for public comment. Staff is considering this issue and will determine whether a future recommendation to the Board is appropriate.

Renewable Energy Manufacturing Incentive ("REMI") and Clean Energy Manufacturing Incentive ("CEMI")

Honeywell's draft compliance filing included a discussion regarding procedures for closing out the REMI program by March 31, 2012 and the OCE compliance filing included a proposal for a new CEMI program to replace the REMI program. Staff recommends for the Board to terminate REMI as contemplated in Honeywell's draft compliance filing and to consider a replacement program with EDA for CEMI at a later date. The CEMI has been removed from the draft EDA compliance filings. Staff proposes that the funding allocated to CEMI in the draft budgets should be reallocated to the CEMF program.

Proposed NJCEP Funding

As noted above, the 2012 budget process commenced with the preparation of a 7&5 Report (7 months of actual expenses and 5 months of estimated expenses) by the Program Coordinator. Estimated 2011 expenses were deducted from the final Board approved 2011 budgets to estimate 2011 carry over. The initial budgets that were circulated in October included an estimate of approximately $165 million in EE carryover, $39 million in RE carryover, $51 million in EDA program carryover and $1.5 million in OCE Oversight carryover for a total of $270 million in carryover. Approximately $177 million of the carryover is estimated to be committed as of the end of the year and needed to pay incentives when the committed projects are completed in 2012 or 2013.

The CRA III Order, which concluded the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2009 – 2012 NJCEP, set a funding level of $379.25 million for 2012 from the SBC. Id. at 57. The budget tables in the CRA III Order included reference to EE and RE funding for the four year cycle. Ibid. The following table shows the proposed detailed breakdown of the funding level for 2012 that was included in the CRA III Order. Id. at 49.

Proposed 2012 Funding from 2008 CRA Order

Residential EE	$115,000,000.00
C&I EE	$172,500,000.00
Low Income	$30,000,000.00
Clean Energy Tech Fund	$7,500,000.00
Total EE	***$325,000,000.00***
RE	
Wind	$25,000,000.00
Biomass	$15,000,000.00
Small Solar	$6,750,000.00
Clean Energy Tech Fund	$7,500,000.00
Total RE	***$54,250,000.00***
Total 2011 Funding	**$379,250,000.00**

The funding allocations for EE and RE for years 2010-12 were not mandated by the Board. See id. at 57. Rather, the CRA III Order stated that the "detailed breakdown of the EE and RE funding for the years 2010-2012, as proposed by [S]taff . . . should be considered as guidance" in developing the annual detailed program descriptions and budgets. Ibid. The OCE took various factors into consideration as it developed a proposed allocation of 2012 SBC funding to the different program categories.

First, 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.

Second, the proposed EE and RE funding allocations included in the CRA III Order do not provide for OCE Oversight expenses. Previous Board Orders have allowed up to 10% of the new funding for administrative expenses. However, the Board and the OCE strive to keep administrative expenses as low as possible so that any unused administrative funding will become available for additional incentive payments to customers. Consistent with this approach, the OCE proposes the allocation of approximately 2% of the new funding to the OCE Oversight budget for various tasks related to program administration and evaluation.

RE funding for 2012 has not been broken into various technologies as it had been in the CRA III Order. The CRA III Order proposed, as guidance, the allocation of $25 million to wind, $15 million to biomass, and $6.75 million to small solar, but several events have occurred since 2008 that have caused the OCE to modify the proposed allocation of funds. These changes are explained further below.

Based on the above and other considerations related to the status of current markets, the OCE now proposes the following allocations of the new 2012 NJCEP funding.

Proposed 2012 New Funding Allocation

Residential EE	$75,000,000.00
C&I EE	$133,250,000.00
Low-Income	$35,000,000.00
Other EE	$20,500,000.00
Total EE	**$263,750,000.00**
RE	**$20,000,000.00**
EDA	**$37,000,000.00**
OCE Oversight	**$6,000,000.00**
Legislative Action	**$52,500,000.00**
Total	**$379,250,000.00**

The table above does not separate RE funding into various technologies as it had been in the CRA III Order, because circumstances have changed since the Board's issuance of the CRA III Order. For example, the development of wind and biomass projects has been slower than anticipated. The REIP budget thus includes unspent carryover funding from 2011, which will be available in 2012. In addition, market-based incentives for solar generation have developed much quicker than anticipated such that Staff does not believe rebates are required to stimulate the development of an active solar marketplace. Staff believes the proposed RE budget is sufficient to meet anticipated demand for projects in 2012 such that the allocations included as guidance in the CRA III Order are not appropriate at this time.

The NJCEP has provided the EDA with funding for the NJCEP programs it manages. Any unspent NJCEP funds held by EDA earn interest. The EDA has also issued loans and grants through the NJCEP that are repaid over time. Any such interest or loan repayments become available for new program activity. The EDA has estimated that interest and loan repayments will total $51,293.44 in 2011. Therefore, in addition to the SBC funding discussed above, this funding is available for allocation to NJCEP programs.

The NJCEP Trust Fund also earns interest which is credited at the end of each State fiscal year. In 2011, $652,396.37 in interest was credited to the Trust Fund which is available for allocation to NJCEP programs.

The Board has engaged contractors to perform a reconciliation of the CEP funding for the years 2001-2009. The engagement was not an audit of the program. Alternatively, to ensure that all funds are properly accounted for, the contractor was required to compile information concerning Board ordered funding levels and expenses, and reconcile the funding levels and expenses to the New Jersey Comprehensive Financial System balance for this account. A draft funding reconciliation report was submitted to the OCE in February 2011. By Order dated April 13, 2011 the Board reduced the NJCEP budget by $1,993,267 to reflect the level of credits shown in the draft funding reconciliation report. Since that time an updated report was issued and the credits were reduced from $1,993,267 to $1,748,141, a difference of $245,126. This funding is available for allocation to NJCEP programs and was added to the proposed 2012 budget.

In September 2011 Staff proposed that $20,000,000 be reallocated from the 2011 Competitive Grant-Loan Solicitation within the EE budget to a new Large CHP Solicitation to be managed by the OCE. However, due to delays in developing this new program it was not considered by the Board in 2011. Staff is now recommending that the Large CHP Solicitation be managed by EDA. Therefore, Staff recommends that $20,000,000 be transferred from the EE budget to the EDA budget for the large CHP Solicitation.

The following table shows the proposed 2012 funding levels that incorporate the OCE's proposed allocation of new SBC funds, estimated 2011 carry over, EDA interest and loan repayments, NJCEP Trust Fund interest and the adjustment related to the updated funding reconciliation report:

Proposed 2012 Program Funding							
		Estimated	Other	Line			2012 Funding
	New 2012	2011	Anticipated	Item	2012	Estimated	Less
Budget Category	Funding	Carryover	New Funding	Transfers	Funding	Commitments	Commitments
	(a)	(b)	(c)	(d)	(e)= (a)+(b)+(c)+(d)	(f)	(g)=(e)-(f)
Energy Efficiency	$263,750,000.00	$165,393,330.70	$0.00	($20,000,000.00)	$409,143,330.70	$100,250,471.95	$308,892,858.75
Renewable Energy	$20,000,000.00	$39,031,421.20	$0.00	$0.00	$59,031,421.20	$31,329,907.95	$27,701,513.25
EDA Programs	$37,000,000.00	$50,599,136.38	$51,293.44	$20,000,000.00	$107,650,429.82	$31,140,000.00	$76,510,429.82
OCE Oversight	$6,000,000.00	$1,526,926.01	$897,522.37	$0.00	$8,424,448.38	$0.00	$8,424,448.38
True Grant	$0.00	$14,374,500.00	$0.00	0	$14,374,500.00	$14,374,500.00	$0.00
Total NJCEP	**$326,750,000.00**	**$270,925,314.29**	**$948,815.81**	**$0.00**	**$598,624,130.10**	**$177,094,879.90**	**$421,529,250.20**
Legislative Action	**$52,500,000.00**	**$0.00**	**$0.00**		$52,500,000.00	**$0.00**	$52,500,000.00
Total	**$379,250,000.00**	**$270,925,314.29**	**$948,815.81**		**$651,124,130.10**	**$177,094,879.90**	**$474,029,250.20**

(a) = 2012 funding level from September 30, 2008 CRA Board Order (see discussion and footnote on legislative action)
(b) = estimated 2011 carry over
(c) = Other Anticipated Funding: EDA interest and loan/grant repayments, Trust Fund interest and funding reconciliation adjustment
(d) line item transfers to or from one program to another
(e) = New 2012 funding, plus estimated carry over, plus other anticipated new funding
(f) = estimated program commitments as of December 31, 2011
(g) = 2012 estimated funding levels, less estimated program commitments, as of December 31, 2011

As discussed above, the OCE utilized the 7&5 report to develop a preliminary Staff straw budget proposal that was circulated to the EE and RE committees and used as a basis for commencing 2012 program and budget discussions. Updates were provided, as available. The EE and RE committees met monthly from June through November 2011 to review and discuss proposed programs and budgets. The Market Managers developed proposed programs and budgets for discussion at the EE and RE committee meetings based on the goals and strategies set forth in the Energy Master Plan and the EE and RE policy objectives of the Board. The Market Managers considered the comments of committee members and the OCE in developing proposed budgets that were included in their filings. Subsequent to their initial filings, additional comments were provided by the OCE, taking into consideration the written comments received as well as spoken comments made at the public hearing. The Market Managers then submitted revised filings including revised budgets.

Energy Efficiency Program Budget

The EE program budgets were updated to reflect the reduction to the Residential marketing budget discussed above. The EE program budgets were also updated to reflect the changes to the 2011 budgets approved by the Board subsequent to the issuance of the draft budgets.

The following table shows the 2012 Energy Efficiency Program budgets recommended by the OCE. The proposed budgets are followed by a brief description of the programs.

2012 Energy Efficiency Program Budget

Energy Efficiency Programs							
	NJBPU	Estimated	Estimated	New	Line	Final	Estimated
	Approved	2011	2011	2012	Item	2012	Commitments
Programs	2011 Budget	Expenses	Carry Over	Funding	Transfers	Budgets	
Residential EE Programs	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)=(c)+(d)+(e)	(g)
Residential HVAC - Electric & Gas	$22,724,583.98	$21,101,890.54	$1,622,693.44	$21,555,825.37	$0.00	$23,178,518.81	$1,107,750.00
Residential New Construction	$19,943,969.50	$12,410,660.26	$7,533,309.24	$8,786,752.26	$0.00	$16,320,061.50	$6,263,175.00
Energy Efficient Products	$18,193,381.04	$17,798,237.26	$395,143.78	$19,880,264.06	$0.00	$20,275,407.84	$0.00
Home Performance with Energy Star	$29,760,156.05	$20,586,993.16	$9,173,162.89	$23,213,249.60	$0.00	$32,386,412.49	$5,256,054.00
Residential Marketing	$1,309,984.00	$1,222,508.87	$87,475.13	$1,563,908.71	$0.00	$1,651,383.84	$0.00
Sub Total Residential	**$91,932,074.57**	**$73,120,290.09**	**$18,811,784.48**	**$75,000,000.00**	**$0.00**	**$93,811,784.48**	**$12,626,979.00**
Residential Low Income							
Comfort Partners	$30,829,308.11	$30,829,308.11	$0.00	$35,000,000.00	$0.00	$35,000,000.00	$0.00
Sub Total Low Income	**$30,829,308.11**	**$30,829,308.11**	**$0.00**	**$35,000,000.00**	**$0.00**	**$35,000,000.00**	**$0.00**
C&I EE Programs							
C&I New Construction	$6,867,143.41	$3,101,626.26	$3,765,517.15	$6,258,604.87	$0.00	$10,024,122.02	$1,873,031.00
C&I Retrofit	$45,899,451.30	$18,954,204.37	$26,945,246.93	$38,754,753.04	$0.00	$65,699,999.97	$25,700,000.00
Pay-for-Performance New Construction	$7,471,645.96	$660,828.38	$6,810,817.58	$3,500,000.00	$0.00	$10,310,817.58	$1,000,000.00
Pay-for-Performance	$43,355,701.50	$5,857,083.10	$37,498,618.40	$23,057,339.60	$0.00	$60,555,958.00	$28,618,457.95
CHP	$1,002,122.83	$0.00	$1,002,122.83	$18,997,877.17	$0.00	$20,000,000.00	$0.00
Local Government Audit	$9,115,170.97	$3,353,595.75	$5,761,575.22	$238,424.78	$0.00	$6,000,000.00	$4,200,000.00
Direct Install	$35,896,150.92	$21,558,932.78	$14,337,218.14	$26,999,999.86	$0.00	$41,337,218.00	$13,667,004.00
TEACH	$682,829.50	$682,829.50	$0.00	$0.00	$0.00	$0.00	$0.00
Marketing	$1,075,000.00	$1,075,000.00	$0.00	$1,575,000.00	$0.00	$1,575,000.00	$0.00
Large Energy Users Pilot	$20,000,000.00	$105,000.00	$19,895,000.00	$8,868,000.68	$0.00	$28,763,000.68	$10,000,000.00
Multi-Family Financing Pilot	$10,000,000.00	$0.00	$10,000,000.00	$0.00	$0.00	$10,000,000.00	$2,000,000.00
Retrocommissioning	$0.00	$0.00	$0.00	$5,000,000.00	$0.00	$5,000,000.00	$0.00
Sub Total C&I	**$181,365,216.39**	**$55,349,100.14**	**$126,016,116.25**	**$133,250,000.00**	**$0.00**	**$259,266,116.25**	**$87,058,492.95**
Other EE Programs							
Green Jobs and Building Code Training	$678,853.10	$483,423.13	$195,429.97	$0.00	$0.00	$195,429.97	$195,000.00
Competitive Grant-Loan Solicitation	$20,000,000.00	$0.00	$20,000,000.00	$0.00	($20,000,000.00)	$0.00	$0.00
Sustainable Jersey	$1,070,000.00	$700,000.00	$370,000.00	$500,000.00	$0.00	$870,000.00	$370,000.00
New Financing Programs	$0.00	$0.00	$0.00	$20,000,000.00	$0.00	$20,000,000.00	$0.00
Sub Total Other Energy Efficiency Programs	**$21,748,853.10**	**$1,183,423.13**	**$20,565,429.97**	**$20,500,000.00**	**($20,000,000.00)**	**$21,065,429.97**	**$565,000.00**
Total Energy Efficiency	**$325,875,452.17**	**$160,482,121.47**	**$165,393,330.70**	**$263,750,000.00**	**($20,000,000.00)**	**$409,143,330.70**	**$100,250,471.95**

(a) = Board approved revised 2011 budget.
(b) = Estimated 2011 expenses from 7&5 report.
(c) = 2011 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
(d) = Level of new 2012 funding allocated to each program.
(e) = Transfer of funds from one program or budget category to another.
(f) = 2011 carryover plus new 2012 funding plus/less line item transfers.
(g) = committed expenses estimated to be paid in 2012 or 2013

1. Residential HVAC – Electric and Gas: The Residential Gas and Electric HVAC Program provides rebates to customers that purchase high efficiency heating and cooling equipment such as furnaces and central air conditioners.
2. Residential New Construction: The Residential New Construction Program provides financial incentives to builders that construct new homes meeting the New Jersey Energy Star Homes standards which use less energy than homes built to meet the minimum requirements of existing codes.
3. Energy Efficient Products: The Energy Efficient Products Program provides financial incentives and support to retailers that sell energy efficient products, such as appliances or compact fluorescent light bulbs.

4. Home Performance with Energy Star: The Home Performance with Energy Star Program recruits and trains contractors that install energy efficiency measures in existing homes. The program includes incentives to customers for the installation of such measures and enhanced incentives for moderate income customers.
5. Residential Marketing: The residential marketing budget is for all marketing activities related to promoting the residential programs.
6. Residential Low Income: The Residential Low-Income Program provides for the installation of energy conservation measures at no cost to income-qualified customers.
7. C&I New Construction: The C&I New Construction Program provide rebates and other incentives to commercial and industrial customers that design and build energy efficient buildings.
8. C&I Retrofit: The C&I Retrofit Program provide rebates and other incentives to commercial and industrial customers that install high efficiency equipment in existing buildings.
9. Pay-for-Performance New Construction: The Pay-for-Performance New Construction program will provide incentives for new buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
10. Pay-for-Performance: The Pay-for Performance program will provide incentives for existing buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
11. CHP- Fuel Cell: The combined heat and power ("CHP") and Fuel Cell program provides incentives for the installation of CHP and fuel cell systems with an incentive capped at less than 1 MW. Customers that use this program will not be able to access the EDA's Large CHP – Fuel Cell as set forth in their compliance filing.
12. Local Government Audit: The Local Government Energy Audit program offers subsidized energy efficiency audits to municipalities and other government entities.
13. Direct Install: The Direct Install program provides incentives for the installation of energy efficiency measures in small commercial buildings,
14. C&I Marketing: The C&I marketing budget is for all marketing activities related to promoting the C&I programs.
15. Large Energy Users Pilot: the Large Energy Users Pilot provides incentives to the State's largest energy through a streamlined program approach.
16. Multi-family Financing Pilot: The Multi-family Financing Pilot subsidizes low interest loans issued through banks for energy efficiency projects in multi-family buildings.
17. Retrocommissioning: The retrocommissioning program will provide incentives for customers to take steps to ensure energy systems and equipment are operating at optimal levels.
18. Green Jobs and Building Code Training: In 2009 the Board awarded grants to three entities to perform green jobs training. The 2012 budget includes funding to pay remaining balances related to these grants as well as funding for building code training.
19. Sustainable Jersey: Sustainable Jersey supports municipalities working towards a sustainable future and markets NJCEP programs to municipalities and schools.
20. New Financing Programs: This budget is for the development of new financing programs that will be presented to the Board for approval prior to implementation.

The following sets out the proposed allocation of the Energy Efficiency program budgets to each of the program managers:

Proposed 2012 Energy Efficiency Program Budget by Program Manager					
Energy Efficiency Programs					
	Honeywell	**TRC**	**Utilities**	**OCE**	**Total**
Programs					
Residential EE Programs					
Residential HVAC - Electric & Gas	$23,178,518.81				**$23,178,518.81**
Residential New Construction	$16,320,061.50				**$16,320,061.50**
Energy Efficient Products	$20,275,407.84				**$20,275,407.84**
Home Performance with Energy Star	$32,386,412.49				**$32,386,412.49**
Residential Marketing	$1,651,383.84				**$1,651,383.84**
Sub Total Residential	**$93,811,784.48**	**$0.00**	**$0.00**	**$0.00**	**$93,811,784.48**
Residential Low Income					
Comfort Partners	**$0.00**	**$0.00**	**$35,000,000.00**	**$0.00**	**$35,000,000.00**
C&I EE Programs					
C&I New Construction		$10,024,122.02			**$10,024,122.02**
C&I Retrofit		$65,699,999.97			**$65,699,999.97**
Pay-for-Performance New Construction		$10,310,817.58			**$10,310,817.58**
Pay-for-Performance		$60,555,958.00			**$60,555,958.00**
CHP		$20,000,000.00			**$20,000,000.00**
Local Government Energy Audit		$6,000,000.00			**$6,000,000.00**
Direct Install		$41,337,218.00			**$41,337,218.00**
TEACH		$0.00			**$0.00**
C&I Marketing		$1,575,000.00			**$1,575,000.00**
Large Energy Users Pilot		$28,763,000.68			**$28,763,000.68**
Multi-Family Financing Pilot		$10,000,000.00			**$10,000,000.00**
Retrocommisioning		$5,000,000.00			**$5,000,000.00**
Sub Total C&I	**$0.00**	**$259,266,116.25**	**$0.00**	**$0.00**	**$259,266,116.25**
Other EE Programs					
Green Jobs and Building Code Training				$195,429.97	**$195,429.97**
Competitive Grant-Loan Solicitation				$0.00	**$0.00**
Sustainable Jersey				$870,000.00	**$870,000.00**
New Financing Programs				$20,000,000.00	**$20,000,000.00**
Sub Total Other Energy Efficiency Programs	**$0.00**	**$0.00**	**$0.00**	**$21,065,429.97**	**$21,065,429.97**
Total Energy Efficiency	**$93,811,784.48**	**$259,266,116.25**	**$35,000,000.00**	**$21,065,429.97**	**$409,143,330.70**

Renewable Energy Program Budget

The OCE recommends the 2012 Renewable Energy Program budgets shown in the following table. The proposed budgets are followed by a brief description of the programs:

Proposed 2012 Renewable Energy Program Budget							
Renewable Energy Programs							
	NJBPU	Estimated	Estimated	New	Line	Final	Estimated
	Approved	2011	2011	2012	Item	2012	Commitments
Programs	2011 Budget	Expenses	Carry Over	Funding	Transfers	Budgets	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)=(c)+(d)+(e)	(g)
Customer On-Site Renewable Energy	$22,623,674.18	$18,473,674.18	$4,150,000.00	$0.00	$0.00	$4,150,000.00	$4,150,000.00
Clean Power Choice	$68,400.00	$33,445.33	$34,954.67	$0.00	($2,554.67)	$32,400.00	$0.00
Offshore Wind	$11,070,253.00	$3,051,845.00	$8,018,408.00	$500,000.00	$0.00	$8,518,408.00	$7,818,408.00
Renewable Energy Program: Grid Connected	$11,282,831.73	$360,000.00	$10,922,831.73	$9,500,000.00	$2,554.67	$20,425,386.40	$3,496,320.00
Renewable Energy Incentive Program	$41,612,455.10	$27,379,065.05	$14,233,390.05	$10,000,000.00	$0.00	$24,233,390.05	$14,193,344.20
Edison Innovation Clean Energy Fund (formerly CST)	$3,655,277.00	$1,983,440.25	$1,671,836.75	$0.00	$0.00	$1,671,836.75	$1,671,835.75
SUB-TOTAL Renewables	**$90,312,891.01**	**$51,281,469.81**	**$39,031,421.20**	**$20,000,000.00**	**$0.00**	**$59,031,421.20**	**$31,329,907.95**

(a) = Board approved revised 2011 budget.
(b) = Estimated 2011 expenses from 7&5 report.
(c) =2011 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
(d) = Level of new 2012 funding allocated to each program.
(e) = Transfer of funds from one program or budget category to another.
(f) = 2011 carryover plus new 2012 funding plus/less line item transfers.
(g) = committed expenses estimated to be paid in 2012 or 2013

1. Customer Sited Renewable Energy ("CORE"): The CORE Program provides rebates to customers that install RE systems to meet the electric loads of their homes or businesses. This program was discontinued in 2009. The 2012 budget will be utilized to pay rebate commitments made prior to program termination.
2. CleanPower Choice: The CleanPower Choice Program is a program that allows customers to voluntarily support the development of an RE industry by agreeing to pay slightly higher rates to purchase renewably generated electricity.
3. Offshore Wind: The Offshore Wind program will provide rebates for the installation of OSW meteorological towers or buoys and funding additional OSW studies.
4. Renewable Energy Program: Grid Connected. This program, managed by the OCE, provides incentives to large non-solar renewable energy projects, including wind and biomass.
5. Renewable Energy Incentive Program: This program provides incentives for customer-sited renewable energy systems including wind and biomass. Rebates for solar projects were discontinued in 2010, however, the budget includes funding for solar rebate commitments made in previous years. This program also provides services related to the establishment and trading of RECs and SRECs.
6. Edison Innovation Clean Energy Fund: This program was previously managed by the New Jersey Commission on Science and Technology. The Board previously approved several grants as part of this program that will be managed by the OCE in 2012. There are no new program activities proposed for 2012.

The following states the proposed allocation of the 2012 Renewable Energy program budget to each of the program managers.

Proposed 2012 Renewable Energy Program Budget by Program Manager				
Renewable Energy Programs				
	Honeywell	**OCE**	**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		$8,518,408.00		**$8,518,408.00**
Renewable Energy Program: Grid Connected		$20,425,386.40		**$20,425,386.40**
Renewable Energy Incentive Program	$24,233,390.05			**$24,233,390.05**
Edison Innovation Clean Energy Fund (formerly CST)		$1,671,836.75		**$1,671,836.75**
SUB-TOTAL Renewables	**$28,383,390.05**	**$30,615,631.15**	**$32,400.00**	**$59,031,421.20**

EDA Program Budget

The following table shows the proposed budget for the programs to be managed by EDA followed by a brief description of the program.

Proposed 2012 EDA Program Budget								
	NJBPU	Estimated	Estimated	New	Other	Line	Final	Estimated
	Approved	2011	2011	2012	Anticipated	Item	2012	Commitments
Programs	2011 Budget	Expenses	Carry Over	Funding	New Funding	Transfers	Budgets	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)	(g) = (c)+(d)+(e)+(f)	(h)
EDA PROGRAMS								
Edison Innovation Clean Energy Manufacturing Fund	$35,634,153.38	$6,615,017.00	$29,019,136.38	$2,000,000.00	$48,248.91		$31,067,385.29	$25,200,000.00
Edison Innovation Green Growth Fund	$4,000,000.00	$60,000.00	$3,940,000.00	$0.00	$545.29		$3,940,545.29	$3,940,000.00
EE Revolving Loan Fund	$18,000,000.00	$360,000.00	$17,640,000.00	$0.00	$2,499.24		$17,642,499.24	$2,000,000.00
Large CHP Soliciatation	$0.00	$0.00	$0.00	$35,000,000.00	$0.00	$20,000,000.00	$55,000,000.00	$0.00
SUB-TOTAL EDA Programs	**$57,634,153.38**	**$7,035,017.00**	**$50,599,136.38**	**$37,000,000.00**	**$51,293.44**	**$20,000,000.00**	**$107,650,429.82**	**$31,140,000.00**

1. Edison Innovation Clean Energy Manufacturing Fund: The Edison Innovation Clean Energy Manufacturing Fund will be managed by EDA to provide incentives to attract and expand energy efficiency and renewable energy manufacturing facilities to New Jersey.
2. Green Growth Fund: The Green Growth Fund will offer assistance in the form of loans to clean technology companies that have achieved ‘proof of concept’ and successful, independent beta results. It is seeking funding to grow and support their technology business.
3. EE Revolving Loan Fund: This low interest loan program is structured as a companion to the NJCEP Pay for Performance, Large Energy Users Pilot and CHP incentive programs, which are designed to provide grant incentives to large commercial and industrial customers who comprehensively upgrade their facilities through investments in energy efficiency.
4. Large CHP – Fuel Cell Solicitation: The Large CHP – Fuel Cell Solicitation will provide incentives to large, greater than 1 MW, CHP and fuel cell systems.

OCE Oversight Budget

The OCE Oversight budget was revised to include funding for the proposed Clean Energy Business Web Site discussed above. The following table shows the proposed 2012 OCE Oversight budget recommended by the OCE.

2012 OCE Oversight Budget

	NJBPU Approved 2011 Budget	Estimated 2011 Expenses	Estimated 2012 Carry Over	New 2012 Funding	Line Item Transfers	Other Anticipated New Funding	Final 2012 Budgets
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)	(g) = (c)+(d)+(e)+(f)
Administration and Overhead							
OCE Staff and Overhead	$1,477,499.04	$1,477,007.21	$491.83	$2,090,000.00	$2.23	$897,522.37	$2,988,016.43
Program Coordinator	$2,067,983.00	$2,004,445.75	$63,537.25	$2,100,000.00			$2,163,537.25
Memberships-Dues							
Clean Energy States Alliance	$25,000.00	$0.00	$25,000.00				$25,000.00
Consortium for Energy Efficiency	$133,817.00	$133,817.00	$0.00				$0.00
2012 Sponsorships	$0.00	$0.00	$0.00	$100,000.00			$100,000.00
Sub-Total: Administration and Overhead	**$3,704,299.04**	**$3,615,269.96**	**$89,029.08**	**$4,290,000.00**	**$2.23**	**$897,522.37**	**$5,276,553.68**
Evaluation and Related Research							
Rutgers-CEEEP	$1,308,415.71	$787,802.07	$520,613.64	$400,000.00			$920,613.64
Funding Reconciliation	$21,055.00	$21,055.00	$0.00	$50,000.00			$50,000.00
O&M Scoping Study/Online Academy	$450,000.00	$449,997.77	$2.23		($2.23)		$0.00
Other Studies	$44,566.75	$0.00	$44,566.75				$44,566.75
Program Evaluation	$1,351,779.65	$1,000,000.00	$351,779.65	$1,200,000.00			$1,551,779.65
Financial Audits	$498,162.35	$0.00	$498,162.35				$498,162.35
Sub-Total: Evaluation and Related Research	**$3,673,979.46**	**$2,258,854.84**	**$1,415,124.62**	**$1,650,000.00**	**($2.23)**	**$0.00**	**$3,065,122.39**
Marketing and Communications							
Outreach and Education/Community Partner Grants	$122,772.31	$100,000.00	$22,772.31				$22,772.31
Clean Energy Business Web Site	$0.00	$0.00	$0.00	$60,000.00			$60,000.00
Sub-Total: Marketing and Communications	**$122,772.31**	**$100,000.00**	**$22,772.31**	**$60,000.00**	**$0.00**	**$0.00**	**$82,772.31**
TOTAL: Administration	**$7,501,050.81**	**$5,974,124.80**	**$1,526,926.01**	**$6,000,000.00**	**$0.00**	**$897,522.37**	**$8,424,448.38**

(a) = Board approved revised 2011 budget
(b) = Estimated 2011 expenses from 7&5 report.
(c) = 2011 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.
(d) = Level of new 2012 funding allocated to each program.
(e) = Transfer of funds from one program or budget category to another.
(f) = 2011 carry over plus new 2012 Funding plus/less line item transfers.

The OCE Oversight budget includes three components:

1. Administration and Overhead;
2. Evaluation and Related Research; and,
3. Marketing and Communications.

Administration and Overhead includes the OCE Staff expenses and overhead and Program Coordinator services. The OCE Oversight budget has been reduced to less than 2% from the allowable 10% of new funds in an effort to direct more funding to the NJCEP programs. Despite this small amount of funding allocated to the OCE Staff expenses and overhead, the OCE notes that the NJCEP has enjoyed overwhelming and increasing success over the years.

The OCE Oversight budget includes two additional components. The evaluation and related research component includes funds for various program evaluation activities that assess the energy efficiency and renewable energy markets in New Jersey and recommend improvements to the programs. The marketing and communications component includes funds for expenses related to the previously approved Outreach and Education Grants. The three components of the OCE Oversight budget are discussed in the OCE's compliance filing.

Performance Incentives

Neither Honeywell nor TRC have requested performance incentives for 2011.

Protocols

The OCE has directed the program managers to develop proposed revisions to the Protocols to Measure Resource Savings ("Protocols"), approved by the Board by Order dated September 22, 2011, in Docket No. EO09120975. The revised Protocols are required to address any additions or changes to the 2012 programs approved herein. Changes to the Protocols will be formed with input from public stakeholders and presented to the Board for consideration at a later date. Following Board approval, the Protocols will be utilized for estimating savings from the 2012 programs discussed above.

DISCUSSION AND FINDINGS

Consistent with the approved contracts with the Market Managers and the Program Coordinator, the OCE has coordinated with the Market Managers and the Program Coordinator regarding the programs and budgets set out in the compliance filings. The OCE, in conjunction with these contractors, held monthly public meetings with the EE and RE committees from June to November to receive comments and input into the development of the 2012 programs and budgets. In addition, a public hearing was held on November 3, 2011 to solicit additional input on the proposed program plans and budgets and written comments were accepted from the public. Accordingly, the Board **HEREBY** **FINDS** that the process utilized in developing the 2012 programs and budgets was appropriate and provided stakeholders and interested members of the public the opportunity to comment.

The OCE has considered the extensive public stakeholder input received, as well as the comments of the Market Managers and Program Coordinator. The OCE believes the programs and budgets discussed above will deliver significant benefits to the State and will satisfy the objectives of EDECA. For example, the OCE's recommendations move the RE program closer to a market-based approach and, accordingly, eliminates ratepayer subsidies as required by EDECA. Therefore, the OCE recommends approval of the 2012 program and budget filings consistent with the recommended modifications discussed above.

The Board has reviewed the OCE's recommendations regarding the 2012 program and draft budget filings submitted by the OCE dated December 12, 2011 (including the filings of the EDA and Sustainable Jersey), the Utilities dated November 30, 2011, Honeywell dated December 12, 2011, and TRC dated December 9, 2011, as well as comments submitted by other interested public stakeholders. The Board **HEREBY** **FINDS** the OCE's recommendations to be reasonable and consistent with the policies of the State. The Board also **FINDS** that the OCE's recommendations promote desirable environmental measures and goals and that such societal benefits should be described in the final compliance filings.

Therefore, the Board **HEREBY** **APPROVES** the 2012 program budgets described above and **DIRECTS** OCE (including EDA and Sustainable Jersey), the Utilities, Honeywell, and TRC to submit final compliance filings consistent with this Order within thirty (30) days. The Board notes that the Honeywell and TRC filings contain references to potential changes to Smart Growth policies that were circulated by Staff for public comment. This Order does not approve any amendments the Smart Growth policies; the Board will consider such amendments if and when Staff presents a recommendation to the Board.

Having approved the programs as modified, the Board **HEREBY** **DIRECTS** the OCE to work with the Market Managers, with appropriate notice to the public, to finalize application forms and make other changes necessary to implement the changes ordered herein. The Board **FURTHER** **DIRECTS** the OCE to post the 2012 compliance filings, as modified consistent with this Order, on the NJCEP website along with a copy of this Order. The OCE negotiated the terms of an MOU with the EDA for the management of the large CHP –Fuel Cell program in 2012, The Board considers the amendments to the MOU requests in Docket Nos. EO08070470, and EO11110826V. The Board also **DIRECTS** Staff to work with EDA to develop the CHP program details and solicitation, subject to Board approval.

The Board has also reviewed the statewide budgets compiled by the OCE. The Board **HEREBY** **FINDS** the proposed budgets to be reasonable and appropriate. Therefore, the Board **HEREBY** **APPROVES** the 2012 budgets in the tables above, which reflect the OCE's final recommendations.

The 2012 budgets approved herein are based on estimated 2011 expenses and are subject to "true up" in a future Order once final 2011 expenses are known. For example, the OCE estimated that $483,423.13 in expenses related to the Green Jobs Training budget will be paid in 2011 and therefore proposed a 2012 budget of $195,000 which is sufficient to pay outstanding balances related to grants previously approved by the Board. If actual 2011 expenses are less than the estimates expenses for Green Jobs Training, then the carryover will be higher than estimated. To the extent that 2012 budgets approved herein are below 2012 expenses due to actual 2011 expenses being less than estimated 2011 expenses, Treasury is authorized to pay invoices for approved program expenses. Pursuant to its authority under N.J.S.A. 48:2-40, the Board will reopen this matter and adjust the 2012 budgets, as required, in a separate Order.

Also, as noted above, the 2012 budgets approved herein are contingent on appropriations by the Legislature and subject to State appropriations law. For example, budgets and funding allocations for the NJCEP may require modification to reflect the Appropriations Act. Pursuant to its authority under N.J.S.A. 48:2-40, the Board may reopen this matter to make any necessary adjustments as a result of State appropriations law. Such changes will be considered by the Board and memorialized in a separate Order.

Contract Modifications

Honeywell and TRC have filed proposed requests to extend and modify their contracts as needed to implement the 2012 program and budget modifications approved herein. These contract modifications were transmitted to Treasury for review and approval. The Board considers the contract extension requests in Docket Nos. EO05080667, EO09100835 and EO09100836.

DATED: 12/20/11

BOARD OF PUBLIC UTILITIES
By:

Jeanne M Fox
JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

Nicholas Asselta
NICHOLAS ASSELTA
COMMISSIONER

ATTEST: Kristi Izzo
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

Kristi Izzo

IN THE MATTER OF COMPREHENSIVE ENERGYEFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR THE 2009 - 2012 CLEAN ENERGY PROGRAM: 2012 PROGRAMS AND BUDGETS: COMPLIANCE FILINGS
DOCKET NOS. EO07030203 & EO1110631V

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