

STATE OF NEW JERSEY
Board of Public Utilities
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CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY)
PROGRAMS AND BUDGET FOR FISCAL YEAR 2016)
(FY16))
)
FY16 TRUE-UP BUDGET) DOCKET NO. QO15040477

Parties of Record:

- Maurice Kaiser**, Honeywell Utility Solutions
- Diane Zukas**, TRC Energy Services
- Michael Ambrosio**, Applied Energy Group
- Mark Mader**, Jersey Central Power & Light
- Timothy White**, Atlantic City Electric
- Sandra Eason-Perez**, Orange & Rockland Utilities
- Bruce Grossman**, South Jersey Gas Company
- Susan Ringhof**, Public Service Electric and Gas Company
- Andrew Dembia**, New Jersey Natural Gas
- Mary Patricia Keefe**, Elizabethtown Gas
- Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel

BY THE BOARD:¹

This Order memorializes action taken by the Board of Public Utilities (“Board”) at its November 16, 2015 public meeting, where the Board considered revisions to the Fiscal Year 2016 (FY16) 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. Among other things, 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

¹ Commissioner Upendra J. Chivukula did not participate in discussion, deliberation, or vote on this matter.
² The budgets approved in this Order are subject to State appropriations law.

and cause to be undertaken a comprehensive resource analysis (“CRA”) of energy programs, currently referred to as the comprehensive energy efficiency (“EE”) and renewable energy (“RE”) resource analysis, and to determine 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 June 25, 2015, Docket No. QO15040477, the Board approved FY16 programs and budgets for the NJCEP (“FY16 Budget Order”). In the FY16 Budget Order, the Board approved the FY16 compliance filings of Honeywell International, Inc. (“Honeywell”) and TRC Energy Solutions, Inc. (“TRC”), managers for the Office of Clean Energy’s (“OCE”), Residential EE and RE programs and commercial and industrial (“C&I”) EE programs, respectively. The compliance filings included program descriptions and detailed budgets for each program including the programs managed by the OCE and the New Jersey Economic Development Authority (EDA), and the electric and gas utilities’ (collectively referred to as “the Utilities”) administration of the low-income Comfort Partners program.

FY16 Budget True-Up

At the outset of the fiscal year, the Board establishes annual budgets based, in part, on estimated expenses for the previous year. Once actual expenses are known, the Board annually issues a revised budget Order to “true-up” any differences between actual and estimated expenses and commitments from the previous fiscal year.

While some NJCEP programs pay rebates upon installation or at point of purchase of equipment, other programs, such as Residential New Construction (“RNC”) and Combined Heat and Power (“CHP”), require completion of construction before incentive payments are made. As a result, a significant portion of the overall FY16 budget includes funds to pay rebates and other commitments made by the NJCEP in prior years. As of June 30, 2015, the NJCEP had approximately \$132 million in commitments. For most of the programs in the tables below, the FY15 carry over is associated with commitments made in previous fiscal years that are carried forward into FY16, to be paid upon project completion.

The tables below show the final FY15 Board-approved budget, by program; actual FY15 expenses and commitments; actual carry over (which is calculated by deducting actual expenses and commitments from the budget); the estimated FY15 carry over that was used to develop initial FY16 budgets; and the difference between the actual and estimated carry over which is referred to as “Additional Carry Over”:

FY15 Energy Efficiency Program Budget

	Final	Actual	Actual	Estimated FY15	Difference =
	FY15 Budget	FY15	FY15	Carryover from	Additional
	FY15 Budget	Expenses	Carry Over	FY16 Budget Order	Carryover
Programs	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Residential EE Programs					
Residential HVAC - Electric & Gas	\$12,415,469.42	\$12,406,083.72	\$9,385.70	\$745,963.32	(\$706,577.62)
Residential New Construction	\$14,848,397.29	\$5,916,833.73	\$8,931,563.56	\$9,542,217.90	(\$610,654.34)
Energy Efficient Products	\$17,218,939.09	\$17,044,238.70	\$174,700.39	\$1,058,695.65	(\$883,995.26)
Home Performance with Energy Star	\$45,291,975.16	\$36,234,376.50	\$9,057,598.66	\$10,445,132.54	(\$1,387,533.88)
Residential Marketing	\$1,309,984.00	\$1,299,877.07	\$10,106.93	\$10,152.15	(\$45.22)
Sub Total Residential	\$91,084,764.96	\$72,901,409.72	\$18,183,355.24	\$21,802,161.56	(\$3,618,806.32)
Residential Low Income					
Comfort Partners	\$35,000,000.00	\$27,510,017.07	\$7,489,982.93	\$11,000,000.00	(\$3,510,017.07)
C&I EE Programs					
C&I New Construction	\$3,305,210.99	\$2,115,373.28	\$1,189,837.71	\$1,566,229.94	(\$376,392.23)
C&I Retrofit	\$64,058,738.87	\$31,751,513.09	\$32,307,225.78	\$31,414,069.45	\$893,156.33
Pay-for-Performance New Construction	\$13,279,268.58	\$2,977,225.10	\$10,302,043.48	\$9,140,835.90	\$1,161,207.58
Pay-for-Performance	\$30,191,851.98	\$8,113,057.03	\$22,078,794.95	\$22,771,374.30	(\$692,579.35)
Local Government Energy Audit	\$2,766,980.50	\$1,681,413.00	\$1,085,567.50	\$1,232,012.50	(\$146,445.00)
Direct Install	\$48,981,360.42	\$35,658,947.49	\$13,322,412.93	\$12,861,579.73	\$460,833.20
Marketing	\$1,075,000.00	\$1,049,778.32	\$25,221.68	\$76,311.35	(\$51,089.67)
Large Energy Users Pilot	\$14,574,758.89	\$4,118,240.91	\$10,456,517.98	\$10,526,549.36	(\$70,031.38)
Sub Total C&I	\$178,233,170.23	\$87,465,548.22	\$90,767,622.01	\$89,588,962.53	\$1,178,659.48
Total Energy Efficiency	\$304,317,935.19	\$187,876,975.01	\$116,440,960.18	\$122,391,124.09	(\$5,950,163.91)

CHP-Fuel Cell Program

CHP-Fuel Cell Program	\$19,451,062.18	\$2,448,357.76	\$17,002,704.42	\$15,842,267.85	\$1,160,436.57
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FY15 Renewable Energy Program Budget

	Final	Actual	Actual	Estimated FY15	Difference =
	FY15 Budget	FY15	FY15	Carryover from	Additional
	FY15 Budget	Expenses	Carry Over	FY16 Budget Order	Carryover
Existing Programs	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Offshore Wind	\$450,433.41	\$0.00	\$450,433.41	\$450,433.41	\$0.00
Renewable Energy Program: Grid Connected (Formerly REDI)	\$203,720.00	\$203,720.00	\$0.00	\$0.00	\$0.00
Renewable Energy Incentive Program	\$17,522,245.87	\$4,495,823.02	\$13,026,422.85	\$12,864,472.81	\$161,950.04
Edison Innovation Clean Energy Fund (formerly CST)	\$59,747.24	\$0.00	\$59,747.24	\$59,747.24	\$0.00
SUB-TOTAL Renewables	\$18,236,146.52	\$4,699,543.02	\$13,536,603.50	\$13,374,653.46	\$161,950.04

FY15 EDA Program Budget

	Final	Actual	Actual	Estimated FY15	Difference =
	FY15 Budget	FY15	FY15	Carryover from	Additional
	FY15 Budget	Expenses	Carry Over	FY16 Budget Order	Carryover
EDA PROGRAMS	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Clean Energy Manufacturing Fund	\$8,536,276.49	\$501,711.61	\$8,034,564.88	\$5,620,502.38	\$2,414,062.50
Edison Innovation Green Growth Fund	\$5,237,408.95	\$394,802.00	\$4,842,606.95	\$4,618,544.45	\$224,062.50
Large CHP Solicitation	\$10,921,624.67	\$1,980,960.00	\$8,940,664.67	\$9,138,760.67	(\$198,096.00)
SUB-TOTAL EDA Programs	\$24,695,310.11	\$2,877,473.61	\$21,817,836.50	\$19,377,807.50	\$2,440,029.00

FY15 NJCEP Administration

	Final	Actual	Actual	Estimated FY15	Difference =
	FY15 Budget	FY15	FY15	Carryover from	Additional
	FY15 Budget	Expenses	Carry Over	FY16 Budget Order	Carryover
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Administration and Overhead					
OCE Staff and Overhead	\$2,341,212.31	\$2,148,807.14	\$192,405.17	\$0.00	\$192,405.17
Program Coordinator	\$2,200,000.00	\$1,861,711.25	\$338,288.75	\$447,828.50	(\$109,539.75)
Sub-Total: Administration and Overhead	\$4,541,212.31	\$4,010,518.39	\$530,693.92	\$447,828.50	\$82,865.42
Memberships-Dues					
<i>FY14 Sponsorships</i>	\$200,000.00	\$7,894.91	\$192,105.09	\$185,000.00	\$7,105.09
Sub-Total: Memberships-Dues	\$200,000.00	\$7,894.91	\$192,105.09	\$185,000.00	\$7,105.09
Evaluation and Related Research					
<i>Rutgers-CEEEP</i>	\$2,140,227.35	\$928,093.23	\$1,212,134.12	\$225,000.00	\$987,134.12
<i>Funding Reconciliation</i>	\$52,545.00	\$0.00	\$52,545.00	\$52,545.00	\$0.00
<i>Program Evaluation</i>	\$3,323,634.10	\$0.00	\$3,323,634.10	\$3,323,634.10	\$0.00
Sub-Total: Evaluation and Related Research	\$5,516,406.45	\$928,093.23	\$4,588,313.22	\$3,601,179.10	\$987,134.12
Miscellaneous					
<i>Clean Energy Business Web Site</i>	\$120,000.00	\$59,999.86	\$60,000.14	\$13,756.00	\$46,244.14
<i>Sustainable Jersey</i>	\$677,674.35	\$400,742.31	\$276,932.04	\$0.00	\$276,932.04
<i>DCA RE Firefighter Training</i>	NA				\$0.00
<i>Program Transition</i>	NA				\$0.00
Sub-Total: Miscellaneous	\$797,674.35	\$460,742.17	\$336,932.18	\$13,756.00	\$323,176.18
TOTAL: NJCEP Administration	\$11,055,293.11	\$5,407,248.70	\$5,648,044.41	\$4,247,763.60	\$1,400,280.81
True Grant	\$1,874,500.00		\$1,874,500.00	\$2,674,500.00	(\$800,000.00)

The FY15 budget approved by the Board included \$98,289,000.00 for "State Energy Initiatives and Utility Costs" and \$39,000,000.00 for the "FY15 Supplemental Lapse" which together total \$137,289,000.00. The FY15 budget also included \$1,250,000.00 for the Energy Resilience Bank (ERB). However, at the end of FY15, expenses for State Energy Initiatives and Utility Costs and the FY15 Supplemental Lapse totaled \$134,356,468.73, which is \$2,932,531.27 below what was budgeted, and no funds were expended on the ERB.³ As a result, these funds are available to add to the NJCEP June FY16 budget.

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

³ In the Revised CRA- Staff CRA Straw Proposal dated May 21, 2015, Staff identified \$10 Million in "SBC funds for the [Energy Resilience Bank to] be used primarily for incentives and costs that are eligible for funding under the NJCEP but that may not be allowable under USHUD CDBG-DR provisions, such as micro-grid feasibility studies." As a result of June 2015 action by the Board, SBC funds were not transferred to the Energy Resilience Bank, and the title of the budget category was changed to "Energy Resilience Projects." The purpose of these funds remains the same.

	Final FY15 Budget	Actual FY15 Expenses	Actual FY15 Carry Over	Estimated Carry Over from FY16 Budget Order	Difference = Additional Carry Over
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
Energy Efficiency Programs	\$304,317,935.19	\$187,876,975.01	\$116,440,960.18	\$122,391,124.09	(\$5,950,163.91)
CHP-Fuel Cells	\$19,451,062.18	\$2,448,357.76	\$17,002,704.42	\$15,842,267.85	\$1,160,436.57
Renewable Energy Programs	\$18,236,146.52	\$4,699,543.02	\$13,536,603.50	\$13,374,653.46	\$161,950.04
EDA Programs	\$24,695,310.11	\$2,877,473.61	\$21,817,836.50	\$19,377,807.50	\$2,440,029.00
NJCEP Administration	\$11,055,293.11	\$5,407,248.70	\$5,648,044.41	\$4,247,763.60	\$1,400,280.81
TRUE Grant	\$1,874,500.00	\$0.00	\$1,874,500.00	\$2,674,500.00	(\$800,000.00)
FY15 Estimated Interest	\$0.00			\$155,000.00	
Total: NJCEP	\$379,630,247.11	\$203,309,598.10	\$176,320,649.01	\$178,063,116.50	(\$1,587,467.49)
State energy initiatives and utility costs	\$98,289,000.00	\$95,356,468.73	\$2,932,531.27	\$0.00	\$2,932,531.27
ERB	\$1,250,000.00	\$0.00	\$1,250,000.00	\$0.00	\$1,250,000.00
FY15 Supplemental Lapse	\$0.00	\$39,000,000.00	(\$39,000,000.00)	(\$39,000,000.00)	\$0.00
Total	\$479,169,247.11	\$337,666,066.83	\$141,503,180.28	\$139,063,116.50	\$2,595,063.78

The Additional Carry Over shown in the table above is equal to \$2,595,063.78. These funds are available to add to the June FY16 NJCEP budget.

Additional FY16 Funding

The FY16 budget approved by the Board in June, 2015 included estimated FY15 EDA program revenue of \$1,309,057.88 from interest payments and repayment of loans or grants. Actual FY15 EDA revenue was \$1,870,118.71, which is \$561,060.84 more than the estimated revenue used to develop the FY16 budget. The FY16 budget was increased by this amount to reflect the additional revenues. EDA has estimated program revenue of \$2,821,978.99 in FY16 which is also available to add to the June FY16 budget.

In FY15, the True Grant implementation contract expired and at close out \$69,416.08 in interest and refunds was returned to the NJCEP as well as \$900,000.00 in unspent "pre-funding" that had been provided to the program. In addition, the Board's Fiscal Office reported that an additional \$136,745.44 in interest was credited to the NJCEP Trust Fund to be offset by a reconciliation reduction of (\$28,420.22). The following table summarizes the additional funding discussed above. The net impact of these adjustments is that an additional \$4,460,781.13 is available to be added to the NJCEP June FY16 budget.

FY16 Additional Funding	
True Grant Interest & Refund	\$69,416.08
Reconciliation of CEP Expenses	(\$28,420.22)
FY16 EDA Estimated Income	\$2,821,978.99
Additional EDA FY15 Income	\$561,060.84
Additional FY15 Interest	\$136,745.44
Sub total NJCEP	\$3,560,781.13
True Grant return of unspent funds	\$900,000.00
Total	\$4,460,781.13

Proposed True-Up Budget

At the outset of FY16, multiple NJCEP programs have experienced significant increases in program activity that has resulted in the programs receiving applications that, if approved, will exceed that program budget. Staff is in the process of developing proposed budget reallocations to address the additional funding required to remain open and anticipates that it will present budget reallocation recommendations to the Board at its December 2015 agenda meeting.

Taking into consideration the Additional Carry Over and Additional Funding summarized in the tables above, Staff proposes that in reviewing the FY16 True-Up Budget the Board consider the following:

1. For the majority of programs, additional carryover be offset by an equal and opposite funding adjustment such that the trued-up FY16 program budget remains unchanged from the budget approved by the Board in June.
2. Exceptions to No.1 above include the CHP-FC program, the EDA CHP program, CEEEP (within the NJCEP Administration budget), Sustainable Jersey (within NJCEP Administration budget) and the Clean Energy Business Website (within the NJCEP Administration budget). For these programs, the additional carry over was allocated to meet existing contractual obligations or, in the case of the CHP-FC program, to partially offset the significant increase in the number of new applications received.
3. The Board recently awarded a new, multi-year contract to implement the remaining balance of the True Grant. Staff proposes a budget of \$3 million in FY16, with the remaining balance of the grant (approx. \$3 million) to be allocated in FY17.
4. The Board is awaiting the release of an RFP to engage a new NJCEP Marketing and Website contractor and is planning the transition to a new Program Administrator. In the proposed FY16 True-Up Budget, Staff has created a separate marketing line item and allocated \$6 million for the new Marketing/Website contract. Similarly, Staff has created a separate line item for Transition expenses and allocated \$1.126 million.

Working with the Market Managers and the Program Coordinator, Board Staff developed proposed revisions to the FY16 NJCEP True-Up Budget that reflect the factors discussed above. The following tables reflect these proposed budget revisions for the EE, RE, CHP/FC, EDA and NJCEP Administration budget categories and on a program-by-program basis:

Revised FY16 Funding Levels							
	FY16 Budget from 6/25/15 Order	Additional Carryover	Additional Funding	Funding Adjustments	Revised FY16 Budget	Committed Expenses as of 9/30/15	Revised FY16 Budget Less Commitments
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)=(e)-(f)
Energy Efficiency Programs *	\$282,101,624.09	(\$5,950,163.91)		\$5,950,163.91	\$282,101,624.09	\$123,198,255.60	\$158,903,368.49
CHP-Fuel Cells *	\$20,618,267.85	\$1,160,436.57			\$21,778,704.42	\$13,713,498.27	\$8,065,206.15
Renewable Energy Programs	\$20,314,906.22	\$161,950.04		(\$161,950.04)	\$20,314,906.22	\$7,233,804.00	\$13,081,102.22
EDA Programs	\$19,737,880.71	\$2,440,029.00		(\$2,638,125.00)	\$19,539,784.71	\$13,348,484.35	\$6,191,300.36
NJCEP Administration	\$8,755,995.51	\$1,400,280.81	\$3,560,781.13	\$3,506,942.40	\$17,223,999.85	\$0.00	\$17,223,999.85
TRUE Grant	\$5,374,500.00	(\$500,000.00)	\$900,000.00	(\$2,474,500.00)	\$3,000,000.00	\$3,000,000.00	\$0.00
Total NJCEP	\$366,903,174.38	(\$1,587,467.49)	\$4,460,781.13	\$4,182,531.27	\$363,959,019.28	\$160,494,042.22	\$203,464,977.06
State energy initiatives and utility costs	\$118,289,000.00	\$2,932,531.27		(\$2,932,531.27)	\$118,289,000.00		
Energy Resilience Bank	\$10,000,000.00	\$1,250,000.00		(\$1,250,000.00)	\$10,000,000.00		
Total	\$485,192,174.38	\$2,595,063.78	\$4,460,781.13	\$0.00	\$492,248,019.28	\$160,494,042.22	\$203,464,977.06

Revised FY16 Energy Efficiency and CHP-FC Program Budget

	Board Approved FY16 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised FY16 Budget	Committed Expenses as of 9/30/15
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
Residential EE Programs					
Residential HVAC - Electric & Gas	\$13,187,678.81	(\$736,577.62)	\$736,577.62	\$13,187,678.81	\$0.00
Residential New Construction	\$15,677,692.95	(\$610,654.34)	\$765,654.34	\$15,832,692.95	\$11,896,920.29
Energy Efficient Products	\$19,449,665.72	(\$683,995.26)	\$883,995.26	\$19,449,665.72	\$0.00
Home Performance with Energy Star	\$37,038,090.33	(\$1,387,533.88)	\$1,387,533.88	\$37,038,090.33	\$17,759,920.68
Residential Marketing	\$1,249,033.75	(\$45.22)	\$45.22	\$1,249,033.75	\$0.00
Sub Total Residential	\$86,602,161.56	(\$3,618,806.32)	\$3,773,806.32	\$86,757,161.56	\$29,656,840.97
Residential Low Income					
Comfort Partners	\$30,000,000.00	(\$3,510,017.07)	\$3,510,017.07	\$30,000,000.00	\$0.00
C&I EE Programs					
C&I New Construction	\$2,966,229.94	(\$376,392.23)	\$376,392.23	\$2,966,229.94	\$1,198,930.27
C&I Retrofit	\$51,970,880.80	\$893,156.33	(\$893,156.33)	\$51,970,880.80	\$34,001,899.93
Pay-for-Performance New Construction	\$16,140,835.90	\$1,161,207.58	(\$1,161,207.58)	\$16,140,835.90	\$9,429,264.67
Pay-for-Performance	\$34,771,374.30	(\$692,579.35)	\$692,579.35	\$34,771,374.30	\$20,981,025.38
Local Government Energy Audit	\$3,232,012.50	(\$146,445.00)	\$146,445.00	\$3,232,012.50	\$819,273.00
Direct Install	\$37,661,579.73	\$460,833.20	(\$460,833.20)	\$37,661,579.73	\$16,899,407.22
Marketing	\$1,075,000.00	(\$51,089.67)	\$51,089.67	\$1,075,000.00	\$0.00
Large Energy Users Program	\$17,526,549.36	(\$70,031.38)	\$70,031.38	\$17,526,549.36	\$10,211,614.16
Sub Total C&I	\$165,344,462.53	\$1,178,659.48	(\$1,178,659.48)	\$165,344,462.53	\$93,541,414.63
Total Energy Efficiency	\$281,946,624.09	(\$5,950,163.91)	\$6,105,163.91	\$282,101,624.09	\$123,198,255.60

CHP-Fuel Cell Program

CHP-Fuel Cell Program	\$20,618,267.85	\$1,160,436.57		\$21,778,704.42	\$13,713,498.27
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Note: The summary budget approved by the Board in its FY16 Budget Order illustrates the correct total of \$282,101,624.09 for EE. However, in the same Budget Order, the EE individual program budgets inadvertently omitted \$155,000.00 intended for the Residential New Construction program from the total. This amount is added to the Residential New Construction program budget in the table above to correct this error.

Revised FY16 Renewable Energy Program Budget

	Board Approved FY16 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised FY16 Budget	Committed Expenses as of 9/30/15
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
Offshore Wind	\$450,433.41	\$0.00		\$450,433.41	\$0.00
Renewable Energy Program: Grid Connected (Formerly RED1)	\$0.00	\$0.00		\$0.00	\$0.00
Renewable Energy Incentive Program	\$19,864,472.81	\$161,950.04	(\$161,950.04)	\$19,864,472.81	\$7,233,804.00
Edison Innovation Clean Energy Fund (formerly CST)	\$0.00	\$0.00		\$0.00	\$0.00
SUB-TOTAL Renewables	\$20,314,906.22	\$161,950.04	(\$161,950.04)	\$20,314,906.22	\$7,233,804.00

Revised FY16 EDA Program Budget

	Board Approved FY16 Budget	Additional Carry Over	Line Item Transfers/Funding Adjustments	Revised FY16 Budget	Committed Expenses as of 9/30/15
Programs	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)
EDA PROGRAMS					
Clean Energy Manufacturing Fund	\$6,579,560.26	\$2,414,062.50	(\$2,414,062.50)	\$6,579,560.26	\$5,810,804.35
Edison Innovation Green Growth Fund	\$5,768,544.45	\$224,062.50	(\$224,062.50)	\$5,768,544.45	\$546,000.00
Large CHP Solicitation	\$7,389,776.00	(\$198,096.00)		\$7,191,680.00	\$6,991,680.00
Total EDA Programs	\$19,737,880.71	\$2,440,029.00	(\$2,638,125.00)	\$19,539,784.71	\$13,348,484.35

Revised FY16 NJCEP Administration Budget

	Board Approved FY16 Budget	Additional Carry Over	Additional Funding	Line Item Transfers/Funding Adjustments	Revised FY16 Budget
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)
Administration and Overhead					
OCE Staff and Overhead	\$2,400,000.00	\$192,405.17		(\$192,405.17)	\$2,400,000.00
Program Coordinator	\$1,020,995.51	(\$109,539.75)		\$109,539.75	\$1,020,995.51
Sub-Total: Administration and Overhead	\$3,420,995.51	\$82,865.42	\$0.00	(\$82,865.42)	\$3,420,995.51
Memberships-Dues					
FY14 Sponsorships	\$10,000.00	\$7,105.09		(\$7,105.09)	\$10,000.00
Sub-Total: Memberships-Dues	\$10,000.00	\$7,105.09	\$0.00	(\$7,105.09)	\$10,000.00
Evaluation and Related Research					
Rutgers-CEEEP	\$1,265,344.00	\$987,134.12			\$2,252,478.12
Funding Reconciliation	\$0.00	\$0.00			\$0.00
Program Evaluation	\$2,988,412.00	\$0.00			\$2,988,412.00
Sub-Total: Evaluation and Related Research	\$4,253,756.00	\$987,134.12	\$0.00	\$0.00	\$5,240,890.12
Miscellaneous					
Clean Energy Business Web Site	\$46,244.00	\$46,244.14			\$92,488.14
Rutgers LESS	\$150,000.00				\$150,000.00
NJIT Clean Energy Learning Center	\$375,000.00				\$375,000.00
Sustainable Jersey	\$500,000.00	\$276,932.04			\$776,932.04
Sub-Total: Miscellaneous	\$1,071,244.00	\$323,176.18	\$0.00	\$0.00	\$1,394,420.18
New Marketing Contract	\$0.00	\$0.00	\$3,560,781.13	\$2,439,218.87	\$6,000,000.00
Program Transition	\$0.00	\$0.00			\$1,157,694.04
TOTAL: NJCEP Administration	\$8,755,995.51	\$1,400,280.81	\$3,560,781.13	\$3,506,942.40	\$17,223,999.85
True Grant	\$5,374,500.00	(\$800,000.00)	\$900,000.00	(\$2,474,500.00)	\$3,000,000.00

On or about October 22, 2015 Staff circulated and posted for comment the proposed changes to the budget discussed above.

SUMMARY OF COMMENTS FROM PUBLIC STAKEHOLDERS

Staff posted the proposed changes to the NJCEP FY16 budget on the NJCEP web site and circulated it to the EE and RE listservs on October 22, 2015. In addition, the proposed changes were discussed at the November 10, 2015 meetings of the EE and RE Committees held in Trenton, NJ.

Written comments were received from the Division of Rate Counsel (Rate Counsel) and Bloom Energy (Bloom). The following summarizes the written comments and provides Staff's response:

Comment: Bloom's comments focused on the need for clarity in reporting of available budget in the CHP-Fuel Cell program. Specifically, Bloom stated that participants in the CHP-FC program rely upon the budget information published by the Board and its agents for the purpose of business planning and making investment decisions. Bloom identified a number of examples that it believes resulted in the reporting of inaccurate information.

For example, Bloom stated that it is reasonable to expect that program participants would interpret the release of the FY16 budget to mean there was, at the time the budget was adopted, \$20,618,267.00 available for eligible projects. As another example, Bloom cited the True-Up budget that was circulated for comment, stating that it included an entry of \$8,065,206.00 entitled "Revised FY 2016 Budget Less Commitments." Bloom concluded that while the True-Up budget indicates that there was \$8,065,206.00 available, this cannot be the case since the program funding at that point was fully committed.

Response: Bloom's comments reflect a lack of understanding of the Board's budgeting process. For example, Bloom's conclusion that all funding for the CHP/FC program was fully committed when the True-Up budget was released is incorrect.

Staff is required to follow State accounting procedures when establishing and reporting program budgets. These procedures require the NJCEP to encumber funds associated with a committed rebate when a project is approved and a rebate approval letter is issued. Bloom confused applications that have been submitted, are in the pipeline and for which funds have been reserved, with actual commitments. Funds are not committed to a project until the application receives all required approvals and a rebate approval letter is issued. In the case of a project whose incentive exceeds \$500,000.00 funds can only be committed after approval by the Board. Submittal of an application is not a guarantee that a rebate commitment will be made.

State accounting procedures require that a program budget include sufficient funds to pay expenses incurred in a given fiscal year as well as all commitments that may be paid in a future year. The Staff straw CHP/FC budget for FY16 that Bloom references in its comments clearly showed that of the \$20.6 million proposed for FY16, approximately \$9.9 million was previously committed, leaving approximately \$11 million available for new projects.

Finally, Bloom incorrectly concluded that the True-Up budget “indicates that there was \$8,065,206.00 available and that this cannot be the case since the program funding at that point was fully committed.” In fact, the numbers in the draft True-Up budget are correct. While it is true that funds are reserved for applications in the pipeline on a first come, first-served basis, as of September 30th, there was \$8,065,206.00 in funds that had not yet been committed.

That said, Staff stands ready to work with Bloom and all stakeholders to educate them on the budgeting process and to provide additional information about the number and estimated incentive value of applications in the pipeline. Furthermore, Staff encourages Bloom and all stakeholders to attend its monthly EE and RE Committee meetings where program budgets, including the level of commitments are reviewed. These meetings are intended as an opportunity for Staff and all stakeholders to benefit from an open discussion and for Staff to provide clarity where needed.

Comment: Rate Counsel stated that the text in the Request for Comments and the budget lines shown in the attached Excel workbook were the only justification provided for the proposed \$6 million budget for the new Marketing contract and \$1.157 million budget for transition to the new Program Administrator. Rate Counsel does not believe that the OCE provided any further breakdown of the proposed budget amounts or explanation of how these budget items would be expended, the objectives to be achieved through the expenditures, or why the proposed budget amounts are considered reasonable.

Rate Counsel also requested a better explanation of the sources of the proposed funding to be provided to the True Grant. Rate Counsel explained that a careful review of OCE’s original and true-up budget has not revealed a clear explanation reconciling the \$6 million balance referenced in the Request for Comments with the \$5,374,500.00 balance based on previously provided information.

Response: Staff has developed and transmitted to Treasury an RFP to engage a new contractor to provide NJCEP Marketing and Website services. These services, once included in the Program Administration contract, will be procured separately. Because Treasury requires that funds be allocated to procurement prior to issuing an RFP, the true-up budget identifies a line item for this program expense.

As compared to peer programs, NJCEP spends approximately 0.9% of its program budget on marketing versus an industry average of 5-7%. The table included on page 54 of the FY2016 Comprehensive Resource Analysis compared NJ’s spending on marketing from CY2010 through FY2015 to peer programs in the Northeast, which ranged from 1.6% to 7.3%. At \$6 million, the combined Marketing/Website budget represents approximately 2% of the FY16 NJCEP program budget, an incremental increase.

As required in the RFP, the new Marketing/Website Contractor will revamp the NJCEP marketing strategy, tactics, and brand, and develop a new website that combines more user-friendly navigation with data collection and an online application tracking process. The Contractor will be responsible for developing a creative marketing plan that will be coordinated with the new Program Administrator’s outreach plan and program design, and that will track and report on the effectiveness of its proposed marketing tactics. The goals of these combined efforts are to increase program participation, reduce the cost per kWh saved, and improve overall NJCEP program energy savings.

Staff also notes that many industry stakeholders, including Rate Counsel, have consistently argued that the NJCEP should increase its marketing efforts. This argument has been reinforced by the results of recent program evaluations. In response, Staff is taking a prudent approach to increasing marketing efforts and the associated budget.

In April of 2015, Treasury released RFP16-X-23938 to engage a new NJCEP Program Administrator and the contract execution is pending. The RFP included price lines for transition related expenses such as upgrading IMS and establishing a call center. Other expenses, unique to the transition, such as the archiving and transportation of program files, are not captured in the RFP. This true-up budget creates a line item against which these transition expenses can be billed.

With regard to the True Grant program, Rate Counsel requests a reconciliation of the difference between the \$5,374,500.00 balance based on previously provided information and the \$6 million balance discussed in the proposed True-Up budget.

Pursuant to the terms of the previous True Grant implementation contract, the program was pre-funded. The NJCEP records this pre-funding as a program expense. In 2015, the contract with the implementation contractor expired and the contract was closed out. At that time, approximately \$900,000.00 in pre-funding remained unspent and was returned to the NJCEP budget, resulting in an increase from approximately \$5.374 million to \$6.274 million. The total amount the NJCEP will expend on the True Grant will not exceed the \$25 million authorized by the legislation and as cited by Rate Counsel.

Finally, Rate Counsel correctly notes a discrepancy between the amount of the Program Transition budget discussed in the Request for Comments and the amount shown in the Excel spreadsheet. The amount in the spreadsheet is the correct amount; the text of the Request for Comments incorrectly stated the amount.

Staff encourages Rate Counsel to attend its monthly EE and RE Committee meetings where program budgets are reviewed. These meetings are intended as an opportunity for Staff and all stakeholders to benefit from an open discussion and for Staff to provide clarity where needed.

STAFF RECOMMENDATIONS

Staff has reviewed the written comments submitted and discussed these proposed changes to the June FY16 NJCEP Budget at the November 10, 2015 meetings of the EE and RE committees. For the majority of the programs, the proposed true-up budget results in no change to the program budget approved by the Board in June 2015. This True-Up Budget does create new line items and allocates funding for the anticipated Marketing/Website RFP and for expenses related to the transition to a new Program Administrator. In a separate Board Order, Staff will propose funding reallocations for those programs experiencing higher than anticipated participation levels.

Based on the above and for the reasons set out in the responses to comments herein, Staff does not recommend any changes to the proposed budgets that were circulated for comment. Staff recommends that the Board approve the true-up FY16 budgets shown in the tables above.

The compliance filings approved by the Board in the FY 16 Budget Order break down individual program budgets into individual line items such as administration, marketing and rebates, for example. As noted above, for the majority of programs, Staff's recommendations result in no change to the individual program budgets, and the detailed budgets approved by the Board in the June Budget Order remain unchanged.

For those programs where Staff's recommendations result in a revised budget, the Market Managers have revised the program budget consistent with the recommendations above. The following table shows the revised detailed budgets for these programs:

FY16 True-Up Budget: Revised Detailed Budgets

Program	FY16 True-Up Budget	Admin. and Program Development	Sales, Marketing, Call Centers, Web Site	Training and Technical Support	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other Quality Control	Evaluation & Related Research
EE Programs							
Residential New Construction	\$15,832,692.95	\$1,249,392.00			\$14,136,960.00	\$446,340.95	
CHP-FC Program							
CHP and Fuel Cell	\$21,778,704.42	\$50,000.00			\$21,591,397.50	\$137,306.92	
EDA Programs							
Large CHP Solicitation	\$7,191,680.00	\$79,456.00			\$7,112,224.00		
NJCEP Administration							
Rutgers CEEEP	\$2,252,478.12						\$2,252,478.12
Clean Energy Business Web Site	\$92,488.14		\$92,488.14				
Sustainable Jersey	\$776,932.04				\$776,932.04		
New Marketing Contract	\$6,000,000.00		\$6,000,000.00				
Program Transition	\$1,157,694.04	\$1,157,694.04					

Staff recommends approval of the revised detailed budgets shown in the table above.

DISCUSSION AND FINDINGS

The OCE coordinated with the Market Managers, the NJCEP Program Coordinator and other stakeholders to develop proposed modifications to the FY16 NJCEP budget. On or about October 22, 2015 OCE Staff circulated the proposed changes to the budget for public comment. The proposed changes were discussed at the November 10, 2015 meeting of the EE and RE Committees, and written comments were received by November 5, 2015 and considered by Staff in its proposed budget. Accordingly, the Board **FINDS** that the process utilized in developing the proposed revisions to the June NJCEP FY16 budget was appropriate and provided stakeholders and interested members of the public with notice of the proposed revisions and the opportunity to comment.

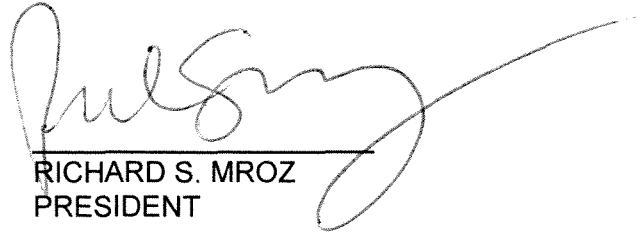
The Board has reviewed the proposed changes to the FY16 NJCEP budget and the written comments received from the public. As proposed, the changes represent a reasonable approach to maintaining consistency in the NJCEP programs while allocating funds for the anticipated Marketing/Website RFP and for the costs associated with the transition to a new Program Administrator.

Based on the above, the Board **HEREBY FINDS** that the revised budgets are reasonable. Therefore, the Board **HEREBY APPROVES** the revised FY16 NJCEP budget and the revised FY16 detailed budgets recommended by Staff and shown in the tables above.

The effective date of this order is November 26, 2015.

DATED: 11/16/15

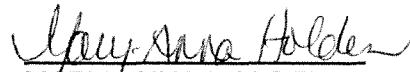
BOARD OF PUBLIC UTILITIES
By:



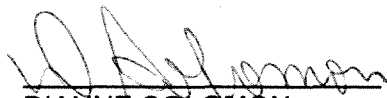
RICHARD S. MROZ
PRESIDENT





JOSEPH L. FIORDALISO
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MARY ANNA HOLDEN
COMMISSIONER

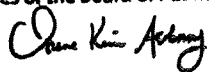


DIANNE SOLOMON
COMMISSIONER

ATTEST:  

IRENE KIM ASBURY
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 2015 (FY16) – FY16 TRUE-UP BUDGET
DOCKET NO. QO150040477

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