Agenda Date: 12/18/13
Agenda Item: 8H

STATE OF NEW JERSEY
Board of Public Utilities
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Trenton, New Jersey 08625-0350
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CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY PROGRAMS AND BUDGET FOR FISCAL YEAR 2014 – REVISED FY14 PROGRAMS AND TRUE UP BUDGET	))))	ORDER DOCKET NO. EO13050376V

Parties of Record:

Joe Gennello, Honeywell Utility Solutions
Diane Zukas, TRC Energy Services
Michael Ambrosio, Applied Energy Group
Mark Mader, Jersey Central Power & Light
Timothy White, Atlantic City Electric
Scott Markwood, Orange & Rockland Utilities
Bruce Grossman, South Jersey Gas Company
Alexander Stern, Esq., Public Service Electric and Gas Company
Tracey Thayer, New Jersey Natural Gas
Mary Patricia Keefe, Elizabethtown Gas Company
Stefanie A. Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD[1]:

This Order memorializes action taken by the Board of Public Utilities ("Board") at its December 18, 2013 public meeting, where the Board considered revisions to the Fiscal Year 2014 (FY14) programs and budget for New Jersey's Clean Energy Program.[2]

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. N.J.S.A. 48:3-60(a)(3). EDECA further empowered the Board to initiate a proceeding and cause to be

[1] Commissioner Jeanne M. Fox abstained from voting on this matter
[2] The budgets approved in this Order are subject to State appropriations law.

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").

By Order dated October 7, 2011, Docket No. EO11050324V, the Board directed the Office of Clean Energy ("OCE" or "Staff") to initiate a fourth comprehensive EE and RE resource analysis proceeding and to schedule public hearings on program funding and funding allocations for the years 2013 through 2016. By Order dated November 20, 2012, Docket Nos. EO07030203 and EO11100631V, the Board transitioned the NJCEP from a calendar year to a fiscal year budget and approved a six month funding level for the period from January 1, 2013 through June 30, 2013. Subsequent to the issuance of the November 20, 2012 Order the fourth CRA proceeding was modified to set funding levels for FY14-FY17. By Order dated June 21, 2013, Docket No. EO11050324V ("the June 21, 2013 CRA Order"), the Board approved a funding level of $344,665,00 for FY14 and deferred a decision on setting the funding levels for FY15-FY17, pending additional analysis.

By Order dated June 21, 2013, Docket No. EO13050376V, the Board approved FY14 programs and budgets for the NJCEP ("FY14 Budget Order"), as well as the compliance filings of Honeywell International, Inc. ("Honeywell") which manages the Residential EE and RE programs, TRC, Inc. ("TRC") which manages the commercial and industrial (C&I) EE programs, the OCE which includes the programs managed by the OCE and EDA, and the electric and gas utilities (collectively referred to as "the Utilities") which manage the low-income Comfort Partners program. The compliance filings included program descriptions and detailed budgets for each program.

FY14 Budget True-Up

The FY14 Budget Order includes estimated carry-over of unspent funds from the previous year, plus new funding of $344,665,000, as set out in the June 21, 2013 CRA Order. A significant portion of the overall FY14 budget includes funds to pay rebates and other commitments made by the NJCEP in prior years.

As an example, while many programs pay rebates upon installation or purchase of equipment and do not have commitments for payments at a future date, the some NJCEP programs will approve a commitment in one year and pay it after construction is completed and inspected in a subsequent year. The Residential New Construction and Combined Heat and Power (CHP) programs are examples of these long term programs. As of June 30, 2013, commitments, were approximately $134 million.

Given the time required to establish and approve the annual NJCEP budget, the Board sets the budget based in part on estimated expenses for the previous year. Once actual expenses are known, the Board has historically issued a revised budget order to "true up" any differences between actual and estimated expenses.

Carry-over represents unspent funds, a portion of which is commitments, from a previous budget that carry forward to the next year's budget. For 2012-2013[3], estimated expenses were developed in April 2013, based upon 15 months of actual expenses and 3 months of estimated expenses. The difference between estimated and actual expenses reflects both changes in market activity, as well as commitments that were expected to be completed by June 30, 2013, but ultimately carried forward into FY14. Actual 2012-2013 carry-over is calculated by deducting actual 2012-2013 expenses from the final Board-approved 2012-2013 budgets.

The tables below show the final 2012-2013 budget approved by the Board by program; actual 2012-2013 expenses; actual carry-over; the estimated 2012-2013 carry over that was used to develop initial FY14 budgets; and the difference between the actual and estimated carry-over, which is referred to as "Additional Carry Over":

2012-13 Energy Efficiency and CHP-FC Program Budget

Programs	NJBPU Approved 2012-13 Budget (a)	Actual 2012-13 Expenses (b)	Actual 2012-13 Carry Over (c) = (a) - (b)	Estimated 2012-13 Carryover from FY14 Budget Order (d)	Difference = Additional Carryover (e) = (c) - (d)
Residential EE Programs					
Residential HVAC - Electric & Gas	$26,341,450.41	$22,360,770.42	$3,980,679.99	$1,642,968.94	$2,337,711.05
Residential New Construction	$27,764,931.10	$14,982,601.57	$12,782,329.53	$11,423,378.66	$1,358,950.87
Energy Efficient Products	$26,137,799.26	$21,407,141.07	$4,730,658.19	$1,420,909.75	$3,309,748.44
Home Performance with Energy Star	$44,008,734.71	$35,243,215.71	$8,765,519.00	$6,931,882.43	$1,833,636.57
Residential Marketing	$1,743,976.16	$1,705,193.20	$38,782.96	$0.00	$38,782.96
Sub Total Residential	**$125,996,891.64**	**$95,698,921.97**	**$30,297,969.67**	**$21,419,139.78**	**$8,878,829.89**
Residential Low Income					
Comfort Partners	**$50,000,000.00**	**$48,397,526.80**	**$1,602,473.20**	**$1,000,000.00**	**$602,473.20**
C&I EE Programs					
Commercial/Industrial Construction					
C&I New Construction	$4,524,122.02	$2,211,895.72	$2,312,226.30	$2,298,325.02	$13,901.28
C&I Retrofit	$57,257,018.97	$33,463,190.76	$23,793,828.21	$24,789,615.97	($995,787.76)
Pay-for-Performance New Construction	$7,610,817.58	$1,345,542.12	$6,265,275.46	$6,130,990.58	$134,284.88
Pay-for-Performance	$50,055,958.00	$12,518,684.25	$37,537,273.75	$37,589,060.00	($51,786.25)
Local Government Energy Audit	$5,500,000.00	$3,654,240.50	$1,845,759.50	$2,108,295.00	($262,535.50)
Direct Install	$56,632,162.20	$34,203,559.13	$22,428,603.07	$23,143,526.20	($714,923.13)
Marketing	$1,575,000.00	$1,573,000.91	$1,999.09	$0.00	$1,999.09
Large Energy Users Pilot	$20,835,056.68	$1,981,274.85	$18,853,781.83	$19,592,307.68	($738,525.85)
Sub Total C&I	**$203,990,135.45**	**$90,951,388.24**	**$113,038,747.21**	**$115,652,120.45**	**($2,613,373.24)**
Other EE Programs					
Green Jobs and Building Code Training	$386,450.47	$280,151.35	$106,299.12	$0.00	$106,299.12
Sustainable Jersey	$1,439,850.89	$938,492.95	$501,357.94	$0.00	$501,357.94
Sub Total Other Energy Efficiency Programs	**$1,826,301.36**	**$1,218,644.30**	**$607,657.06**	**$0.00**	**$607,657.06**
Total Energy Efficiency	**$381,813,328.45**	**$236,266,481.31**	**$145,546,847.14**	**$138,071,260.23**	**$7,475,586.91**
CHP-Fuel Cell Program					
CHP-Fuel Cell Program	**$13,500,000.00**	$200,653.63	$13,299,346.37	$11,967,070.00	**$1,332,276.37**

[3] The November 20, 2012 budget Order established an 18-month budget, in order to transition from a calendar year to a fiscal year budget cycle. The 2012-2013 NJCEP budget covered the period from January 1, 2012 through June 30, 2013.

2012-13 Renewable Energy Program Budget

Renewable Energy Programs	NJBPU Approved 2012-13 Budget	Actual 2012-13 Expenses	Actual 2012-13 Carry Over	Estimated 2012-13 Carryover from FY14 Budget Order	Difference = Additional Carryover
Existing Programs	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Customer On-Site Renewable Energy	$4,150,000.00	$4,037,205.82	$112,794.18	$112,794.18	$0.00
Clean Power Choice	$32,400.00	$29,080.59	$3,319.41	$0.00	$3,319.41
Offshore Wind	$5,518,408.00	$5,336,674.71	$181,733.29	$181,733.29	$0.00
Renewable Energy Program: Grid Connected (Formerly REDI)	$425,386.40	$0.00	$425,386.40	$425,386.40	$0.00
Renewable Energy Incentive Program	$19,074,184.40	$6,999,160.28	$12,075,024.12	$11,915,182.96	$159,841.16
Edison Innovation Clean Energy Fund (formerly CST)	$1,831,042.40	$1,602,023.91	$229,018.49	$229,000.73	$17.76
SUB-TOTAL Renewables	**$31,031,421.20**	**$18,004,145.31**	**$13,027,275.89**	**$12,864,097.56**	**$163,178.33**

2012-13 EDA Program Budget

EDA PROGRAMS	NJBPU Approved 2012-13 Budget	Actual 2012-13 Expenses	Actual 2012-13 Carry Over	Estimated 2012-13 Carryover from FY14 Budget Order	Difference = Additional Carryover
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Clean Energy Manufacturing Fund	$8,364,735.63	$2,396,179.58	$5,968,556.05	$7,002,009.61	($1,033,453.56)
Edison Innovation Green Growth Fund	$3,440,545.29	$1,944,226.00	$1,496,319.29	$1,421,319.27	$75,000.02
EE Revolving Loan Fund	$270,000.00	$270,000.00	$0.00	$0.00	$0.00
Large CHP Solicitation	$36,970,000.00	$657,723.00	$36,312,277.00	$36,312,274.00	$3.00
SUB-TOTAL EDA Programs	**$49,045,280.92**	**$5,268,128.58**	**$43,777,152.34**	**$44,735,602.88**	**($958,450.54)**

2012-13 OCE Oversight Budget

	NJBPU Approved 2012-13 Budget	Actual 2012-13 Expenses	Actual 2012-13 Carry Over	Estimated 2012-13 Carryover from FY14 Budget Order	Difference = Additional Carryover
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Administration and Overhead					
OCE Staff and Overhead	$8,556,461.64	$5,440,857.10	$3,115,604.54	$3,274,049.48	($158,444.94)
Program Coordinator	$2,985,498.69	$2,854,608.75	$130,889.94	$12,923.04	$117,966.90
Sub-Total: Administration and Overhead	**$11,541,960.33**	**$8,295,465.85**	**$3,246,494.48**	**$3,286,972.52**	**($40,478.04)**
Memberships-Dues					
FY14 Sponsorships	$200,000.00	$0.00	$200,000.00	$0.00	$200,000.00
Sub-Total: Memberships-Dues	**$200,000.00**	**$0.00**	**$200,000.00**	**$0.00**	**$200,000.00**
Evaluation and Related Research					
Rutgers-CEEEP	$1,320,613.64	$736,376.77	$584,236.87	$100,000.64	$484,236.23
Funding Reconciliation	$71,055.00	$17,455.00	$53,600.00	$1,055.00	$52,545.00
Other Studies	$10,000.00	$0.00	$10,000.00	$5,000.00	$5,000.00
Program Evaluation	$800,000.00	$0.00	$800,000.00	$800,000.00	$0.00
Sub-Total: Evaluation and Related Research	**$2,201,668.64**	**$753,831.77**	**$1,447,836.87**	**$906,055.64**	**$541,781.23**
Miscellaneous					
Outreach and Education/Community Partner Grants	$122,772.31	$60,209.53	$62,562.78	$0.00	$62,562.78
Clean Energy Business Web Site	$120,000.00	$0.00	$120,000.00	$0.00	$120,000.00
*Sustainable Jersey **	$0.00	$0.00	$0.00	$0.00	$0.00
DCA RE Firefighter Training	$0.00	$0.00	$0.00	$0.00	$0.00
Program Transition	$0.00	$0.00	$0.00	$0.00	$0.00
Sub-Total: Miscellaneous	**$242,772.31**	**$60,209.53**	**$182,562.78**	**$0.00**	**$182,562.78**
TOTAL: NJCEP Administration	**$14,186,401.28**	**$9,109,507.15**	**$5,076,894.13**	**$4,193,028.16**	**$883,865.97**
True Grant	**$21,789,874.29**	$8,996,274.08	$12,793,600.21	$9,789,874.29	**$3,003,725.92**

* Note: Sustainable Jersey Budget Transferred to EE Budget

The following table summarizes, by budget category, the Additional Carry Over calculated in the tables above:

2012-2013 Additional Carry Over					
	Final 2012-13 Budget	Actual 2012-2013 Expenses	Actual 2012-2013 Carry Over	Estimated Carry Over from FY14 Budget Order	Difference = Additional Carry Over
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Energy Efficiency Programs	$381,813,328.45	$236,266,481.31	$145,546,847.14	$138,071,260.23	$7,475,586.91
CHP-Fuel Cells	$13,500,000.00	$200,653.63	$13,299,346.37	$11,967,070.00	$1,332,276.37
Renewable Energy Programs	$31,031,421.20	$18,004,145.31	$13,027,275.89	$12,864,097.56	$163,178.33
EDA Programs	$49,045,280.92	$5,268,128.58	$43,777,152.34	$44,735,602.88	($958,450.54)
NJCEP Administration	$14,186,401.28	$9,109,507.15	$5,076,894.13	$4,193,028.16	$883,865.97
TRUE Grant	$21,789,874.29	$8,996,274.08	$12,793,600.21	$9,789,874.29	$3,003,725.92
Total	**$511,366,306.14**	**$277,845,190.06**	**$233,521,116.08**	**$221,620,933.11**	**$11,900,182.96**
Legislative Action	$331,500,000.00	$331,500,000.00	$0.00	$0.00	$0.00
Total	**$842,866,306.14**	**$609,345,190.06**	**$233,521,116.08**	**$221,620,933.11**	**$11,900,182.96**

The Additional Carry Over shown in the table above is equal to $11,900,182.96. These funds are available to add to the FY14 NJCEP budget.

Additional FY14 Funding

The FY14 budget approved by the Board included estimated EDA program revenues of $1,665,179.55 from interest payments and repayment of loans or grants. Actual EDA revenues were $1,755,412.56 which is $90,233.01 more than the estimated revenues used to develop the FY14 budgets. The EDA budget was increased by this amount to reflect the higher level of revenues, as reflected in the table on page 6.

Legislative Action

Subsequent to the issuance of the FY14 Budget Order, under the Appropriations Act for FY 2014, P.L. 2013 c.77, the legislature appropriated from the Clean Energy Trust Fund $42,500,000 for State utility costs and $152,185,000 for transfer to the General Fund as State revenue which results in total transfers of $194,685,000. Of this amount, $32,829,745 was appropriated from an account holding Solar Alternative Compliance Payments (SACP) made pursuant to the Board's Renewable Portfolio Standards ("RPS") regulations, and $161,855,255 was appropriated from NJCEP program accounts held in the NJCEP Trust fund. This appropriation requires the Board to reduce the FY14 budget by $161,855,255.

The following table summarizes the funding lapsed to the General Fund and the source of the funding:

FY14 Legislative Action	
Transfer to General Fund	$152,185,000.00
Transfer for State Utility Costs	$42,500,000.00
Total Transfers	**$194,685,000.00**
Transfer from SACP	$32,829,745.00
Transfer from NJCEP Trust Fund	**$161,855,255.00**

Revisions to FY14 Budget

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

The following tables show the budget revisions proposed by Staff which were circulated for comment and which incorporate the modifications discussed above in total and on a program-by-program basis for the EE, RE, EDA and NJCEP Administration budget categories:

Revised FY14 Funding Levels

	FY14 Budget From 6/21/13 Board Order	Additional Carryover	Additional Funding	Funding Adjustments	Revised FY14 Budget	Committed Expenses as of 10/29/2013	Revised FY14 Funding Less Commitments
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)=(e)-(f)
Energy Efficiency Programs	$380,636,260.23	$7,475,586.91		($85,097,455.11)	$303,014,392.03	$116,309,092.34	$186,705,299.69
CHP-Fuel Cells *	$95,632,249.55	$1,332,276.37		($59,000,000.00)	$37,964,525.92	$4,706,956.00	$33,257,569.92
Renewable Energy Program	$30,364,097.56	$163,178.33		($10,216,138.47)	$20,311,137.42	$11,943,938.71	$8,367,198.71
EDA Programs	$30,235,602.88	($958,450.54)	$90,233.01	$2,000,000.00	$31,367,385.35	$19,106,139.42	$12,261,245.93
NJCEP Administration	$21,293,028.16	$883,865.97		($9,541,661.42)	$12,635,232.71	$0.00	$12,635,232.71
TRUE Grant	$9,789,874.29	$3,003,725.92			$12,793,600.21	$12,793,600.21	$0.00
Total	**$567,951,112.66**	**$11,900,182.96**	**$90,233.01**	**($161,855,255.00)**	**$418,086,273.64**	**$164,859,726.68**	**$253,226,546.96**
Legislative Action	$0.00	$0.00		$161,855,255.00	$161,855,255.00		$161,855,255.00
Total	**$567,951,112.66**	**$11,900,182.96**	**$90,233.01**	**$0.00**	**$579,941,528.64**	**$164,859,726.68**	**$415,081,801.96**

Note: EIT Budget transferred from EE to CHP budget category

In the original FY14 budget approved by the Board on June 21, 2013, the EE budget category included $30M for a CHP program through the NJ Environmental Infrastructure Trust (EIT). As part of the budget true-up, these EIT funds have been transferred into the CHP budget category.

Revised FY14 Energy Efficiency and CHP-FC Program Budget

Programs	Board Approved FY14 Budget (a)	Additional Carry Over (b)	Line Item Transfers/Funding Adjustments (c)	Revised FY14 Budget (d)=(a)+(b)+(c)	Committed Expenses as of 10/29/2013 (e)
Residential EE Programs					
Residential HVAC - Electric & Gas	$16,942,968.94	$2,337,711.05	($5,549,911.01)	$13,730,768.98	$0.00
Residential New Construction	$23,423,378.66	$1,358,950.87	($5,872,236.63)	$18,910,092.90	$9,406,116.50
Energy Efficient Products	$22,420,909.75	$3,309,748.44	($7,474,425.35)	$18,256,232.84	$0.00
Home Performance with Energy Star	$45,631,882.43	$1,833,636.57	($10,603,427.01)	$36,862,091.99	$10,903,444.41
Residential Marketing	$3,000,000.00	$38,782.96	($1,728,798.96)	$1,309,984.00	$0.00
Sub Total Residential	**$111,419,139.78**	**$8,878,829.89**	**($31,228,798.96)**	**$89,069,170.71**	**$20,309,560.91**
Residential Low Income					
Comfort Partners	$36,000,000.00	$602,473.20	($1,500,000.00)	$35,102,473.20	$0.00
C&I EE Programs					
C&I New Construction	$2,298,325.02	$13,901.28	($500,000.00)	$1,812,226.30	$721,416.20
C&I Retrofit	$49,789,615.97	($995,787.76)	($2,500,000.00)	$46,293,828.21	$28,949,941.28
Pay-for-Performance New Construction	$9,130,990.58	$134,284.88	($2,000,000.00)	$7,265,275.46	$6,085,816.10
Pay-for-Performance	$62,504,060.00	($51,786.25)	($10,500,000.00)	$51,952,273.75	$28,960,523.74
Local Government Energy Audit	$6,108,295.00	($262,535.50)	($2,500,000.00)	$3,345,759.50	$916,660.00
Direct Install	$49,493,526.20	($714,923.13)	($12,534,000.00)	$36,244,603.07	$19,794,274.68
Marketing	$3,000,000.00	$1,999.09	($1,926,999.09)	$1,075,000.00	$0.00
Large Energy Users Program	$35,592,307.68	($738,525.85)	($4,000,000.00)	$30,853,781.83	$10,570,899.43
SBC Credit Program	$300,000.00	$0.00	($300,000.00)	$0.00	$0.00
New Programs	$15,000,000.00	$0.00	($15,000,000.00)	$0.00	$0.00
Sub Total C&I	**$233,217,120.45**	**($2,613,373.24)**	**($51,760,999.09)**	**$178,842,748.12**	**$95,999,531.43**
Other EE Programs					$0.00
Green Jobs and Building Code Training	$0.00	$106,299.12	($106,299.12)	$0.00	$0.00
Sustainable Jersey	$0.00	$501,357.94	($501,357.94)	$0.00	$0.00
Sub Total Other Energy Efficiency Programs	**$0.00**	**$607,657.06**	**($607,657.06)**	**$0.00**	**$0.00**
Total Energy Efficiency	**$380,636,260.23**	**$7,475,586.91**	**($85,097,455.11)**	**$303,014,392.03**	**$116,309,092.34**
CHP-Fuel Cell Program					
Energy Infrastructure Trust	$30,000,000.00	$0.00	($30,000,000.00)	$0.00	$0.00
CHP-Fuel Cell Program	$65,632,249.55	$1,332,276.37	($29,000,000.00)	$37,964,525.92	$4,706,956.00
Total CHP	**$95,632,249.55**	**$1,332,276.37**	**($59,000,000.00)**	**$37,964,525.92**	**$4,706,956.00**

Revised FY14 Renewable Energy Program Budget

Programs	Board Approved FY14 Budget (a)	Additional Carry Over (b)	Line Item Transfers/Funding Adjustments (c)	Revised FY14 Budget (d)=(a)+(b)+(c)	Committed Expenses as of 10/29/2013 (e)
Customer On-Site Renewable Energy	$0.00	$0.00		$0.00	$0.00
Clean Power Choice	$0.00	$3,319.41	($3,319.41)	$0.00	$0.00
Offshore Wind	$350,800.70	$0.00		$350,800.70	$100,367.29
Renewable Energy Program: Grid Connected (Formerly REDI)	$256,320.00	$0.00		$256,320.00	$256,320.00
Renewable Energy Incentive Program	$29,527,977.14	$159,841.16	($10,200,000.00)	$19,487,818.30	$11,371,053.00
Edison Innovation Clean Energy Fund (formerly CST) *	$228,999.72	$17.76	($12,819.06)	$216,198.42	$216,198.42
SUB-TOTAL Renewables	**$30,364,097.56**	**$163,178.33**	**($10,216,138.47)**	**$20,311,137.42**	**$11,943,938.71**

Revised FY14 EDA Program Budget						
	Board Approved FY14 Budget	Additional Carry Over	Additional Funding	Line Item Transfers/Funding Adjustments	Revised FY14 Budget	Committed Expenses as of 10/29/2013
Programs	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)
EDA PROGRAMS						
Clean Energy Manufacturing Fund	$10,302,009.61	($1,033,453.56)			$9,268,556.05	$5,797,079.42
Edison Innovation Green Growth Fund	$5,621,319.27	$75,000.02			$5,696,319.29	$2,200,000.00
EE Revolving Loan Fund	$0.00	$0.00			$0.00	$0.00
Large CHP Solicitation	$14,312,274.00	$3.00	$90,233.01	$2,000,000.00	$16,402,510.01	$11,109,060.00
Total EDA Programs	**$30,235,602.88**	**($958,450.54)**	**$90,233.01**	**$2,000,000.00**	**$31,367,385.35**	**$19,106,139.42**

EDA Interest and Loan Repayments	Estimated 2012-2013 Revenues	Actual 2012-2013 Revenues	Difference
Total: RE Revenues	$1,665,179.55	$1,755,412.56	$90,233.01

EDA Actual 2012-2013 Revenues	
Loans-Principal	$1,702,017.46
Investment Income on Investments	$53,395.10
Total	**$1,755,412.56**

Revised FY14 NJCEP Administration Budget				
	Board Approved FY14 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised FY14 Budget
	(a)	(b)	(c)	(d)=(a)+(b)+(c)
Administration and Overhead				
OCE Staff and Overhead	$3,335,104.48	($158,444.94)	($100,000.00)	$3,076,659.54
Program Coordinator	$1,962,923.04	$117,966.90	($218,019.36)	$1,862,870.58
Sub-Total: Administration and Overhead	**$5,298,027.52**	**($40,478.04)**	**($318,019.36)**	**$4,939,530.12**
Memberships-Dues				
FY14 Sponsorships	$200,000.00	$200,000.00	($300,000.00)	$100,000.00
Sub-Total: Memberships-Dues	**$200,000.00**	**$200,000.00**	**($300,000.00)**	**$100,000.00**
Evaluation and Related Research				
Rutgers-CEEEP	$1,400,000.64	$484,236.23		$1,884,236.87
Funding Reconciliation	$0.00	$52,545.00		$52,545.00
Other Studies	$0.00	$5,000.00	($5,000.00)	$0.00
Program Evaluation	$8,800,000.00	$0.00	($6,800,000.00)	$2,000,000.00
Sub-Total: Evaluation and Related Research	**$10,200,000.64**	**$541,781.23**	**($6,805,000.00)**	**$3,936,781.87**
Miscellaneous				
Outreach and Education/Community Partner Grants	$0.00	$62,562.78		$62,562.78
Clean Energy Business Web Site	$60,000.00	$120,000.00	($120,000.00)	$60,000.00
Sustainable Jersey	$500,000.00	$0.00	$501,357.94	$1,001,357.94
DCA RE Firefighter Training	$35,000.00	$0.00		$35,000.00
Program Transition	$5,000,000.00	$0.00	($2,500,000.00)	$2,500,000.00
Sub-Total: Miscellaneous	**$5,595,000.00**	**$182,562.78**	**($2,118,642.06)**	**$3,658,920.72**
TOTAL: NJCEP Administration	**$21,293,028.16**	**$883,865.97**	**($9,541,661.42)**	**$12,635,232.71**
True Grant	**$9,789,874.29**	**$3,003,725.92**	**$0.00**	**$12,793,600.21**

Proposed Changes to Programs

In addition to the proposed changes to the budget set out above, Staff proposed two program changes as follows:

CHP-FC Program

TRC's compliance filing and the Combined Heat and Power-Fuel Cell ("CHP-FC") program application state that projects "will be evaluated for funding according to the following criteria…

one of which is annual system utilization”. While projects were evaluated to assess annual system utilization, no minimum run-time hour requirement was specified on the CHP-FC program application or program guidelines. TRC has used 6,000 hours as the minimum annual system utilization threshold.

The NJCEP CHP-FC program is an energy efficiency program focused on reducing energy consumption at the site. Staff believes that ratepayer funding for the NJCEP should not pay for underutilized CHP-FC capacity, or where the primary benefit of CHP is to deliver capacity to PJM demand response programs. The Board is exploring potential sources of funding for resiliency efforts that are separate from NJCEP funds.

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

Based on the above, Staff proposes to add the following language to the CHP-FC program application and compliance filing:

> “In order to qualify for incentives, systems must operate a minimum of 5,000 full load equivalent hours per year (i.e. run at least 5,000 hours per year at full rated KW output). The Office of Clean Energy (OCE) may grant exceptions to this minimum operating hours requirement for critical facilities (as defined by the Office of Emergency Management and FEMA, provided the proposed system operates a minimum of 3,500 full load equivalent hours per year.”

Pay-for-Performance New Construction Program

When the Pay-for-Performance New Construction (“P4P NC”) program was launched in 2009, the following language was included in TRC’s compliance filing:

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

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

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

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

In order to allow beneficial new construction projects to participate in the program while adhering to construction schedules outside of the control of the program, Staff proposes the following revised policy:

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

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

On October 29, 2013 Staff circulated and posted for comment the proposed changes to the budget and programs discussed above.

Summary of Comments from Public Stakeholders

Staff posted the proposed changes to the NJCEP programs and budget on the NJCEP web site and circulated it to the EE and RE Committees on October 29, 2013. In addition, the proposed changes were discussed at the November 7, 2013 meetings of the EE and RE Committees held in Trenton, NJ.

Written comments were received from Division of Rate Counsel ("Rate Counsel"); Bloom Energy Corporation ("Bloom"); FuelCell Energy and Ameresco ("FuelCell Energy"); New Jersey Natural Gas Company ("NJNG"); and, ClearEdge Power ("ClearEdge").

The following summarizes the written comments received:

Proposed Budget Revisions

Comment: Rate Counsel submitted a number of comments related to the proposed modifications to the FY14 NJCEP budget. Rate Counsel recommended that the marketing budget should not be cut because the majority of the programs would not spend the revised budget if the current pace of spending continues throughout the program year. Rate Counsel further recommended that the rest of the programs should absorb higher cuts to avoid a budget reduction for the marketing activities. Rate Counsel stated that if the marketing budgets must be cut to accommodate the budget lapse, then these budgets should only be cut commensurate with the proposed reductions to the overall residential and C&I budgets.

Response: Staff concurs with Rate Counsel regarding the need to maintain marketing budgets and supported increases to the FY14 marketing budgets that were approved by the Board in its initial FY14 budget Order. However, the marketing budgets are limited by Honeywell and TRC's current contracts to provide Market Manager services. The proposed marketing budgets equal the maximum amount each can expend on marketing under the current contracts, and Treasury has indicated it is not willing to entertain modifications to the Market Manager contracts at this time. Therefore, the marketing budgets are effectively capped at the amount each can charge under its existing contract with the State. Staff continues to support increases in market activities and will revisit marketing budgets upon award of the Program Administrator contract.

Comment: Rate Counsel stated that all of the residential programs could receive larger budget cuts and shift the excess budget to marketing activities because none of the programs would even meet targets under the revised program budget, if the current pace of spending continues through the end of the program year.

Response: Staff disagrees with Rate Counsel's conclusion that the Residential EE program budget targets are not on pace to be meet their targets given the current pace of spending. The request for comments included a spreadsheet showing actual spending and commitments as of October 29, 2013. Through October 29, 2013, or through approximately 25% of the year, the Residential EE programs had expended $18.1 million and committed $20.3 million for a total of $38.4 million, which equals approximately 43% of the proposed budget of $89.1 million. State accounting rules require that both expenses and commitments be counted against the current budget, i.e. actual FY14 expenses plus any outstanding commitments cannot exceed the FY14 budget. Thus, taking into consideration both current spending levels and the expected level of commitments, Staff anticipates fully expending the proposed FY14 budget for Residential EE programs. Further, as stated above, marketing expenditures cannot be increased at this time given the contractual caps on marketing expenditures.

Comment: The Comfort Partners low-income program should not be subject to any budget cuts. This program benefits some of New Jersey's most vulnerable residents, and has consistently spent its budget in past years.

Response: Staff generally concurs with Rate Counsel's recommendation to maintain funding for the Comfort Partners program. However, Staff was faced with difficult decisions that needed to be made to achieve the required budget cuts. Staff believes that any further cuts to any other programs will result in the program not having sufficient funds to remain open through the remainder of the fiscal year. Further, as discussed below, Staff is requesting budget flexibility to provide it with the authority to move funds from any program that is under- spending its budget to a program that is fully expending its budget and anticipates several additional changes to program budgets before the end of the fiscal year. Staff will work closely with the program managers, and to the extent that a program is not on pace to fully expend its budget, Staff will consider transferring funds to the Comfort Partners program.

Comment: Rate Counsel stated that the reasoning behind the proposed budget cuts for some programs is not at all clear and discussed discrepancies between the proposed cuts to the Pay-for-Performance New Construction ("P4P NC") program and the Large Energy Users Program ("LEUP").

Response: As discussed in the request for comments, Staff took into consideration a number of factors in preparing the proposed budget, including current spending levels, commitments and pipeline activities and held discussions with the program managers to determine best estimates of funding needed through the remainder of the fiscal year. These factors were discussed at the EE Committee meeting. Regarding the P4P NC program budget, Staff concurs that the proposed budget leaves little room for new project activity through the remainder of the year. However, P4P NC projects typically have long lead times and TRC is aware of projects in the pipeline that are expected to submit applications. For the LEUP program, projects were required to pre-qualify, prior to submitting energy efficiency plans, and funds are held in reserve for these projects, prior to making a commitment. Staff anticipates that a number of pre-qualified projects will be submitting applications for rebate commitments in the near future, which is why the proposed budget exceeds current spending and commitment levels. Further, as noted above, should any of these projects cancel or not meet other program requirements, Staff will consider transferring these funds to another program, such as the P4P NC program, should actual program activity exceed estimated program activity levels.

Comment: Rate Counsel discusses the proposed EDA CHP program budget and states that the OCE should provide an explanation why EDA needs the $5.9 million which is the difference between the budget and commitments and why an additional $2 million is needed.

Response: EDA received a number of CHP program rebate applications prior to the close of the program on June 30, 2013 that are currently under review. The additional funding is required to provide sufficient room in the budget to approve these applications, provided that all program requirements are met. If any of these projects are cancelled or the projects do not receive a rebate commitment, the funds will be available to reallocate to another program.

CHP-FC Budget

Comment: Rate Counsel stated that a significant budget cut for the CHP-FC program is warranted given that the program has only committed 5% of the initial budget or 12% of the proposed budget. If the current pace for making commitments continues throughout the program year, the program will commit less than half of the revised budget. Rate Counsel stated that the OCE should make drastic changes to the program design and/or marketing plans in order to rapidly increase program participation, but did not provide any suggested program changes.

ClearEdge commented that the remaining CHP-FC budget seems sufficient for current market demand for both small and large CHP-FC programs combined. However, the suggested budget may not be adequate for future market demand given the anticipated timing for distributed generation in the pipeline. Maintaining dedicated funding for distributed generation projects sends a clear message to the market, allowing project developers adequate time to develop high-quality, long-term projects.

FuelCell Energy stated that to the extent funds committed to CHP/fuel cell development are permitted to be redirected to other purposes; this will create an uncertain regulatory environment that will reduce customer participation, due to concerns that committed grants will be unavailable when needed. Once customer confidence is lost, it is quite difficult to sufficiently regain that trust in order to convince a customer to pursue another project. An uncertain regulatory environment is counter-productive and will hinder the State's ability to achieve its stated goal of 1,500 MW of CHP. FuelCell Energy stated that it is not clear whether the Energy Infrastructure Trust has been discontinued or to what extent FEMA funds will be available to fill NJCEP budget gaps.

FuelCell Energy acknowledged that the funds previously allocated to the CHP-FC program would not have been exhausted by projects currently in the pipeline for this year. However, it urged the Board to assign a priority to CHP-FC funding and to eschew the casual use it or lose it approach. The Board must assure the marketplace that adequate funding will be made available for qualified projects when needed and make regulatory certainty a priority going forward.

Bloom urges the Board to maintain the current budget and program requirements that were previously approved by the Board. Bloom is surprised and dismayed that the Board is now proposing to slash program funding by over 60%. Bloom stated that it had invested substantial time and resources in providing comments on the FY14 program and budget that carefully balanced ratepayer interests with the policy objective to promote energy efficient distributed generation. At the very moment that CHP and FC developers are gearing up to invest in high-resiliency energy projects in New Jersey, Board Staff has sent exactly the wrong signal, at the wrong time, that projects that rely on the NJCEP may not happen. This signal will reverberate through project development and investor communities, causing developers and their customers to hesitate to proceed with New Jersey projects, potentially causing them to focus on other markets.

The success of the CHP-FC program is dependent on the confidence that those developing or investing in projects have in the stability of the regulatory process behind the incentive program. Absent regulatory stability, project developers will be discouraged from participating in programs and the viability of the Board's objective to promote distributed generation will be threatened. To combat this risk, Bloom recommends that the Board maintain the current budget level for the CHP-FC program.

NJNG understands that the OCE was faced with difficult decisions regarding resetting the budget. If it is necessary to reduce the CHP-FC program budget, NJNG encourages the Board to consider including language that reaffirms the state's overall commitment to supporting CHP markets. Industry stakeholders have repeatedly referenced the need for stability to support growth in this market and it is critical to ensure that the actions necessary to balance this budget are not construed as the state lessening its support for the CHP policy initiative.

Response: Staff recognizes the need for consistency and stability in setting program incentive levels and budgets. However, the lapse of NJCEP funds to the state's general budget requires Staff to make difficult decisions when revising the budget. Staff must balance the long-term needs of the program with the short-term requirement of ensuring programs remain within budget and the desire to have all programs remain operational through the remainder of the fiscal year.

The revised FY14 CHP-FC budget proposed by Staff is based in large part on recent program activity levels, i.e., the number of applications submitted during the 18 month budget cycle from January 1, 2012 through June 30, 2013 for the two CHP-FC programs. Specifically, the small CHP-FC program (for projects up to 1 MW), had an initial 2012 budget of $20 million that was reduced to $13.5 million in 2013 due to lack of activity. During the 18 month budget cycle, the number of applications received resulted in approximately $5.5 million in commitments.

Similarly, the large CHP program managed by EDA had an initial 2012 budget of $55 million. EDA issued an initial solicitation for up to $25 million in grants, but received less that $12 million in rebate applications. Two of these projects have since cancelled, resulting in only $7.5 million in commitments from the first solicitation. On January 1, 2013, the CHP-FC program was changed to an open enrollment, and through June 2013, it received an additional $8.9 million in rebate applications. In total, applications submitted to the EDA program during the 18 month budget cycle resulted in $16.4 million in CHP-FC commitments which when added to the small CHP-FC program results in a total of approximately $22 million in commitments.

FuelCell Energy stated that it is not clear whether the Energy Infrastructure Trust (EIT) has been discontinued or to what extent FEMA funds will be available to fill NJCEP budget gaps. The proposed CHP-FC budget does not include any funding dedicated to the EIT. Staff is continuing to explore alternative sources of funding for CHP.

The proposed revised FY14 budget for the CHP-FC program is approximately $38 million. The funds to pay any commitments made through the EDA program before it closed remain with EDA, such that approximately $33 million of the proposed FY14 budget remains unspent and uncommitted as of October 2013. Given recent program activity levels and that only 7 months remain in the budget year, Staff is convinced that more than sufficient funds remain in the proposed CHP-FC program budget to meet anticipated program demand.

Further, as discussed herein, Staff has requested the authority to modify budgets if certain criteria are met that would allow it to transfer funds from a program that is under-performing to a program that requires additional funds to remain open. In the meantime, Staff will recommend to the Board that it reallocate funding to programs as needed to meet actual program demand. Based on current activity levels, sufficient funds should be available to process any CHP or fuel cell application submitted by the end of the fiscal year. However, should activity levels in the CHP-FC program increase significantly as compared to the past 18 months, Staff will recommend transferring additional funds to the CHP-FC program from other programs that are below-budget.

Staff strongly encourages the CHP-FC industry to demonstrate that the funds allocated to the CHP-FC program budget are spent or committed by the end of the fiscal year.

Staff concurs with NJNG that it is important to send the right signals to the marketplace. Staff remains committed to creating a stable regulatory environment and will work with the CHP-FC industry to develop consistent program requirements and to develop realistic budgets that stimulate the development of CHP-FC without leaving large amounts of funds unspent or uncommitted.

P4P NC Proposed Program Changes

Comment: Rate Counsel submitted the only comment on the proposed changes to the P4P NC program and stated that the changes seem reasonable. No objections were received.

Response: Staff continues to support the proposed changes to the P4P NC program.

CHP-FC Proposed Program Modifications

Comment: Rate Counsel supported the proposed changes to the CHP-FC program, which will assure that ratepayer-funded subsidies will not be used to support underutilized CHP facilities. The proposed revision to the program to require units to operate at 5,000 full load hours per year should help to ensure that systems are operating efficiently and producing energy savings, rather than operating as back-up systems. Rate Counsel questioned the need for and basis of the proposed reduced threshold of 3,500 full load hours per year for critical facilities.

Response: Staff concurs that a minimum number of run hours requirement for CHP and fuel cell systems will ensure systems are producing energy savings and that the State is not providing incentives to systems that sit idle for a large portion of the year. With regard to critical facilities, Staff supports a lower threshold, since these facilities will provide other public benefits, such as ensuring that critical facilities remain operational during grid outages. Staff believes the lower threshold maintains the program goal of ensuring the delivery of energy efficiency while recognizing the value of these other benefits.

Budget Flexibility

Comment: NJNG stated that should the strong pace for program participation continue, some programs could be in danger of reaching their budget caps. This would potentially force the programs to close. In order to avoid any potential disruption to customers, contractors and trade allies, NJNG strongly encourages the Board to consider reinstating the budget flexibility provisions previously approved by the Board for the 2012-2013 budget period.

Response: Staff concurs with NJNG's recommendations. Staff is faced with a similar set of circumstances that existed in late 2012 and early 2013. That is, the cuts required to meet the budget lapse result in a tight budget that may require several budget adjustments to ensure all programs remain open through the remainder of the fiscal year. Furthermore, the ability to feed a steady stream of limited funds from under-performing programs to those exceeding their targets provides a greater level of consistency than transferring larger sums towards the end of the budget year, and provides Staff greater ability to fully expend all funds. Staff recommends that the Board provide Staff with delegated authority to modify budgets.

OCE Recommendations

Staff has reviewed the written comments submitted, and discussed the proposed changes to the programs and budget at the November 7, 2013 meetings of the EE and RE committees. The proposed budget balances the need to reduce the program budget as required by the State Appropriation Act with the desire to have all programs remain operational through the end of the fiscal year, and to fully expend program budgets. While Staff believes the budget will be tight, there appears to be sufficient funds to maintain all of the programs and existing incentive levels for the remainder of the fiscal year.

Based on the above and for the reasons set out in the responses to comments herein, Staff is not recommending any additional changes to the proposed budgets that were circulated for comment. Staff recommends that the Board approve the budgets shown in the tables above.

The proposed programmatic changes to the P4P NC program will result in the program being more user- friendly by aligning program requirements with the realities of the construction industry, while maintaining adequate assurances that program objectives are being met. The proposed changes to the CHP-FC program will ensure that incentives are only provided to projects that result in energy savings and are not provided to projects that sit idle for a large portion of the year. Staff recommends approval of both of these program changes as discussed above.

Honeywell, TRC, the Utilities and the OCE (the OCE filing includes EDA and Sustainable Jersey programs) each submitted revised FY14 compliance filings incorporating the changes discussed above. Staff has reviewed the revised compliance filings and finds them consistent with the changes set out herein. Therefore, the OCE recommends that the Board approve the revised compliance filings and authorize the program managers to implement the budget and program changes set out in the filings.

CHP-FC Program Management

The initial FY14 programs and budget approved by the Board combined the large scale CHP-FC program (previously managed by EDA) and the small scale CHP-FC program (managed by TRC) into a single program to be managed by TRC. However, due to the anticipated award of a contract to a new Program Administrator, Treasury was unwilling to approve the changes to TRC's contract necessary for TRC to manage the new combined program. Therefore, by Order dated October 16, 2013, the Board authorized Staff to manage the large scale component of the CHP-FC program on an interim basis, pending award of a contract to the new Program Administrator.

Subsequent to the Board's approval of the October 16, 2013 Order, Treasury issued a decision regarding the challenges to the Program Administrator contract, which will delay award of the contract for several additional months. Resultantly, staff is working with Treasury to extend the current Market Manager and Program Coordinator contracts through the end of the fiscal year. In the interim, staff will continue to manage the program.

When EDA managed the Large Scale CHP/Fuel Cell program during the 2012-2013 budget cycle pursuant to a program descriptions set out in the Board approved OCE Compliance Filings dated November 14, 2012 and March 13, 2013, the review process included a technical review and financial review. These compliance filings stated that "[t]he EDA will accept program applications to be reviewed in a two part process, a technical review followed by a financial review", and "[t]hose projects receiving a minimum threshold score will be recommended for funding and will undergo financial and business due diligence before proceeding to the BPU Board for consideration."

Effective July 1, 2013, however, the Board eliminated the financial review component of the approval process. In part, the financial and business due diligence reviews were related to projects that could potentially also be eligible for financing. Because NJCEP does not currently offer financing options for CHP/Fuel Cell, and no other NJCEP grant program requires financial review in order to receive a grant/rebate, the Board eliminated the requirement for application filed on or after July 1, 2013. The reasons for eliminating the financial review requirement for new applications are equally applicable to applications filed on or before June 30, 2013. Therefore, staff recommends that the Board eliminate the financial review requirement for applications filed on or before June 30, 2013.

Budget Flexibility

Participation in many NJCEP programs is driven, in part, by factors outside of the control of the program managers, including the economy and weather. That is, during good economic times, program participation levels increase and hot and/or cold weather can impact the level of participants that purchase new heating or cooling equipment. Historically, NJCEP program budgets have included a contingency to account for variations in participation levels. However, the significant budget lapse required the elimination of contingencies in the program budgets.

The required budget reductions set out herein will leave very little room in program budgets if program participation levels increase above anticipated levels. Further, consistency in program offerings is important to maintaining contractor and customer confidence. If a program is temporarily shut down due to budget constraints, the result can be long-term damage to the program as a result of the loss of confidence that incentives will be available when a project is completed. Finally, Staff wants to ensure programs intended to assist with Superstorm Sandy rebuilding efforts remain funded at least through the end of the fiscal year, and will recommend that the programs are continued in FY15.

The process to modify the NJCEP budget normally takes several months from beginning to end. The process includes identification of trends that indicate a budget may be exceeded, developing a proposed modification to the budget, putting the proposed modification out for public comment, presenting the proposed changes at EE and RE committee meetings, and developing the required paperwork for Board consideration which is due several weeks before an agenda meeting. Staff is concerned that the reduced budgets may result in some programs temporarily shutting down unless the time period required to modify budgets can be reduced.

To address concerns that existed in 2012, the Board, by Order dated November 20, 2012, Docket Nos.EO07030203 and EO11100631V, granted OCE Staff delegated authority to make limited modifications to NJCEP program budgets, provided certain conditions were met. Therefore, staff recommends that the Board revisit the issue of delegated authority.

DISCUSSION AND FINDINGS

OCE Staff coordinated with the Market Managers, the NJCEP Program Coordinator and other stakeholders to develop proposed modifications to the FY14 NJCEP budget. On or about October 29, 2013, the OCE circulated the proposed changes to the budget and programs for public comment. Written comments were due by November 15, 2013 and the proposed changes were discussed at the November 7, 2013 meetings of the EE and RE Committees.

Accordingly, the Board **FINDS** that the process utilized in developing the proposed revisions to the FY14 programs and budgets was appropriate and provided stakeholders and interested members of the public the opportunity to comment.

The Board has reviewed the changes to the programs and budget proposed by Staff and the written comments received. The changes proposed by Staff represent a reasonable approach to maintaining the NJCEP programs through the remainder of the fiscal year while meeting the mandates of the FY14 Appropriations Act. Importantly, the proposed budget maintains consistency in programs and incentives levels through the remainder of the fiscal year.

The Board continues to support the development of a robust CHP-FC market to assist in meeting the goals of the State Energy Master Plan. However, the Board concurs with Staff that the budgets must also take into consideration reasonable estimates of the level of funding that is needed to meet realistic program activity levels. The Board **DIRECTS** OCE Staff to coordinate with CHP-FC industry stakeholders to develop multiple year projections of realistic CHP-FC activity levels and to take these projections into account in developing recommendations regarding future funding levels and program budgets.

In addition the Board **FINDS** that it is reasonable to eliminate a financial review requirement for all CHP-FC application and consider such applications based on technical merit. This approach is consistent with other NJCEP grant programs. Accordingly, the CHP-FC applications that were filed with EDA on or before June 30, 2013, shall not be subject to a financial review.

Based on the above, the Board **HEREBY FINDS** that the revised budget and programs are reasonable. Therefore, the Board **HEREBY APPROVES** the FY14 budgets recommended by Staff in the tables above. The Board **FURTHER FINDS** that the budget and program changes discussed above are incorporated into compliance filings submitted to the Board for approval. Therefore, the Board **HEREBY APPROVES** the revised FY14 compliance filing filed by Honeywell dated December 6, 2013, by TRC dated December 6, 2013, by the Utilities dated December 6, 2013, and by the OCE dated December 6, 2013,. The Board **HEREBY AUTHORIZES** the program managers to implement the budget and program changes set out in the filings as soon as practicable and upon proper notice. If there is any conflict between a compliance filing or related program document and Board order, the terms of this Board order shall govern.

The Board recognizes that the significant reductions to the NJCEP budget set out herein may impose certain administrative burdens on Staff to ensure that the programs are meeting expectations and remain open through the remainder of the fiscal year. The typical process for modifying the NJCEP budget takes several months, including Staff proposals, public comment periods, and Board action. Considering the required budget cuts described in this Order and the desire to have programs remain operational through the end of the fiscal year, particularly those programs that support the State's Superstorm Sandy rebuilding efforts, the Board will revisit the issue of delegated authority and consider methods to streamline administrative processes related to budget modifications.

DATED: 12/19/13

BOARD OF PUBLIC UTILITIES
By:

ROBERT M. HANNA
PRESIDENT

JOSEPH L. FIORDALISO
COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

DIANE SOLOMON
COMMISSIONER

ATTEST:

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

IN THE MATTER OF THE CLEAN ENERGY PROGRAM AND
BUDGET FOR FISCAL YEAR 2014: REVISED FY14 PROGRAMS AND BUDGET
DOCKET NO. EO13050376V

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