Agenda Date: 6/17/15
Agenda Item: 8F

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	))))	ORDER 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
Scott Markwood, Orange & Rockland Utilities
Bruce Grossman, South Jersey Gas Company
Susan Ringhof, Public Service Electric & Gas Company
Andrew Dembia, New Jersey Natural Gas
Mary Patricia Keefe, Elizabethtown Gas Company
Stefanie Brand, Director, Rate Counsel

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities ("Board") at its June 17, 2015 public meeting, where the Board considered the proposed fiscal year 2016 ("FY16") programs and budgets for New Jersey's Clean Energy Program ("NJCEP").[1]

BACKGROUND AND PROCEDURAL HISTORY

On February 9, 1999, the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("EDECA") was signed into law. EDECA established requirements to advance energy efficiency and renewable energy in New Jersey through the societal benefits charge ("SBC").

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

N.J.S.A. 48:3-60(a)(3). EDECA further empowered the Board to initiate a proceeding and cause to be undertaken a comprehensive resource analysis ("CRA") of energy programs, which is currently referred to as the comprehensive energy efficiency ("EE") and renewable energy ("RE") resource analysis. Ibid. After notice, opportunity for public comment, public hearing, and consultation with the New Jersey Department of Environmental Protection ("DEP"), within eight months of initiating the proceeding and every four years thereafter, the Board determines the appropriate level of funding for EE and Class I RE programs that provide environmental benefits above and beyond those provided by standard offer or similar programs in effect as of February 9, 1999. These programs are now called New Jersey's Clean Energy Program (the "NJCEP").

As required by EDECA, in 1999, the Board initiated its first comprehensive EE and RE resource analysis proceeding. At the conclusion of this proceeding, the Board issued its initial order, dated March 9, 2001, Docket Nos. EX99050347 et seq. ("CRA I Order"). Through a series of Orders issued since 2001 the Board initiated and concluded a second, third and fourth CRA proceeding that set funding levels through FY14[2]. The Board also considered and approved, on an annual basis, NJCEP programs and budgets.

By Order dated June 30, 2014, Docket No. QO14050489, the Board approved the initial FY15 programs and budgets and by Order dated September 30, 2014 the Board approved compliance filings that included program descriptions and detailed budgets, which break down the overall budget of the EE and RE programs into budget line items such as Administration, Sales and Marketing, Rebates and Other Direct Incentives, etc. As it has done in prior years, the Board took action throughout the FY15 to update and otherwise modify the programs and budgets described in the June 30, 2014 and September 30, 2014 Orders. These revisions were memorialized in Orders dated December 17, 2014, April 15, 2015 and May 19, 2015 in the above-captioned docket.

By Order dated February 4, 2014, Docket No. EO130503076V, the Board delegated limited budget authority to Board Staff which authorized Staff to modify NJCEP budgets provided certain conditions set out in the Order were met. Staff made several modifications to the NJCEP FY15 budgets consistent with the requirements set out in this Order and which are summarized in the May 19, 2015 Order noted above.

At its June 17, 2015 agenda meeting, the Board approved a funding level of $344,665,000 for the NJCEP program, State Energy Initiatives and Utility Bills, and Energy Resilience Projects[3] for FY16. The order memorializing the Board's action at the June 17, 2015 agenda meeting regarding the FY16 funding level will be referred to as the "CRA IV Order". The new funding levels approved by the Board for FY16 in the CRA IV Order have been utilized below in setting the FY16 budgets.

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[2] By Order dated November 20, 2012, Docket Nos. EO07030203 and EO11100631V, the Board approved a six month funding level for the period from January 1, 2013 through June 30, 2013 that had the effect of aligning the NJCEP program from a calendar year to a fiscal year cycle, to align with the State budget cycle.

[3] In the Revised CRA – Staff Straw Proposal dated May 21, 2015, Staff identified that $10 Million in "SBC funds for the [Energy Resilience Bank] will 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." To clarify that these funds will not be transferred to the Energy Resilience Bank, the CRA IV Order changed the title of the Budget Category to "Energy Resilience Projects." The purpose of these funds remains the same. For purpose of this Order the terms Energy Resilience Bank ("ERB") and Energy Resilience Projects ("ERP") shall be interchangeable.

This Order will discuss the Office of Clean Energy (OCE) Staff's recommendations and issues related to the Board's review of proposed FY16 programs and budgets.

Staff Authorized Modifications to FY15 NJCEP Budget

The Order dated February 4, 2014 that delegated limited authority to BPU Staff to modify NJCEP budgets, authorized Staff to modify NJCEP budgets within a given Funding Category, such as EE, RE, EDA, etc., provided that the reallocation did not reduce a program's budget by more than 10%, provided that Staff notified each Commissioner in writing, and circulated a summary of the proposed changes to the public for comment at least seven days prior to implementing any budget modification.

The budget delegation Order also required Staff to report any budget reallocations and attendant public comments to the Board during the public session of any agenda meeting at which the Board considered the budget. Pursuant to the authority delegated by the Board, Staff authorized several modifications to the FY15 NJCEP budget that were memorialized in the May 19th Order noted above. The following provides the information related to one additional budget reallocation approved by Staff since the issuance of the May 19th Order:

By email dated May 19, 2015, South Jersey Gas Company (SJG), on behalf of the six utilities that manage the low-income Comfort Partner program, requested a number of modifications to the Comfort Partner program budget. The Board approved budget for this program is broken down by utility and by line items such as administration, training, marketing rebates, etc. The utilities requested numerous budget reallocations between the individual utility budgets and among line items, while maintaining the overall program budget. The proposed changes will increase direct incentives to low-income customers and for training, while reducing the Sales and Marketing and Rebate Processing line items.

The only comment received was from Rate Counsel, who did not oppose the proposed transfer but reiterated its comments submitted in the CRA proceeding that recommended that the Board address the issues raised in Apprise's evaluation of the program. However, Rate Counsel reiterated its concerns regarding the Comfort Partners program as set forth in its filed comments on the CRA Straw proposal. These comments are summarized in the CRA board order and are followed by Staff's response to the comments.

Board Confirmation of Budget Modifications Authorized by Staff

Having reviewed the request summarized above, the Board **FINDS** that the proposed budget modification authorized by Staff pursuant to the Board's February 4th Order is consistent with the requirements set out in the Order, is reasonable and will allow the programs to continue operating through the end of the budget year. Based on the above, the Board **HEREBY CONFIRMS** Staff's approval of the NJCEP budget modifications submitted by the Utilities, as outlined above.

Development of the FY16 Programs and Budget Filings

In conjunction with the Department of Treasury, Division of Purchase and Property ("Treasury"), Staff prepared requests for proposals for Market Manager and Program Coordinator services.

On August 19, 2005, Treasury issued, on behalf of the Board, Request for Proposal 06-X-38052 for NJCEP Management Services. Section 3.0.4 of the Market Manager RFP describes one of the Market Manager functions as follows:

> *The Market Manager(s), in conjunction with the Program Coordinator, shall lead and facilitate the development and revision of programs and program budgets in a coordinated process with the OCE, CEEEP[4] and CEC[5]. These changes may be in reaction to program adjustments proposed by CEEEP. The Market Manager(s) shall review the programs and their effectiveness for the purpose of improving and modifying program designs on a periodic basis . . . .*

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

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

FY15 Work Group Review of NJCEP Programs

In June 2014, through the FY15 CRA process, Staff recommended and the Board approved the creation of a Work Group to review the full suite of NJCEP programs, in order to streamline program delivery, increase customer and contractor participation and improve program performance. Through a stakeholder-driven process, the Work Group reviewed the NJCEP portfolio of programs and recommended changes to existing programs and proposed new programs.

The process was led by the Market Managers, who organized a series of stakeholder-driven subcommittee meetings, each with a specific market focus. For residential programs, Honeywell formed a Homes Subcommittee, focused on construction programs for new and existing homes, and HVAC systems. Its Products Subcommittee focused on emerging technologies and energy efficient products. TRC, the C&I Market Manager, structured its subcommittees based on key market sectors within C&I programs. These sectors were organized around current program eligibility requirements, energy usage, building type and operation (use). TRC formed six (6) subcommittees: Local Government/K-12 Schools (public and private); Small Commercial Business; Multi-Tenant Buildings & Owners/Large Commercial; Industrial/Manufacturing/Data Centers; Franchise/Chain Retail; Hospitals, Higher Education and Hotel; and partnered with HW to on a Multi-Family subcommittee.

[4] CEEEP refers to the Center for Energy, Economic and Environmental Policy at Rutgers University.
[5] CEC refers to the Clean Energy Council which is no longer operational. However, the EE and RE Committees of the former CEC continue to meet regularly and are open to any member of the public and function as public stakeholder groups.

The Market Managers identified and invited a broad spectrum of stakeholders to participate in the subcommittee meetings including, for example: contractors, trade organizations, utility representatives, program implementers, environmental organizations, product manufacturers, national and local retailers, NJCEP program partners, DOE and ENERGY STAR representatives, ESCOs, municipal and school board representatives, ESIP staff, the Large Energy Users Coalition, American Institute of Architects (AIA), building owners, municipal utility authorities, and restaurant owners.

The Market Managers prepared evaluation templates for each NJCEP program. The templates collected a wide array of information on each program, including program goals, historic program results, results of benefit/cost analysis, comparison to peer programs, customer and contractor feedback, the impact of codes and standards on that program, a review of market changes that impact baseline energy savings calculations, and a summary of recommended program modifications. The program templates prepared by the Market Managers are available at:

http://njcleanenergy.com/supporting-links

The Market Managers conducted nine (9) separate subcommittee meetings between December 2014 and January 2015, and over two full-day meetings in early February 2015, presented their findings to the Work Group's Planning Committee for discussion and consideration.

The Planning Committee included representatives from OCE Staff, Rate Counsel, Market Managers, the Program Coordinator, NJCEP evaluation consultants, NJIT's Center for Building Knowledge, P4P Program Partners, Eastern Heating and Cooling Council (EHCC), Large Energy Users Coalition (LEUC), Rate Counsel, EDF and Sustainable Jersey.

In late February, with feedback from the Planning Committee, the Market Managers presented their recommended changes to programs. The recommendations were prioritized into two categories – those that could be accomplished through changes in compliance filings and did not require contract modifications and those that require contract modifications and therefore cannot be implemented in the near term. Those that can be implemented without the need for a contract modification are summarized later in this order and were included in the draft FY16 compliance filings. The complete list of recommendations, short and long term, can be found at:

http://www.njcleanenergy.com/main/njcep-policy-updates-request-comments/policy-updates-and-request-comments

Program Evaluation

CEEEP was engaged by the Board to manage the evaluation of the NJCEP. CEEEP evaluation activities included preparation of a program cost benefit analysis, preparation of a multi-year evaluation plan, and management of other evaluation activities performed by third-party contractors. All of the evaluation reports are posted on the NJCEP web site and are available to public stakeholders.

In FY15, Energy Resource Solutions (ERS), an evaluation firm, was engaged by the Board, through CEEEP, to perform a benchmarking study of the NJCEP. The final report included several recommendations aimed at improving the performance of NJCEP programs and better aligning them with industry standards. While a review of the recommendations included in the

ERS benchmarking study is still underway, several of the recommendations are incorporated into the program changes summarized below. The ERS benchmarking study is available at:

http://www.njcleanenergy.com/files/file/Library/ERS%20Benchmark%20and%20Program%20Review_v3.pdf

Stakeholder Process

Starting in March 2015, the monthly public meetings of the EE and RE committees included discussions of the FY16 program plans and budgets. Discussions ensued at the meetings held in April, May and June of 2015. Meeting notices, including dates, times, and locations, were posted on the NJCEP website and sent to the committee listservs. All agenda and discussion materials were distributed to the committee listservs and meeting notes were posted on the website at:

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

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

Pursuant to the Board's CRA III Order, page 58, at a minimum, each program manager is required to submit a compliance filing that includes:

1. A description of the program
2. Identification of the target market and of customer eligibility
3. A description of the program offerings and customer incentives
4. A description of program delivery methods
5. A description of quality control provisions
6. Program goals including specific energy savings or renewable generation targets
7. Minimum requirements for program administration
8. Marketing plans
9. Detailed budgets that include, at a minimum, a breakdown of costs by the following budget categories:

    a. Administration and program development
    b. Sales, marketing, call centers and website support
    c. Training
    d. Rebates and other direct incentives
    e. Rebate processing, inspections and other quality control
    f. Performance incentives, and
    g. Evaluation and Related Research

In the CRA III Order, the Board directed that stakeholders and interested members of the public shall have an opportunity to comment on the detailed program plans and budgets prior to the Board's review. Id. page 59. Pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-6 et seq., on May 7, 2015, the Board gave notice that a public hearing had been scheduled for May 22, 2015, to receive comments on the proposed FY16 NJCEP programs and budgets ("the

Notice").[6] The proposed FY16 programs and budgets were posted on the NJCEP web site and circulated to the EE and RE Committee listservs along with the hearing notice.

During the public hearing, members of the public discussed the proposed programs and budgets. The hearing notice requested written comments on the proposed programs and budgets by May 22, 2015, which was extended until May 29, 2015. Both the written comments received and public testimonies taken at the public hearing are considered below.

Proposed FY16 Programs and Budgets

The FY16 budget process commenced with the preparation of a 9 & 3 Report (9 months of actual expenses and 3 months of estimated expenses) by the Program Coordinator. In order to estimate FY15 carryover, estimated total FY15 expenses were deducted from the final Board approved FY15 budget. The estimated FY15 carryover of approximately $139 million equals the level of rebate commitments that are estimated to exist as of June 30, 2015, for projects to be completed in FY16 or FY17. The following table shows the FY15 budget, estimated FY15 expenses, estimated FY15 commitments, and estimated carryover as of the end of FY15 that were used to develop the proposed FY16 budgets that were circulated for comment:

FY15 Carry Over

Budget Category	BPU Approved FY15 Budget	Estimated FY15 Expenses	Estimated FY15 Carry Over	Estimated FY15 Year End Commitments	Estimated Unspent - Uncommitted Funds
Energy Efficiency	$304,317,935.19	$181,926,811.10	$122,391,124.09	$106,000,902.43	$16,390,221.66
CHP-FC: Large & Small	$19,451,062.18	$3,608,794.33	$15,842,267.85	$9,902,307.30	$5,939,960.55
Renewable Energy	$18,236,146.52	$4,861,493.06	$13,374,653.46	$8,133,804.00	$5,240,849.46
EDA Programs	$24,695,310.11	$5,317,502.61	$19,377,807.50	$15,026,102.77	$4,351,704.73
NJCEP Administration	$11,055,293.11	$6,807,529.51	$4,247,763.60	$0.00	$4,247,763.60
True Grant	$ 1,874,500.00	($800,000.00)	$2,674,500.00	$0.00	$2,674,500.00
FY15 Estimated Interest			$155,000.00		$155,000.00
Total NJCEP	$379,630,247.11	$201,722,130.61	$178,063,116.50	$139,063,116.50	$39,000,000.00
FY15 Supplemental Lapse		$39,000,000.00	($39,000,000.00)	$0.00	($39,000,000.00)
Total	$379,630,247.11	$240,722,130.61	$139,063,116.50	$139,063,116.50	$0.00

Estimated Expenses and Commitments from 9 & 3 Report

[6] At the public hearing held on May 22, 2015, in Trenton New Jersey the Board accepted comments on both the FY16 programs and budgets and Staff's FY16 CRA Straw Proposal.

The Board established the level of new funding available for the NJCEP in FY16 in the CRA IV Order referenced above. The following table shows the proposed FY16 funding level allocated to the various Funding Categories and used to develop draft FY16 budgets:

Proposed FY16 Funding Level

EE	$176,675,000.00
CHP-FC	$14,776,000.00
RE	$11,000,000.00
EDA	$2,500,000.00
Program Administration	$8,725,000.00
Total NJCEP Programs	**$213,676,000.00**
True Grant	**$2,700,000.00**
State Energy Initiatives and Utility Costs	**$118,289,000.00**
Energy Resilience Projects	**$10,000,000.00**
Total	**$344,665,000.00**

The NJCEP has provided the EDA with funding for the NJCEP programs EDA manages. Any unspent NJCEP funds held by EDA earn interest. The EDA has also issued loans and grants through the NJCEP that are repaid over time. Any such interest and loan repayments become available for new program activity. The EDA has estimated that interest and loan repayments for the period from July 1, 2014 through June 30, 2015 will total $1,309,057.88. This funding is available for allocation to NJCEP programs.

The NJCEP Trust Fund also earns interest which is available for allocation to NJCEP programs. The Board's Fiscal Office has estimated that $155,000 in interest will be credited to the Trust Fund in both FY15 and FY16. The carryover shown above and the budget shown below include the anticipated interest payments.

At the time the draft FY16 budget was released for public comment, the Governor's Budget Message had identified $39 million to be lapsed from the FY15 NJCEP budget to the State's general fund. As indicated in the Line Item Transfers column in the table below, the draft FY16 program budget includes this lapse.

The following table shows the proposed FY16 new funding level, estimated FY15 carry over, line item transfers to cover the $39 million lapse, EDA interest and loan repayments, and the resultant draft FY16 budget that was circulated for comment. The table also shows the level of commitments estimated to exist as of June 30, 2016 and the proposed FY16 budget when the estimated commitments are deducted.

Proposed FY16 Program Funding

Budget Category	New FY16 Funding	Estimated FY15 Carry Over	Line Item Transfers	Other Anticipated New Funding	FY16 Budget	Estimated FY16 Year End Commitments	FY16 Budget less Estimated Commitments
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)=(e)-(f)
Energy Efficiency	$176,675,000.00	$122,391,124.09	($17,119,500.00)	$155,000.00	$282,101,624.09	$113,042,456.77	$169,059,167.32
CHP-FC: Large & Small	$14,776,000.00	$15,842,267.85	($10,000,000.00)	$0.00	$20,618,267.85	$14,000,000.00	$6,618,267.85
Renewable Energy	$11,000,000.00	$13,374,653.46	($4,059,747.24)	$0.00	$20,314,906.22	$9,000,000.00	$11,314,906.22
EDA Programs	$2,500,000.00	$19,377,807.50	($3,448,984.67)	$1,309,057.88	$19,737,880.71	$14,000,000.00	$5,737,880.71
NJCEP Administration	$8,725,000.00	$4,247,763.60	($4,216,768.09)	$0.00	$8,755,995.51	$0.00	$8,755,995.51
Total NJCEP	**$213,676,000.00**	**$175,233,616.50**	($38,845,000.00)	**$1,464,057.88**	**$351,528,674.38**	**$150,042,456.77**	**$201,486,217.61**
True Grant	$2,700,000.00	$2,674,500.00		$0.00	$5,374,500.00		$5,374,500.00
Total	**$216,376,000.00**	**$177,908,116.50**	($38,845,000.00)	**$1,464,057.88**	**$356,903,174.38**	**$150,042,456.77**	**$206,860,717.61**

(a) Proposed FY16 New Funding
(b) Estimated FY15 carry over
(c) Line item transfers between budget categories
(d) Other Anticipated Funding: EDA interest and loan repayments, Trust Fund interest
(e) FY16 Budget equals New FY16 Funding (a), plus estimated carry over (b), plus line item transfers (c), plus other anticipated new funding (d)
(f) Estimated program commitments as of June 30, 2016.
(g) FY16 budget, less estimated program commitments.

Proposed FY16 Budget

OCE Staff developed a FY16 NJCEP straw budget that was circulated to the EE and RE committees and that was used as a basis for commencing FY16 program and budget discussions. Based on the goals and strategies set forth in the Energy Master Plan and the policy objectives of the NJCEP, as well as historic spend rates the Market Managers developed proposed programs and budgets for discussion at the EE and RE committee meetings. The Market Managers considered the comments of committee members and Staff and energy savings goals in developing their proposed budgets. The following tables comprise the proposed FY16 NJCEP budget and programs that were circulated for comment on May 7, 2015:

EE/CHP-FC Program Budget

The FY16 Energy Efficiency (EE) program budgets circulated by Staff for comment are shown in the following table. The table is followed by a brief description of the programs.

Proposed FY16 EE & CHP-FC Program Budget

Programs	BPU Approved FY15 Budget	Estimated FY15 Expenses	Estimated FY15 Carry Over	Line Item Transfers	New FY16 Funding	FY16 Budget	Estimated Commitments
Residential EE Programs	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)=(c)+(d)+(e)	(g)
Residential HVAC - Electric & Gas	$12,415,469.42	$11,669,506.10	$745,963.32	$0.00	$12,441,715.49	$13,187,678.81	$0.00
Residential New Construction	$14,848,397.29	$5,306,179.39	$9,542,217.90	($1,000,000.00)	$7,135,475.05	$15,677,692.95	$9,300,000.00
Energy Efficient Products	$17,218,939.09	$16,160,243.44	$1,058,695.65	$0.00	$18,390,970.07	$19,449,665.72	$0.00
Home Performance with Energy Star	$45,291,975.16	$34,846,842.62	$10,445,132.54	($1,000,000.00)	$27,592,957.79	$37,038,090.33	$9,500,000.00
Residential Marketing	$1,309,984.00	$1,299,831.85	$10,152.15	$0.00	$1,238,881.60	$1,249,033.75	$0.00
Sub Total Residential	**$91,084,764.96**	**$69,282,603.40**	**$21,802,161.56**	($2,000,000.00)	**$66,800,000.00**	**$86,602,161.56**	**$18,800,000.00**
Residential Low Income Program							
Comfort Partners	**$35,000,000.00**	**$24,000,000.00**	**$11,000,000.00**	($11,000,000.00)	**$30,000,000.00**	**$30,000,000.00**	**$0.00**
C&I EE Programs							
C&I New Construction	$3,305,210.99	$1,738,981.05	$1,566,229.94	($500,000.00)	$2,000,000.00	$2,966,229.94	$1,080,021.86
C&I Retrofit	$64,058,738.87	$32,644,669.42	$31,414,069.45	($1,519,500.00)	$22,076,311.35	$51,970,880.80	$31,427,485.39
Pay-for-Performance New Construction	$13,279,268.58	$4,138,432.68	$9,140,835.90	$0.00	$7,000,000.00	$16,140,835.90	$9,464,090.81
Pay-for-Performance	$30,191,851.98	$7,420,477.68	$22,771,374.30	($1,000,000.00)	$13,000,000.00	$34,771,374.30	$21,306,067.84
Local Government Audit	$2,766,980.50	$1,534,968.00	$1,232,012.50	$0.00	$2,000,000.00	$3,232,012.50	$879,911.00
Direct Install	$48,981,360.42	$36,119,780.69	$12,861,579.73	($500,000.00)	$25,300,000.00	$37,661,579.73	$12,739,096.22
Marketing	$1,075,000.00	$998,688.65	$76,311.35	$0.00	$998,688.65	$1,075,000.00	$0.00
Large Energy Users Program	$14,574,758.89	$4,048,209.53	$10,526,549.36	($500,000.00)	$7,500,000.00	$17,526,549.36	$10,304,229.31
Sub Total C&I	**$178,233,170.23**	**$88,644,207.70**	**$89,588,962.53**	($4,119,500.00)	**$79,875,000.00**	**$165,344,462.53**	**$87,200,902.43**
Total Energy Efficiency	**$304,317,935.19**	**$181,926,811.10**	**$122,391,124.09**	($17,119,500.00)	**$176,675,000.00**	**$281,946,624.09**	**$106,000,902.43**
C&I CHP-FC							
CHP-FC: Large and Small	**$19,451,062.18**	**$3,608,794.33**	**$15,842,267.85**	($10,000,000.00)	**$14,776,000.00**	**$20,618,267.85**	**$9,902,307.30**

(a) Board approved revised FY15 budgets from Board Orders dated 12/17/14, 4/15/15, and 5/19/15

(b) Estimated FY15 expenses from 9 & 3 report

(c) FY15 budget less estimated expenses. Negative carryover occurs where estimated expenses exceed budget.

(d) Line item transfers to or from one NJCEP program to another NJCEP program.

(e) Level of new FY16 funding allocated to each program.

(f) FY16 Budget = FY15 Carry over + Line Item Transfers + New FY16 Funding

(g) Committed expenses anticipated to be paid in FY16 or FY17

1. Residential HVAC – Electric and Gas: The Residential Gas and Electric HVAC Program provides rebates to customers that purchase high efficiency heating and cooling equipment such as furnaces and central air conditioners.
2. Residential New Construction: The Residential New Construction Program provides financial incentives to builders that construct new homes meeting the New Jersey Energy Star Homes standards, which exceed the requirements of existing energy codes.
3. Energy Efficient Products: The Energy Efficient Products Program provides financial incentives and support to retailers that sell energy efficient products, such as appliances or compact fluorescent light bulbs.
4. Home Performance with Energy Star: The Home Performance with Energy Star Program relies on contractors that are Building Performance Institute (BPI) certified and incentivizes the installation of whole-house energy conservation measures, such as new HVAC, air sealing, insulation, etc. in existing homes.
5. Residential Marketing: The residential marketing budget is for all marketing activities related to promoting the residential programs.
6. Residential Low Income: The Comfort Partners Program provides for the installation of energy conservation measures at no cost to income-qualified customers.

7. C&I New Construction: The C&I New Construction Program provide rebates and other incentives to commercial and industrial customers that design and build energy efficient buildings.
8. C&I Retrofit: The C&I Retrofit Program provide rebates and other incentives to commercial and industrial customers that install high efficiency equipment in existing buildings.
9. Pay-for-Performance New Construction: The Pay-for-Performance New Construction program provides incentives for new buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
10. Pay-for-Performance: The Pay-for Performance program provides incentives for existing buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
11. Local Government Audit: The Local Government Energy Audit program offers subsidized energy efficiency audits to municipalities, school districts and non-profits.
12. Direct Install: The Direct Install program provides incentives for the installation of energy efficiency measures in small commercial buildings and non-profits.
13. C&I Marketing: The C&I marketing budget is for all marketing activities related to promoting the C&I programs.
14. Large Energy Users Program: the Large Energy Users Program provides incentives to the State's largest energy users through a streamlined program approach.
15. CHP- Fuel Cell: The combined heat and power ("CHP") and Fuel Cell program provides incentives for the installation of CHP and fuel cell systems.

Renewable Energy Program Budget

The FY16 Renewable Energy (RE) program budgets circulated by Staff for comment are shown in the following table. The table is followed by a brief description of the programs:

Proposed FY16 Renewable Energy Program Budget

Programs	BPU Approved FY15 Budget	Estimated FY15 Expenses	Estimated FY15 Carry Over	Line Item Transfers	New FY16 Funding	FY16 Budget	Estimated Commitments
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)=(c)+(d)+(e)	(g)
Offshore Wind	$ 450,433.41	$ -	$450,433.41			$450,433.41	$ -
Renewable Energy Program: Grid Connected	$ 203,720.00	$ 203,720.00	$0.00			$0.00	$ -
Renewable Energy Incentive Program	$ 17,522,245.87	$ 4,657,773.06	$12,864,472.81	($4,000,000.00)	$11,000,000.00	$19,864,472.81	$ 8,133,804.00
Edison Innovation Clean Energy Fund (formerly CST)	$ 59,747.24	$ -	$59,747.24	($59,747.24)		$0.00	$ -
TOTAL Renewables	**$18,236,146.52**	**$4,861,493.06**	**$13,374,653.46**	($4,059,747.24)	**$11,000,000.00**	**$20,314,906.22**	**$8,133,804.00**

1. Offshore Wind: The Offshore Wind program will fund additional OSW studies and review of OSW applications.
2. Renewable Energy Program: Grid Connected. This program was closed in FY15.
3. Renewable Energy Incentive Program: This program provides incentives for energy storage and biomass facilities. This program also provides services related to the establishment and trading of RECs and SRECs.

4. Edison Innovation Clean Energy Fund: This program was closed in FY15.

EDA Program Budget

The draft FY16 budget for the EDA programs reflects the continuation of the Edison Innovation Clean Energy Manufacturing Fund (CEMF) and the Green Growth Fund (GGF). The budget also includes funding for CHP-FC applications submitted to EDA prior to when the Large Scale CHP-FC program was transferred to Staff in FY14. The draft FY16 EDA program budgets are shown in the table below, followed by a brief description of the programs.

Proposed FY16 EDA Program Budget

Programs	NJBPU Approved FY15 Budget	Estimated FY15 Expenses	Estimated FY15 Carry Over	Other Anticipated New Funding	Line Item Transfers	New FY16 Funding	FY16 Budget	Estimated Commitments
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f)	(g) = (c)+(d)+(e)+(f)	(h)
EDA PROGRAMS								
Clean Energy Manufacturing Fund	$ 8,536,276.49	$ 2,915,774.11	$5,620,502.38	$1,309,057.88	($1,500,000.00)	$1,150,000.00	$6,579,560.26	$ 3,500,326.77
Edison Innovation Green Growth Fund	$ 5,237,408.95	$ 618,864.50	$4,618,544.45			$1,150,000.00	$5,768,544.45	$ 4,336,000.00
Large CHP Solicitation	$ 10,921,624.67	$ 1,782,864.00	$9,138,760.67		($1,948,984.67)	$200,000.00	$7,389,776.00	$ 7,189,776.00
Total EDA Programs	**$24,695,310.11**	**$5,317,502.61**	**$19,377,807.50**	**$1,309,057.88**	($3,448,984.67)	**$2,500,000.00**	**$19,737,880.71**	**$15,026,102.77**

1. Edison Innovation Clean Energy Manufacturing Fund: The Edison Innovation Clean Energy Manufacturing Fund provides incentives to attract and expand energy efficiency and renewable energy manufacturing facilities in New Jersey.
2. Green Growth Fund: The Green Growth Fund offers assistance in the form of loans to clean technology companies that have achieved 'proof of concept' and successful, independent beta results, and who seek funding to grow and support their technology businesses.
3. Large CHP: The FY15 budget will fund the applications submitted to EDA prior to the program being transferred to the OCE.

NJCEP Administration Budget

The NJCEP Administration budget includes four components:

1. Administration and Overhead
2. Memberships
3. Evaluation and Related Research
4. Outreach and Education

Administration and Overhead includes OCE Staff salaries and fringe benefits, and Program Coordinator services. The Membership component includes funding for membership in the National Association of State Energy offices (NASEO). The Evaluation and Related Research component includes funding for program evaluation, the results or which inform incentive levels and program design. The Outreach and Education line includes funds for a clean energy business web site, for two new initiatives with Rutgers and NJIT, and for a grant to Sustainable Jersey. These components of the Administration budget are discussed in more detail in the OCE compliance filing.

The draft FY16 NJCEP Administration budget is shown in the table below.

Proposed FY16 NJCEP Administration Budget

Program	BPU Approved FY15 Budget	Estimated FY15 Expenses	Estimated FY15 Carry Over	Line Item Transfers	New FY16 Funding	FY16 Budget
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c)+(d)+(e)
Administration and Overhead						
OCE Staff and Overhead	$ 2,341,212.31	$ 2,341,212.31	$0.00	($100,000.00)	$2,500,000.00	$2,400,000.00
Program Coordinator	$ 2,200,000.00	$ 1,752,171.50	$447,828.50	($326,832.99)	$900,000.00	$1,020,995.51
Sub-Total: Administration and Overhead	**$4,541,212.31**	**$4,093,383.81**	**$447,828.50**	($426,832.99)	**$3,400,000.00**	**$3,420,995.51**
Memberships-Dues						
2012 Sponsorships	$ 200,000.00	$ 15,000.00	$185,000.00	($175,000.00)	$0.00	$10,000.00
Sub-Total: Memberships-Dues	**$200,000.00**	**$15,000.00**	**$185,000.00**	($175,000.00)	**$0.00**	**$10,000.00**
Evaluation and Related Research						
Rutgers-CEEEP	$ 2,140,227.35	$ 1,915,227.35	$225,000.00	($225,000.00)	$1,265,344.00	$1,265,344.00
Funding Reconciliation	$ 52,545.00	$ -	$52,545.00	($52,545.00)	$0.00	$0.00
Program Evaluation	$ 3,323,634.10	$ -	$3,323,634.10	($3,323,634.10)	$2,988,412.00	$2,988,412.00
Sub-Total: Evaluation and Related Research	**$5,516,406.45**	**$1,915,227.35**	**$3,601,179.10**	($3,601,179.10)	**$4,253,756.00**	**$4,253,756.00**
Outreach and Education						
Clean Energy Business Web Site	$ 120,000.00	$ 106,244.00	$13,756.00	($13,756.00)	$46,244.00	$46,244.00
Rutgers LESS	$ -	$ -	$0.00		$150,000.00	$150,000.00
NJIT Clean Energy Learning Center	$ -	$ -	$0.00		$375,000.00	$375,000.00
Sustainable Jersey	$ 677,674.35	$ 677,674.35	$0.00		$500,000.00	$500,000.00
Sub-Total: Outreach and Communications	**$797,674.35**	**$783,918.35**	**$13,756.00**	($13,756.00)	**$1,071,244.00**	**$1,071,244.00**
Total NJCEP Administration	**$11,055,293.11**	**$6,807,529.51**	**$4,247,763.60**	($4,216,768.09)	**$8,725,000.00**	**$8,755,995.51**

Summary of Proposed Program Modifications

The following summarizes the program changes proposed by the Market Managers in the draft Compliance filings:

Residential HVAC Program

Honeywell, the residential Market Manager, has proposed the following modifications to better align eligible equipment with available technology and recently revised regional and national efficiency specifications. These recommendations include:

- Adjusting *WARMAdvantage* and *COOLAdvantage* highest tier incentive requirements to match performance levels for CEE Tier 3 and ENERGYSTAR Most Efficient versus standard ENERGY STAR labeling.
- Modifying the incentive amount and eligibility levels to include the most efficient ductless equipment that is available in the market, and expanding. Manual J Load sizing requirements to include ductless equipment.
- Restoring the *COOLAdvantage* entry tier to align with performance levels for CEE Tier 2.
- Exploring *WARMAdvantage* support for high-efficiency boiler circulation pumps through a mid- and upstream incentive that addresses the key market barriers for this measure.
- Transitioning *WARMAdvantage* support for water heating equipment from direct rebates to customers to mid and upstream incentives to increase equipment availability, program participation, and savings yield.
- Discontinuing the Boiler Reset Controls, due to a lack of participation in the program.

HW also proposed changes to performance criteria and incentive amounts to improve overall program performance.

Residential New Construction Program

The Residential New Construction (RNC) Program is designed to increase the energy efficiency and performance of residential new construction in New Jersey. The RNC Program has the long-term objective of transforming the market to one in which a majority of residential new construction in the state is "net zero-energy," i.e., extremely efficient buildings whose low energy needs can be met by renewable energy generation. The changes proposed for FY16 are designed to incentivize builders to become familiar with IECC2015 code, scheduled for adoption in 2015, and to encourage the adoption of the Energy Rating Index (ERI) compliance path within the code, as well as to promote energy efficiency through a performance-based incentive structure. Proposed changes to program incentives and implementation include:

- A performance-based incentive matrix based on HERS scores whereby the lower the HERS score the more efficient the home and the higher the incentive
- Providing flexibility around Tier 3 renewable requirements to allow alternative approaches that do not require the installation of renewable energy systems
- Transitioning to a performance-based incentive structure for Multi-family
- Increased communication from the program to the participants
- Increased marketing and outreach

Home Performance with Energy Star Program

The Market Manager team has developed a set of proposals designed to increase the savings associated with each dollar spent in the HPwES program while increasing the savings on a per project basis. Proposed changes include:

- Reduced incentive levels and interest rate buy-downs to a sustainable level
- Boosting savings for single-family projects through increased insulation and duct sealing requirements
- Increase program participation by ramping up multifamily projects, increased program-specific marketing, and developing a pilot program for insulation and remodeling projects

Energy Efficient Products Program

The Market Manager Team's recommendations are intended to boost savings per dollar spent by focusing on two main areas of opportunity: 1) specific recommendations on equipment categories and eligibility levels, and 2) new approaches to greater market penetration, driving demand and impact.

In the first category, qualifying products, Honeywell has proposed modifications to existing equipment and eligibility levels to improve alignment with available technology and recently revised regional and national efficiency specifications. These recommendations include:

- When scoring marketing proposals for upstream lighting incentives and for creative lighting promotions, continue to increase the percentage of LEDs while reducing the percentage of CFLs in the mix of lighting products promoted through the NJCEP, and eliminate the incentive for single package CFLs to increase multi-pack sales;
- Reduce CFL & LED incentives by a minimum of 10%;

- Based on a review of available models in the NJ market, update clothes washer and refrigerator rebates to include a two-tiered specification for ENERGY STAR and CEE Tier 2; and
- To provide deeper savings opportunities that address plug loads, add a Tier 2 Advanced Power Strip rebate.

In the second category, increased market penetration, Honeywell has proposed the following recommendations:

- Running an annual solicitation for that incentivizes cable service providers to promote whole-home set top box replacements;
- Providing a rebate for an ENERGY STAR clothes dryer and washer pair and shift to a rebate that pairs a new ENERGY STAR refrigerator with the recycling of an old refrigerator; and
- Exploring an NJCEP pilot of the ENERGY STAR Retail Products Platform, a nation-wide initiative to stock and promote ENERGY STAR products.

For Commercial and Industrial EE programs, TRC made the following recommendations:

C&I Portfolio

- Revised entity cap language that clarifies that, based on the date of approval of an application, Energy Reduction Plan, Final Energy Efficiency Plan or Scope of Work, entities are eligible for up to $4 million per program year, with the opportunity for up to $5 million if the entity pursues CHP/FC in addition to energy efficiency within the same facility.

C&I Retrofit and New Construction

The proposed changes reflect input from stakeholders and Staff and seek to be more responsive to frequent changes in lighting technologies, to streamline the application review process and better respond to program trends.

- Remove the requirement for a pre-inspection and pre-approval of new measures prior to installation for all prescriptive measures, with the exception of lighting and lighting controls.
- Revise gas boiler and electric chiller incentive structure to add specific categories for condensing and non-condensing boilers and set efficiency requirements that achieve ASHRAE 90.1-2013 or better.
- Review current and new LED measures to move them from custom to prescriptive incentives.
- For LED products only, where products are evolving rapidly, allow Board Staff to authorize the addition of new measures to the prescriptive rebate list and set initial rebate levels.
- Numerous changes to prescriptive lighting rebates including lower incentives for several fluorescent and LED measures and the addition of several new LED measures.
- The performance lighting component of the program is currently available for new construction only. In FY16 the performance lighting program will be expanded to allow existing facilities to qualify provided that the existing lighting is completely removed.
- Eliminate enhanced incentives for C&I customers impacted by Superstorm Sandy.

- Building shell improvements are not currently eligible for NJCEP incentives. In FY16 the C&I Retrofit and New Construction program will be modified to allow building shell improvements to be evaluated for incentives through the custom path component of the program.
- Eliminate IRR requirement for Custom projects.

Direct Install

Regular communication with the DI contractors and other stakeholder involved in the program planning process indicated that many of the recent program changes have been successful in improving the DI program. Additional proposed changes include:

- Allow series boilers in K-12 schools to be eligible for incentives.
- Develop additional/enhanced incentives to increase participation in distressed communities.
- The current program includes a cap of 500,000 Btuh for boilers and furnaces. In FY16 the cap will be increased to 1,500,000 Btuh for boilers and 140,000 Btuh for furnaces and the program will allow the replacement of an oversized boiler with a smaller boiler as long as the replacement until does not exceed the size cap. Institute a permanent waiver that allows religious facilities which are residentially metered to participate in Direct Install.

Pay for Performance – Existing Buildings

These recommendations will eliminate overlap with the DI program; eliminate requirements that do not enhance program effectiveness, and will improve access to NJCEP programs for certain sectors that are otherwise under-served.

- Increase minimum peak demand requirement from 100 kW peak demand to 200 kW to align with the Direct Install threshold.
- The program currently allows the Market Manager to waive minimum peak demand requirement for hospitals, public colleges/universities, 501(c) 3 non-profits, local governments and K-12 public schools, and affordable rate multifamily housing. In FY16 the Market Manager will no longer have the authority to waive the minimum peak requirement.
- Eliminate IRR requirement.
- Expand high energy intensity reduced (4%) savings requirement to hospitals.
- The Pay for Performance program currently limits the level of savings from lighting to 50% of the total project savings. In FY16 the allowable percentage of energy savings to be achieved through lighting will be increased from 50% to a maximum of 70%; however, if the percentage of savings from lighting exceeds 50%, the minimum energy savings required of the project will also be increased.
- Add a rule that a project may not apply for incentives in other programs, with the exception of the CHP-FC program, while doing P4P and allow Market Manager to make exceptions on a case by case basis.
- Adopt an alternative compliance path that incorporates the Investor's Confidence Project (ICP) protocols.

Pay for Performance New Construction

- The current program includes a minimum square footage requirement and allows the Market Manager to waive the requirement for hospitals, public colleges/universities, 501(c) 3 non-profits, local governments and K-12 public schools, and affordable rate multifamily housing. In FY16, the Market Manager will no longer have the authority to waive the minimum square footage requirement.
- Adopt an alternative compliance path that incorporates Investor's Confidence Program (ICP) protocols.

Local Government Energy Audit

These recommendations are intended to better align the program with the DI program and address comments received from stakeholders regarding larger school districts.

- Increase minimum usage requirement from 150 kW peak demand to 200 kW to align with Direct Install and the proposed revision to the P4P threshold.
- The LGEA program currently caps incentives at $100,000 per fiscal year, per entity to subsidize the cost of the energy audit. In FY16 the Market manager will be authorized to waive the cap, up to a maximum of $300,000 per fiscal year, per entity, for larger entities such as school districts with a large number of schools.
- Require a more thorough assessment of existing building shell and proposed improvements (if applicable) in the audit, including how existing conditions are documented (reference P4P EB guidelines).

Large Energy Users

- Eliminate IRR and simple payback requirement.

Combined Heat and Power/Fuel Cells

These recommended changes reflect comments from stakeholders and an assessment of peer programs and incentives.

- Create a tiered small-scale incentive to provide a consistent incentive structure across all system sizes. This proposed change applies to CHP and Waste Heat to Power systems; it would not apply to Fuel Cells.
- CHP and Fuel Cell projects will be evaluated for incentives on a per site basis. Phased installations of a system at the same site within a 12 month period will be evaluated for incentives as a single project.

SREC Registration Program (SRP)

In FY16, the SREC Registration Program will transition from a paper-based registration to an electronic portal that will enable registrants to enter data online and upload supporting documents. This will create a more streamlined and automated registration and acceptance process, and will allow the Market Manager to more effectively manage the robust registration volumes it has been experiencing. It will also help control administrative costs and improve the experience of program participants.

The Market Manager will continue to update program procedures and requirements as necessary to ensure that the SRP registration process complies with the Solar Act and all applicable rules governing the program. Additionally, the Market Manager will work closely with Navigant Consulting, the administrator of the EDC SREC-based Financing Program, to coordinate the implementation of that program.

REIP Sustainable Bio-power

The stakeholder process will be utilized to ensure that sustainable bio-power projects continue to be developed in a timely manner and with appropriate incentives. Future program design and incentive structures will be reviewed through the Bio-power Technical Working Group. The Market Manager will perform targeted outreach to the bio-power industry to enable a more robust working group. A topic that will be discussed in the Working Group meetings is whether the program should continue with incentives based on a competitive solicitation, or, alternatively, if the program should revert to offering fixed incentive levels. Based on that stakeholder input, OCE Staff and the Market Manager will prepare a recommendation regarding the structure of the bio-power incentives that will be presented to the Board for consideration at a regularly scheduled Board meeting.

REIP Renewable Electric Storage

Through an organized stakeholder process and informed by the results of the FY15 solicitation, Staff and the Market Manager will recommend improvements to the design and incentive structure of the renewable electric storage program., and Staff will present these recommendations to the Board for consideration at a regularly scheduled Board meeting.

Summary of Comments from Public Stakeholders

Draft FY16 NJCEP Budgets and Compliance Filings, including the proposed changes summarized above, were posted on the BPU and NJCEP web sites and circulated for comment on or about May 7, 2015. The Board held a public hearing on May 22, 2015 and accepted written comments through May 29, 2015.

Comments were received from NJ Air Conditioning Contractors Association (ACCA); BC Express; Bloom Energy Corporation (Bloom); Bovio Heating Plumbing Cooling & Insulation (Bovio); the Energy Analysis Group (EAG); EAM Associates (EAM); Eneractive Solutions (EAS); the Environmental Defense Fund (EDF); the Fuel Cell & Hydrogen Energy Association (FCHEA); Hutchinson Heating Plumbing & Cooling (Hutchinson); Laury Heating Cooling & Plumbing (Laury); NJ Large Energy Users Coalition (LEUC); MaGrann Associates (MaGrann); the New Jersey Business and Industry Association (NJBIA); New Jersey Natural Gas (NJNG); the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel); ReVireo; Rubino Service Company (Rubino); Sanders Home Services (Sanders); and US Department of Energy (US DOE).

Comments were also received from AF Mensah, Inc.; IGS generation; Jersey Central Power and Light Company; NJR Clean Energy Ventures; Rate Counsel; SunEdison; SolarCity Corporation; and the Solar Energy Industry Association in response to Staff's proposal regarding the RE Storage program. These comments will be discussed further at a forthcoming meeting of the RE Storage Work Group and addressed by the Board at a future agenda meeting. They are not considered herein.

The following summarizes the written comments received as well as the testimony presented at the public hearing.

General

Comment: The CRA Straw Proposal discusses the history of funding lapses, which have resulted in collections from ratepayers that have exceeded program expenditures over the years. If the budgeted funds are not spent on EE programs, these lapsed funds do not produce the benefits that energy efficiency provides to all users on the system. Budget lapses thus pose a threat to energy efficiency because energy efficiency investment requires stable, predictable funding streams over a long planning horizon. **Rate Counsel** recommends that OCE continue to aggressively review its budgeting processes in coordination with the new Program Administrator to minimize this reoccurrence.

Response: Staff concurs with Rate Counsel's recommendation and will continue to review the budgeting process to minimize over-collections. Staff anticipates that based on estimated FY16 activities, the NJCEP budget will be fully expended and/or committed.

Comment: Staff proposes a slight reduction in the EE program budget, from $304 million in FY15 to $282 million in FY16. **Rate Counsel** supports this reduction, in anticipation of a strategic planning process to be conducted with the assistance of a new Program Administrator.

Response: Staff appreciates Rate Counsel's support of the proposed EE funding level.

Comment: NJNG strongly supports the proposed increase in the marketing budgets given its own experience in meeting customers who are unaware of the programs or confused by changing codes and standards and longer payback periods for some investments. In addition, NJNG supports the increased emphasis on evaluation and also recommends that Staff seek stakeholder feedback prior to finalizing evaluation reports.

Response: Staff appreciates NJNG's support for the proposals to increase marketing and program evaluation activities. Staff concurs with the recommendation to solicit stakeholder input prior to finalizing evaluation reports.

Comment: NJNG supports the proposed membership in NASEO and urges the NJCEP to consider maintaining membership in the Consortium for Energy Efficiency ("CEE") as well. The commenter believes that CEE is an excellent source for maintaining lists of qualified equipment, summaries of program design approaches in other jurisdictions, information on new technologies and the impact of code and standard changes, and practical input on program design and delivery from the perspective of program implementers.

Response: Staff will continue to explore opportunities to fund memberships deemed beneficial to the NJCEP.

Program Evaluation

Comment: The recommended budget in the Straw Proposal for evaluation appears to be reduced from the Fiscal Year 2015 level, $5.2 million, to $4.2 million. **Rate Counsel** would strongly suggest that, at minimum, the FY15 budget level be maintained, and that other program adjustments are investigated to accommodate this level. Program evaluations are critical to properly measure the actual benefits and value of the State's clean energy programs. The OCE should provide a FY16 budget line for each of the studies listed in the CRA Straw Proposal and spend no less than the FY15 budget for evaluation.

Response: In coordination with CEEEP and NJCEP consultants, Staff developed an evaluation plan that outlines a full program of FY16 evaluation activities. The proposed FY16 evaluation budget includes sufficient funding for all anticipated FY16 evaluation activities. Therefore, Staff does not support increasing the proposed evaluation budget at this time. If it turns out that planned FY16 evaluation activities require additional funding, Staff will recommend that the Board transfer funds from other programs as required. Staff will coordinate with Rate Counsel to identify the anticipated costs of the planned FY16 evaluation activities.

HVAC

Comment: NJNG, which has had energy efficiency programs in place since 2009, generally supports the proposed changes to the WARMAdvantage and COOLAdvantage programs. NJNG expresses concern regarding the long term recommendation to move to an "upstream" approach for water heater incentives, stressing that it will be critical to ensure that the units receiving the incentive are installed in New Jersey and to develop controls to avoid double counting units that are installed as part of a whole house/whole building program. NJNG also recommends close coordination between the HVAC market and HPwES.

Response: Staff shares NJNG's concerns regarding upstream incentives for HVAC measures but believes that the approach presents an opportunity to maintain program benefits at a significantly lower cost. For FY16, the NJCEP is proposing a pilot program to explore the potential benefits before full implementation. The results of the pilot will help inform whether or not a shift to upstream incentives in the HVAC market is warranted. Staff will consider NJNG's and other stakeholder input before developing recommendations to expand the program beyond the pilot phase.

Home Performance with Energy Star

Comment: The following companies or trade groups submitted substantially identical comments on the proposed modifications to the Home Performance with Energy Star ("HPwES") and WARMAdvantage/ COOLAdvantage programs: **ACCA; BC Express; Hutchinson; Laury; Sanders; Bovio, and Rubino**.

The commenters oppose requiring every HPwES project to include insulation, arguing that such a requirement conflicts with maximizing the Total Energy Savings ("TES") of each project and will result in shifting the focus of participating contractors and homeowners from improved including indoor air quality, to commodity. In particular, the commenters allege that it would be counter-productive to favor insulation measures, which they project will produce a 3-5% TES, over other measures that they state could produce greater savings, sometimes at lesser cost. The contractors state that projects with hybrid/heat pumps average a 3% TES increase over AC units. The added cost tends to be less than the financial burden of the insulation measure.

The contractors state that the proposed reductions to the Tier 1, 2, and 3 incentives in the HPwES program will drive a disproportionate number of homeowners to the Warm/Cool Advantage programs, particularly given what the commenters believe is the inability of many homeowners to distinguish between good and poor HVAC installations. The commenters provide tables showing the calculated reduction in HPwES incentives and increase in Warm and Cool Advantage incentives from FY15 to FY16.

The contractors oppose reducing the production incentive, arguing that contractor recommendations to consumers are the "lifeblood" of the program and that if contractors do not perceive participation in the program as financially desirable, neither will consumers. The contractors make the following alternative recommendations:

- Reduce time contractors must wait for payment to at or near thirty (30) days;
- Decouple contractor loan payments from the QA/QC process so that payment schedule aligns with that of non-HPwES installations;
- Correlate incentives and penalties with a contractor's overall performance

The commenters recommend reducing the barriers to participation in HPwES by streamlining software input, working with financial institutions to streamline the financial approval and loan process, and increasing the extent to which the processing can be done on-line.

The commenters state that the addition of a low-interest loan in combination with an increase in loan amount from $10,000 to $15,000 would be constructive but oppose any elimination of the 0% interest option. In support of this position, the commenters state that the great majority of homeowners have historically opted for a lower repayment cost over a higher cost and claim that the monthly repayment of a $15,000 loan over ten years would equal approximately $145 while the same monthly payment of a $10,000 loan at 0% interest would be roughly $83.

Similarly, the contractors oppose any reduction in loan term from ten years, as they believe that, for example, a 0% interest loan repaid over seven years would be significantly more costly to a homeowner than a .99% or even 1.99% loan repaid over ten years.

The contractors recommend increasing the Co-Op advertising, reducing the BPU and OCE language and logos required in advertisements, and eliminating these requirements altogether "if the landing pages they are directed to have required language and logos, if any." The commenters urge that incentive commitments made in FY15 to projects which exceed the 120-month expiration in FY16 be honored under the program terms in effect when the commitments were made. In addition, they urge that any webpage that lists participating contractors include only contractors actively participating in that program and that only active contractors receive Co-Op Advertising funds. They state that some HPwES contractors use the sites for leads and then convince homeowners not to participate in a program.

The commenters also have a number of specific recommendations for program implementation in the upcoming fiscal year:

- More frequent training, held during off-peak hours, and including RHA training, technical training, and financing options training, all to be offered both on-site and as webinars.
- State sponsored support materials for sales training, as well as process packets that would walk consumers through the entire HPwES process
- Developing contractor "best practices," with which the contractors state they are willing and able to assist

- All programs should be subject to the same types of standards, and minimum contractor qualifications should be required for contractors participating in every program

In addition to the comments provided by the contractors summarized above, the **Energy Analysis Group (EAG)** provided specific comments related to the HPwES program as follows:

- Proposes that contractors receive incentives for installation of LED bulbs and energy efficient appliances
- Questions the prohibition on assisting customers to shift to natural gas heating, stating that the commercial projects are credited with energy savings resulting from changing the energy source and that residential projects should as well
- Suggests increasing the grant for customers that do not or cannot use the loan portion of the incentive and questions whether denying loans "punishes" low income/bad credit households.
- Asks what the benefit is in a loan at 4.99% when, according to the commenter, a homeowner could take a home equity loan and write off the interest for tax purposes
- Recommends that since the contractor incentive is proposed to be decreased, the paperwork requirements should be reduced as well, as the commenter claims that these requirements have become increasingly onerous over the last several years
- Questions the fact that "through the wall" HVAC systems do not qualify for incentives

Rate Counsel also submitted comments specific to the HPwES program. Rate Counsel stated that the proposal to lower the maximum incentive was reasonable and that the Market Manager should more fully examine the pros and cons of the proposed interest rates.

NJNG urges the Board to keep the term of the 0% interest loan at ten years, stating that a shorter term risks making the monthly payment greater than the monthly savings and risks creating a negative cash flow, which NJNG believes would negatively impact participation. The commenter supports the recommendation to reduce the minimum required TES to 5%, stating that many customers currently unable to participate from HPwES would be able to do so. NJNG also urges the Board to take further steps to incentivize more seal-up and insulation contractors to participate.

Response: Staff appreciates the extensiveness and detailed analysis of the program and proposed improvements suggested by HPwES contractors and other stakeholders. The OCE and the Market Manager will continue to work with the contractors, NJ ACCA and other stakeholders to explore opportunities to improve the program. Staff's responses to specific comments are provided below:

- ***Insulation:*** Per the US Department of Energy's HPwES brochure "HPwES is whole-house approach to improving comfort and energy efficiency at home, while helping to lower utility bills. Rather than focusing on a single problem, like an old heating or cooling system, not enough insulation in the attic, or leaky windows, Home Performance with ENERGY STAR helps you understand how improvements throughout the home work together so you can prioritize your investment to achieve your energy savings and comfort goals."

Air sealing and insulation are always the top priority for HPwES projects. Once the building shell is addressed, making it as air tight as it can reasonably be, then the appropriate mechanical systems can be properly sized and installed. If it is determined that the existing insulation meet prescriptive levels, the project can still participate in the HPwES program. If the insulation is not up to code and insulation is not installed, the project can still qualify for the HVAC program rebates. Air sealing and insulation continue to be the most cost-effective measures and their positive impact lasts for the life of the home.

Heat pumps result in higher Total Energy Savings (TES) than air conditioners because of the Btu gain in using a heat pump compared to other fuels (300% vs 95% efficient). However, many customers continue to choose natural gas equipment. The incremental cost difference of a heat pump to insulation is significant. Entry level central AC with SEER 14.5/12 equipment currently costs about $5,500 less than a heat pump. For that amount, a significant amount of insulation can be purchased and installed in a home, typically providing greater energy savings and overall comfort. Based on the above, Staff recommends maintaining insulation as a program requirement as proposed in the draft compliance filing.

- ***Real Home Analyzer (RHA):*** RHA equipment efficiencies, specifically for furnaces and on-demand water heaters, will be updated for FY16 to address this comment.
- ***Tier 3 Financial Incentives:*** In FY15, NJCEP provided a $500 rebate for AC and Heat Pumps. For FY16, the proposal is to increase the eligibility criteria for this equipment while maintaining rebates at $500, and adding a new $300 incentive for equipment that meets lower criteria, as well as for ductless mini-splits. For WarmAdvantage, the proposal is to adjust the criteria but not change incentive amounts. Staff believes the proposed relationship between HPwES and HVAC program incentives is reasonable.
- ***Payment Timelines***: Staff and the Market Manager will continue to review and identify areas for improvement and recognize any delay in the payment of incentives is a barrier for smaller contractors to participate in the program. Currently the average processing time measured from the point of successfully passing QC to cutting the associated checks is between 45-50 days.
- ***Incentivize Contractor Sales Performance:*** The overall contractor incentive proposal is a very creative approach that would require further research and evaluation. Staff will review this approach further in FY16.
- ***Incentive should be revoked only for gross deficiencies:*** The HPwES Program either "passes," "fails" or "conditionally passes" field inspected projects. Items such as incorrect equipment; insulation being >10% short; repeated mistakes or when a photograph does not provide clear evidence that the failures have been remedied, are given a "conditional pass" and the contractor production incentive is still earned. The HPwES Program attempts to be reasonable and understanding if and when a contractor questions the reasons behind a failure. The Market Manager has historically worked closely with contractors to resolve any such differences and will continue to do so.

- ***Reduce barriers to HPwES:*** The Market Manager will continue to work with lenders to improve their loan approval and online application processes. The HPwES Program continues to identify ways to streamline processes and is planning to roll out an improved version of current program software, which will address data input needs as well as address items such as swimming pools.
- ***Financing Options:*** The proposed FY16 HPwES Program incentives, though reduced, continue to be very generous compared to other HPwES programs. According to DOE data, NJCEP FY15 customer incentives for the HPwES program are three times the national average. This finding is supported by the recent benchmarking analysis prepared by ERS which found that the HPwES program had $/kWh costs among the highest in the country and the incentive levels are 20-40% higher than other similar programs. This creates a significant impact on the cost-effectiveness of the program.

  For FY16, the Market Manager has identified several opportunities to reduce program costs – customer and contractor incentives as well as loan buy-downs – to ensure the long-term financial sustainability of the HPwES Program. As proposed, the Program will offer two financing options for Tier 3 projects: 1) a 7-year $10,000 loan with a 0% interest rate, and 2) a 10-year $15,000 loan with a 4.99% interest rate. For each option, a cash rebate will also be offered. Evidence from HPwES programs in other states indicates that it is possible to reduce the program costs associated with incentives and financing while maintaining or even improving results. For example, Arizona, Maryland, and New York have similar HPwES market penetration while providing lower rebates and higher interest rates. Interest rates vary significantly between leading states, and evidence is mixed about whether zero interest rates are critical for generating customer demand for HPwES programs.

  Based on the above, Staff supports the proposed reductions in incentives levels. Staff believes that program participation levels can be increased with improved marketing and will coordinate with the new marketing entity, once engaged, to develop strategies to increase program marketing.

- ***Tier 2 TES Percentage and Loan:*** The $5,000 loan at 0% interest will have a seven-year term, not five-year term, to align with the proposed Tier 3, 0% financing offer.
- ***Co-op, contractor locator and expiring projects:*** In FY16, Staff and the Market Manager will work with contractors on marketing co-op strategies and contractor incentive fees, including exploring the option to list on the NJCEP website only those contractors that actively participate in the program. The normal procedures regarding deadlines and extensions will apply.
- ***Education and Training*:** As proposed in the Staff Straw CRA 2016, the NJCEP is providing a grant to NJIT's Center for Building Knowledge (CBK) to develop a comprehensive suite of training programs directed to the contractor community and construction officials. These programs will focus on best practices from peer energy efficiency programs and provide in-person and online training opportunities. NJIT's CBK has developed successful training programs for NYSERDA and California and will seek stakeholder input when developing NJCEP's programs.

- ***Quality Control Provisions/Additional Comments:*** Staff sees value in the recommendation to develop a "Decision Tree" to help homeowners navigate and select the program that would be the best fit for them, and will explore this recommendation further. Staff recognizes the value of consistency between programs, sensitivity around inspections and the need for qualified contractor partners.
- ***Missing many opportunities*:** As part of the FY16 planning process, Staff and the Market Manager created two subcommittees, a Home and Products subcommittees, to seek stakeholder input. The Homes subcommittee met twice and discussed several program design considerations for FY16, including adding lighting and appliances to the HPwES Program, as these were part of the program prior to 2010. In those discussions, subcommittee members expressed little interest in bringing those measures back into the HPwES. Staff will continue to explore this issue but does not support the inclusion of lighting or appliances in the HPwES program at this time.
- ***Gas Conversions*:** The current HPwES program uses actual billing information, which is based on energy consumption at the site (home), to calculate the TES of a proposed energy efficiency measure. Based on a review of peer programs, HPwES uses site energy savings to report savings to customers. It is also a requirement of DOE's new guidelines for HPwES Programs. This issue was raised in the subcommittee meetings referenced previously. In FY16, Staff will continue to explore alternative solutions and present them to stakeholders for consideration and further discussion.
- ***Interest on loan write down*:** The OCE Staff sees no need to offer customers an additional grant if they choose not to take a loan. Almost 85% of current HPwES participants choose to take the financing. The Program has no evidence that a small increase in the rebate would further incentivize customers to participate.
- ***Interest loan at 4.99%*:** The Market Manager has worked closely with lenders to assess financing offers. As noted above, the proposal to impose an interest rate on longer term loans was considered alongside successful peer programs and is intended to better align NJCEP incentive levels with those programs and to enable a sustainable source of funding for the program for the long-term.
- ***Reduced performance payments to contractors:*** The Market Manager has and continues to streamline processes and paperwork. In FY16, Staff and the Market Manager will continue to assess opportunities to reduce paperwork while maintain the integrity of the program. For the reasons noted above, Staff supports the proposal to reduce contractor incentives.

Residential New Construction

Comment: ReVireo submitted comments regarding the RNC program and the Multifamily High Rise (MFHR) program. The comments stated:

- The NJCEP arbitrarily caps the number of stories for its associated rebate program at six, because buildings over that size are eligible for P4P. It believes that this is a mistake that should be corrected.
- ReVireo feels that that the rebate structures for the MFHR and P4P programs should be brought into alignment since they both operate under the NJCEP umbrella.

- For Tier 2 and Tier 3, where EPA and DOE set standards, there should be no special mandatory program requirements. It complicates the process and sows confusion, especially for builders working in multiple states.
- The RNC portion of the NJCEP should not continue to call its entire operation the "NJ ENERGY STAR Homes Program" and then have that term also apply specifically to Tier 2. The entire program should be called something simple and accurate such as the "NJ Clean Energy Residential New Construction Program."

EAM supports the proposal to transition from the current energy code standards to the International Energy Conservation Code gradually, as it states that the move will be a difficult one for many builders. EAM also supports breaking out the Zero Energy Ready Home into a stand-alone tier that does not require renewable energy; a change which the commenter believes will result in more participating builders.

The commenter expresses concern over one of the participation requirements of the Multi-Family High Rise Program ("MFHR"), stating that it believes that the requirement that a building be no more than six stories high has been erroneously carried over from the MFHR pilot. In support of this position, EAM points to the language in a Program Update letter sent in January 2012, in which the NJCEP states that the Environmental Protection Agency program is being fully adopted. In addition, EAM notes that as of today, a builder looking for information on the MFHR program is routed directly to the EPA website. The commenter adds that some "decision trees" which have been posted on the NJCEP website direct projects to the MFHR and others to Pay for Performance, creating confusion for builders seeking information on participating.

Response: The MFHR program was initially launched as a pilot by the EPA and supported in NJ by the RNC program. The EPA fully adopted the pilot as a national program in 2012. The NJ MFHR program implements the national ENERGY STAR MFHR performance path and includes one additional New Jersey specific requirement, the restriction of participation to building projects of 4 to 6 stories.

Promoting efficiency in high rise multifamily housing has unique barriers relative to other new construction building types. A multifamily high-rise is governed by the commercial building code that does not focus on in-unit efficiencies (e.g. appliances, lighting and unit heating and cooling) and the split incentive issue whereby a developer or building owner pays for efficiency upgrades but tenants who pay utility bills receive benefits of upgrades. Prior to the pilot program in 2012, the Staff recognized that this market segment was not being addressed by either the NJ ENERGY STAR Homes Program, which applied to residential multifamily buildings up to 3 stories, or the Pay for Performance (P4P) program, which was applicable to buildings 7 stories or greater. By limiting the height of buildings participating in the MFHR program to between 4 and 6 stories, the program sought to fill this gap without creating redundancy with the NJ CEP P4P program.

Staff is aware of the similarities in program requirements and differences in program incentives between the MFHR and P4P programs. The proposed FY16 program would reduce the differences by increasing the MFHR incentives and recognizing that an ENERGY STAR program that serves the entire multifamily high-rise market has benefits. As outlined in Honeywell's FY16 Compliance Filing (CF), in FY16, the Market Manager will explore opportunities for simplification and greater coordination with the P4P program, and will seek input from its network of participating builders, rating providers, and developers.

The Market Manager's proposal seeks to simplify the program and reduce and/or eliminate many NJ-specific requirements, while not losing the advances from the past several years. Tier 1 of the program has been changed from the prior ENERGY STAR version 2.0 for Homes specification with NJ-specific requirements, designed to prepare the NJ building industry for the pending adoption of the IECC 2015 International Energy Conservation Code.

The Tier 2, Zero Energy Ready Home, Zero Energy Home, and the MFHR program are built upon national EPA and DOE program frameworks with minimal additional NJ-specific requirements. The NJ requirements, such as maximum allowable Home Energy Rating System (HERS) scores, provide assurance that the participants will achieve significant energy savings above homes constructed to the current NJ residential code baseline.

The program strives to find a balance between the value of program branding and simplified nomenclature, and understands that builders, developers and rating providers are working across multiple states and programs, and consistency in program nomenclature and design can greatly simplify their workload. In seeking to find the right balance, the program has simplified the program nomenclature for FY16, dropping the suffix "NJ" for its entire program Tiers. This makes most of the program Tiers more easily identifiable with the national EPA and DOE program frameworks, with which they are aligned. The program will continue to coordinate with program participants to further simplify the nomenclature.

Comment: Rate Counsel stated that the proposal to modify incentive levels based on HERS scores is reasonable. However, the proposed levels of increased incentives are excessive, and are not supported by any evidence or any economic analysis. It is also notable that the maximum incentives available for new homes in other jurisdictions are lower than the proposed incentives by Honeywell. Per the ERS Benchmarking Study, the maximum incentives for homes with a HERS score of 20 are about $7,250 in Connecticut Light and Power's program and $8,000 in NYSERDA's program. Rate Counsel recommends that the incentive levels for Tier 1 increase based on the current incentive structure for Tier 3, in which incentives increase by $800 for every five points below a HERS score of 50. The additional incentives proposed for Tier 2 and Tier 3 appear reasonable (that is, $1,000 and $3,000 greater than a comparable HERS score in Tier 1). However, it is not clear whether the additional incremental incentive of $3,000 for Tier 3 Plus is necessary, mainly because solar photovoltaic systems (which are the most popular renewable energy system for homes) already receive a significant amount of incentives in New Jersey, including the proceeds from the sale of Solar Renewable Energy Certificates (SRECs).

Response: The Market Manager Team performed a detailed analysis of program activity over the past two years by Program Tier, living unit type, and program savings, and considered the potential impact of the adoption of IECC 2015. In addition, with input from NJ construction professionals, the Market Manager proposed what it determined to be the appropriate program eligibility criteria and incentives for FY16.

As a whole, the average FY16 incentives are scheduled to decrease and the stringency of the HERS scores will increase for each Program Tier. The incentive for the ENERGY STAR Multifamily High Rise Program (MFHR) was increased by $250 for the minimum efficiency qualifying unit, and higher incentives will be offered in FY16 for achievements of higher percentage energy efficiency and savings. Scaling incentives to HERS scores and MFHR savings levels helps to remove the cost barrier for builders to achieve deeper energy savings.

The following two tables illustrate the Program HERS Index entry points by Program Tiers, and in the case of the ENERGY STAR Multifamily High Rise (MFHR) program, the percentage of savings above construction code baseline, with corresponding incentives, for FY15 and FY16.

Comparison of Maximum HERS Scores and Entry Level Incentives by Program Tier and Year						
Program Year	2015			2016		
Tiers 1 and 2						
Unit Type	Single family	Multi-Single	Multifamily	Single family	Multi-Single	Multifamily
Maximum Qualifying HERS Index (Before Renewable)	75	75	75	65	70	75
Entry Level Incentive (Tier1/Tier 2)	$1250/$2250	$938/$1688	$625/$1125	$750/$1750	$375/$1125	$125/$625
Tier 3						
Unit Type	Single family	Multi-Single	Multifamily	Single family	Multi-Single	Multifamily
Maximum Qualifying HERS Index (before Renewable)	50	50	50	50	50	50
Entry Level Incentive (Tier1/Tier 2)	$10,000	$7,000	$4,000	$6,500	$4,875	$3,250

ENERGY STAR Multifamily High Rise (Restricted to Buildings $\geq$ 4 stories, and $\leq$ 6 stories) Savings Eligibility Criteria and Incentives by Program Year		
Savings before Renewable	2015 Incentive per unit	2016 Incentive per unit
15%	$1,000	$1,250
20%	$1,000	$1,500
25%	$1,000	$1,750
30%	$1,000	$2,000
35%	$1,000	$2,250

As noted above, the only program that has higher incentive levels proposed for FY16 is the MFHR program. The rationale for this proposed increase is that the program is currently missing opportunities to include MFHR projects, an underserved market with high energy savings potential. The Program facilitated work groups consisting of Rating Providers, MFHR developers and building owners, and received feedback that the incentive level(s) for the MFHR program should be more comparable to the P4P program. In response to this feedback, for FY16, the Market Managers proposed incremental increases in the MFHR incentives and assigned performance metrics to them. Scaling incentives to HERS scores and MFHR savings levels helps to remove the cost barrier to builders who strive to achieve deeper energy savings and the Energy Star Label. The Residential MFHR Program is structured to require the builder/developer to achieve Energy Star certification. By reducing the financial burden of achieving Energy Star status on a MFHR building, it increases the likelihood that a developer will build to the Residential MFHR Energy Star Standard and provides such a building a competitive advantage in attracting tenants, while also raising awareness among potential renters and future rate payers of energy efficiency. The Market Manager sees this as an opportunity to impact the demand for and increase the likelihood of a sustainable, unsubsidized market for Energy Star MFHR buildings. The Market Manager Team will evaluate participation and savings levels in FY16 and propose adjustments to the MFHR Program for future years.

The Net Zero Energy Home (Tier 3 Plus) is a completely new tier for the Program. Robust incentives are proposed for this tier to encourage true net-zero construction in NJ. The Program has experienced minimal participation in the Climate Choice Homes or the current Net Zero Energy Ready homes program. These current tiers only require that 50% of a home's modeled energy use (electrical and DHW) be offset by on-site renewable energy at the time of completion. The Market Manager believes that with the requirement of on-site renewable energy that offsets 100% of a home's modeled energy usage will necessitate that builders achieve an extremely low HERS score to make this possible.

Staff believes that maintaining scaled program incentives whereby higher incentives are provided for higher program tiers will increase and sustain participation, even as program requirements grow more stringent. When the program achieves increased, stable participation levels, Staff will propose a plan to reduce incentives.

Energy Efficient Products

Comment: Honeywell proposes modifications to incentive levels and structures for lighting, clothes washers, refrigerators, advanced power strips, cable set top boxes, and refrigerator recycling. Most of the proposed changes appear reasonable, but **Rate Counsel** is concerned about the proposed incentives for advanced power strips and refrigerator recycling.

Currently, the incentives for advanced power strips range from $7 to $10 for Tier 1 and are not provided for Tier 2 advanced power strips. The proposed revised incentives for advanced power strips are $15 for Tier 1 and $40 for Tier 2. Based on actual price data in the market, these proposed incentive levels appear excessive—the Tier 2 incentive especially so. The price ranges for power strips are $20 to $30 for Tier 1 and $40 to $55 for Tier 2. The proposed incentives likely reduce the price of Tier 1 and Tier 2 power strips to an equal price, or could even make Tier 2 power strips cheaper than Tier 1 power strips. Rate Counsel recommends that NJCEP maintain the current incentive levels of $7 to $10 for Tier 1 and provide a lower incentive level for Tier 2 than the proposed $40 incentive. Rate Counsel recommends an incentive level of $25 for Tier 2 power strips.

Honeywell also proposes to conduct a pilot project that would add primary refrigerators as eligible measures in the refrigerator recycling category, which currently focuses on secondary refrigerators. The current incentive for recycling secondary refrigerators is $50 per unit. Honeywell proposes that participants who recycle primary refrigerators also receive this $50 per unit incentive. Further, Honeywell proposes that participants who buy a new refrigerator receive either $50 or $75, depending on the model. This means that a household that buys a new refrigerator would likely receive an additional $50 incentive on top of the proposed $50 or $75 incentive, because it is typical that a household recycles its old primary refrigerator when purchasing a new one. It is not clear to Rate Counsel that this proposed additional incentive is necessary. Rate Counsel recommends that Honeywell provide more rationale for proposing this pilot project and report how the additional incentive would change the economics of buying ENERGY STAR refrigerators.

Rate Counsel also recommends that the current incentive for recycling refrigerators (up to $107 per unit) paid to the recycling implementation partner be reduced for the second unit, per a recommendation by an ERS benchmarking study. The ERS benchmarking study indicates that there is no significant extra cost for the partner to recycle another refrigerator at one site.

Response: In response to input from NJCEP program partners during subcommittee meetings this past year and through review of other peer programs, the Market Manager proposed an increase in the Tier 1 power strip rebate and a differentiated Tier 2 power strip rebate, to better align with other efficiency programs and spur market adoption of this new technology. The proposed rebates of $15 and $40 are in line with other programs, as noted in the table below.

Power Strip Rebates by Program

Program/Utility/State	**Rebate**	**Tiers**	**Program Description**
Bonneville Power Administration	$40/$60	2	$40 Markdown/Mail-in ($60 Direct Install)
Con Edison	Full	1	Free with home assessment
Efficiency Vermont	$7-14	1	Coupons/Markdown/Upstream
MA ENERGY STAR® Consumer Products Initiative	$15-40	1/2	$15 Tier 1 / Up to $40 for Tier 2
National Grid (Rhode Island)	$15-40	1/2	$15 Tier 1 / Up to $40 for Tier 2
New Hampshire	$10	1	Coupon
Puget Sound Energy	Full	2	Direct Install
Silicon Valley Power	Full	2	Direct Install

In response to Rate Counsel's concerns it is important to understand that advanced power strips are only offered through the NJCEP Energy Efficient Products Markdown RFP and Creative Outreach and Education Promotion RFP. In the case of the markdown promotions, the Program has the built-in ability in the RFP review process to negotiate and set not-to-exceed limits (e.g. rebate cannot exceed 50% of retail price) on the rebated amounts to specifically address the concerns raised by Rate Counsel. The Creative Outreach promotions have included additional elements beyond the simple sale of the advanced power strips – including education and promotion of other NJCEP programs and initiatives. Staff recommends not setting a lower, prescriptive cap on the rebate for these promotions due to their expanded scope which include education and promotion of other NJCEP programs and initiatives. The impact of the not-to-exceed rebate limit of 50%, as seen in the MA Save promotions through their online store, does not allow for the rebated products to receive the full $40 rebate.

Power Strips: Comparison of Proposed NJCEP Incentives to MassSAVE On-Line Store

	Model #	Tier	Website	MSRP	Post-Rebate
Tricklestar	188LV-US-7XX-MS	2	NJCEP	$33	$23
	181S	1	NJCEP	$19	$10
Embertec	EmberPlug AV	2	NJCEP	$58	$48
Tricklestar	188LV-US-7XX-MS	2	MassSAVE	$40	$20
	181S (Others)	1	MassSAVE	$20-30	$10-16
Embertec	EmberPlug AV	2	MassSAVE	$55	$27

For these reasons, Staff recommends that the proposed rebate levels are maintained and that Rate Counsel's concerns are addressed in the requirements of the individual RFPs and in the Market Manager's review of the proposals submitted in response to the RFP.

With regard to secondary refrigerators, there is no ability for the NJCEP to verify that a second refrigerator is not a recently replaced primary refrigerator. In addition, the Program is looking to increase its partnership with retailers and opportunities to reduce the implementation costs associated with a second process and truck to collect these refrigerators. The Program is evaluating a pilot that will explore this opportunity with the retailers partnering in our upstream (instant) rebate program. A new program design that optimizes the current partnership with retailers can potentially reduce program costs and scale up the number of units rebated through the NJCEP. It is important to note that the majority of refrigerators replaced with new units are not being destroyed/recycled, but either retained by the existing owner or finding a new home – in both cases remaining on the electrical grid. A recent Washington Post article noted that New Jersey has one of the highest rates of second refrigerator ownership in the U.S., and Staff believes an aggressive approach to address this issue should be considered.

Replaced Fridge		
Discard	Transfer	50%
	Recycle	20%
Kept	30%	

*DOE Uniform Methods Project: Refrigerator Recycling Protocol (NREL, 2013)

Staff agrees with Rate Counsel that a reduced administrative fee is warranted for the collection of the second unit in a household or residential building. In response to the ERS benchmarking study, the Market Manager is considering this recommendation when negotiating the FY16 MOU with the current implementation contractor. Based on previous program year data, approximately 5% of participants recycle a second refrigerator. As the per-unit payment also includes costs associated with recycling, tracking and storage of a second refrigerator; the negotiated MOU would likely review the costs associated with the per-unit call center and pickup of the second refrigerator.

Comfort Partners

Comment: The program evaluation conducted by Apprise in December 2014 identified some significant issues with the Comfort Partners program. Apprise found that Comfort Partners was not achieving expected savings and that there were weaknesses in the audit and installation procedures. **Rate Counsel** is concerned with the findings of the Apprise study. With the significant barriers to and the high administrative cost of reaching and serving a lower-income population, Rate Counsel states that it is critical that all cost effective measures are installed once the contractor is in the home. Rate Counsel recommends that the Board require the utilities to file a plan, including detailed changes to policies, proposed training, task assignments, and target completion dates for addressing the issues identified in the Apprise study.

NJNG supports the continued focus on these programs, stating that this program has the added benefit of potentially reducing the costs for the Universal Service Fund and thus helping all ratepayers.

Response: Staff concurs with Rate Counsel's recommendation. Staff notes that Apprise presented the results of its study to the EE Committee at its June 9th meeting. Staff will work closely with the utilities to develop a plan for addressing the recommendations set out in Apprise's evaluation of the Comfort Partners program.

C&I

Comment: Rate Counsel believes that the majority of the proposed C&I EE program modifications appear reasonable. However, Rate Counsel requests that TRC provide more explanation for its proposal to eliminate the IRR requirement for custom projects under the Smart Start program, for new and existing buildings under the Pay for Performance program, and under the Large Energy Users Program. Rate Counsel further requests that TRC explain why it proposes to increase the savings limit for lighting from the current 50 percent to a maximum of 70 percent.

EAS supported the proposal to modify the maximum savings from lighting, stating that it is a tremendous opportunity to allow for a greater number of projects to be let into the P4P program. EAS supported the proposal to eliminate the IRR requirement.

NJNG strongly supports the recommendation to reduce the administrative burden for C&I customers by eliminating some pre-approval and pre-inspection requirements, as well as the IRR requirement.

NJBIA looks forward to a revised process that streamlines the application, permit review and installation while providing necessary offsets to encourage these projects.

Response: As noted above, TRC organized numerous sub-committee meetings that developed recommendations that were considered by the FY15 Planning Committee. Both of these recommendations resulted from that process.

Regarding the proposal to eliminate the IRR requirement, several customers and contractors stated that the IRR requirement prevented some projects from including measures that the customer was willing to fund and that could provide deeper energy savings because the measures would have resulted in the project not meeting the IRR requirement. They urged the program to eliminate this requirement.

The IRR requirement was intended to ensure that projects were cost effective for the customer. Other program requirements, such as a cap on the amount of the incentive as a percentage of project cost and a cap per unit of energy saved, i.e. maximum $/kWh or $/therm saved, ensure that projects are cost effective from the Program's perspective. Given that mechanisms remain in place to ensure cost effectiveness, Staff supports the proposed elimination of this requirement.

Regarding the proposal to increase the maximum level of savings from lighting in the P4P program, customers and contractors indicated that projects were missing out on the full potential energy savings by not re-lamping the entire building as part of a larger, retrofit project. The cap on the level of savings from lighting was causing projects to leave the less expensive savings from lighting behind.

In the P4P program, the cap on the percentage of a project's total energy savings that can be achieved through lighting was intended to ensure that those projects receiving ample incentives were comprehensive projects with deeper total energy savings. The increased cap is only for those projects that have total savings *in excess of* the minimum overall savings level of 15%.

Comment: EAG stated that residential Energy Star fixtures are not currently allowed and that 2/4 pin fixtures are not rated by DLC or Energy Star and as a result, the NJCEP is losing a big potential market.

Response: The FY15 prescriptive lighting application, under the SmartStart Retrofit program, does not include language restricting incentive eligibility to LED products classified by Energy Star for residential use. No changes are proposed for FY16. Regarding G24/GX24 base fixtures, for LED technologies, the NJCEP relies upon qualified product lists maintained by Energy Star (ES) and Design Lights Consortium (DLC) to determine a product's eligibility for an incentive. It is recommended that manufacturers of these products contact ES and DLC to explore an existing product category or a new product category be developed for qualification purposes. Once a product is on either qualified products list, its eligibility for incentives can be considered.

Pay-for-Performance

Comment: MaGrann commented upon the proposal to modify the P4P program by 1) increasing the minimum size for participation from 100 kW peak load to 200 kW and 2) eliminating the minimum kW peak demand waiver currently in place for a number of institutions, including affordable multifamily housing. MaGrann acknowledged that it understood that the purpose of the modifications is to shift smaller commercial buildings to the Direct Install program, which is available only to buildings with a peak load of 200 kW or less. Nonetheless, MaGrann maintains that neither this program nor Smart Start supports a 'whole building' approach or provides a level of savings comparable to that offered by P4P.

The commenter argues that as a result, excluding previously eligible buildings with a peak demand of less than 200 kW, whether market rate or affordable, results in lost opportunities for savings and disproportionately impacts the affordable multi-family housing sector. In particular, the commenter identified older buildings having both a central gas heating system and individual residential electric meters as "losing out" under the proposed modifications, MaGrann also asserts that affordable multifamily buildings instructed by the Housing Mortgage Finance Agency to demonstrate efficiencies equivalent to those of the ENERGY STAR program would not be able to do so if forced to rely solely upon Direct Install and Smart Start. Finally, MaGrann notes that an analogous increase in minimum size for the LGEA program includes an express statement that "[e]xisting waivers are to remain" and that there are references to the potential for customized approaches in both that program and the LEUP. MaGrann sums up its position by asking that, at a minimum, the existing waivers should be maintained and preferably, that the minimum kW requirement be eliminated entirely for all multifamily projects.

MaGrann also expressed its support for the modifications proposed to the Residential New Construction program, stating that these recommendations reflected significant stakeholder input and would promote greater participation and savings, while providing a path to stricter building performance codes and zero energy [use by the finished home] construction.

EAG stated that by not allowing incentives in a second Clean Energy program at the same time that a customer participates P4P program, what incentive does a customer have for going beyond 20% savings? EAG also commented on the per project cap and entity cap stating they reduce the incentive for customers to commit to more savings.

Response: The P4P program was originally launched in 2010 with a 200 kW minimum peak demand threshold for eligibility. In 2011, Direct Install was launched whose target market fell below 200 kW peak demand. In 2012, the maximum demand to participate in the Direct Install program was reduced to those projects that fell below 100 kW peak demand. P4P followed suit and reduced minimum demand to participate to 100 kW in order to align with Direct Install and provide program continuity. Over the program's life, the Direct Install demand threshold has fluctuated up and down based on market trends and as market sectors matured. The current threshold for maximum peak demand is 200 kW.

The P4P program has maintained the minimum demand threshold at 100 kW, in order to increase access and promote participation. Current participation rates are healthy, but the overlap of the P4P minimum threshold and Direct Install maximum thresholds causes confusion in the market.

Staff recommends the Board align the two programs and approve the proposal to raise the minimum demand threshold in the P4P program to 200 kW and to lower the minimum threshold to 100kW for multifamily buildings. This is an underserved New Jersey market and a construction typology common among New Jersey's building stock, especially in its distressed communities. A longer term recommendation that resulted from the FY15 portfolio review process is to eliminate the two existing multi-family programs and replace them with a single program designed to the specific and disparate needs of different building types in the multi-family market sector. In the meantime, the proposed waiver provides a short term opportunity to increase market penetrating into the MF market until the longer term solution of a single, redesigned multi-family program is achieved.

Regarding EAG's comments, the intent of the P4P program is to address whole-building, comprehensive scopes of work under a single program/project. Current P4P incentive levels typically provide an incentive is higher than if the same project had applied through the SmartStart program. However, in some cases, the reverse can be true. If an applicant determines that a project can obtain a higher incentive through SmartStart for the same scope of work, the applicant is encouraged to pursue that program. However, a project cannot qualify for both a SmartStart and P4P incentive. Staff supports this program requirement.

The P4P New Construction program allows a maximum of $2 million incentive per project. As a reference, the SmartStart program allows a maximum of $500,000 incentive per electric and per gas account ($1 million total maximum), and Direct Install allows a maximum of $125,000 incentive per project. The higher P4P project incentive cap is designed to promote more complex, whole building scopes of work and optimize a project's potential energy savings.

An *entity*, which may have multiple buildings/projects throughout the State, is limited to a $4 million total NJCEP incentive cap, per program year, inclusive of all incentives committed to an entity across all NJCEP C&I programs. This cap is designed to spread incentives across a maximum number of participants, so that no single entity received a disproportionate amount of the C&I program budget.

Comment: EAS submitted comments regarding the P4P program. Specifically, EAS requested that:

- The 10% apartment survey be waived if no measures are being installed in the occupied spaces
- When reviewing a project's energy modeling, consider allowing general plug load to include small/miscellaneous equipment within a building

Response: As per the P4P NC program guidelines v 4.0 Section 3.2.1, if the equipment in the living spaces is not connected to or impacting the energy consumption of the central equipment, it is possible to exclude this equipment and its associated energy usage in the energy modeling and focus the P4P project on common area equipment only. Otherwise, the equipment and usage must be factored into the baseline energy use through the 10% survey or through alternative approaches, as presented in the Guidelines, section 3.2.1. The Market Manger is currently developing an alternative method to estimating tenant energy use which will be available for stakeholder comments after it has been reviewed by Staff.

Small motors (especially those not slated for retrofit) can follow the same logic applied to plug loads and aggregate usage for similar equipment. The level of detail should be appropriate to whether or not plug/other loads are being recommended for retrofit, and this load may be adjusted through the model calibration process described in Section 4.5 of the program guidelines. All assumptions must be consistent with the program guidelines and are subject to review for reasonableness by the Market Manager.

Direct Install

Comment: NJNG strongly supports the recommendation to increase the maximum size of boilers which can be served under the DI program and the proposal that allows customers to downsize a furnace or boiler.

EAG stated that broadening the pool of implementation subcontractors will increase the opportunity for more contractors to participate. EAG also supported the recommendation to explore additional incentives for Direct Install projects in distressed communities.

Response: Staff appreciates NJNG's support for this proposed change. Staff concurs with EAG's recommendation regarding opening the Direct Install program up to additional contractors and will pursue this recommendation with the new NJCEP Program Administrator. Staff will explore the idea of developing incentives targeted to distressed communities. In general, New Jersey's building stock is older than many peer states, and there is often a concentration of this less efficient building stock in distressed communities.

CHP-FC

Comment: FCHEA, a trade association dedicated to the commercialization of fuel cells, urges the Board to restore funding levels for the CHP/Fuel Cell program, noting that funding levels have declined from $65 million in FY14 to $40.4 million in FY15 and that Staff now recommends $14.4 million for FY16. Acknowledging that participation levels have been low, FHCEA believes that the proposed reduction will further reduce participation and stated that in the past Staff has said that "lack of stable source of funding" has been a major cause of the low participation rates.

The commenter also recommends that the Board make the programmatic changes already identified through the FY15 work group process and lists the following specific items:

- Single source program
- Increasing incentive levels/caps
- Extending performance period to 2 years or more for systems over 1 MW
- Considering a "re-build" incentive for systems out of commission
- Considering a "resiliency bonus" for black start/islanding capability
- Consider establishing a feasibility study incentive for systems over 1 MW
- Microgrid program
- Working with NYSERDA to align program offerings
- Combining the budget with REIP CHP program
- Creating a multi-year budget
- Resolving interconnection issues

NJNG believes that the proposal to create tiers within the incentive structure for small-scale systems is a great improvement and since there will no longer be a reason to maximize the incentive by splitting a project into two, contractors will properly size CHP systems. The commenter also supports the proposal for a comprehensive evaluation of the CHP market.

Bloom, a provider of a solid oxide fuel cell technology, does not support the reduction of the CHP/Fuel Cell program budget from $40.4 million to $14.4 million, stating that it will send the wrong message to investors considering projects in New Jersey. Bloom acknowledges low participation levels in the FY15 program but argues that the long project development cycles in tandem with the proposed reduction in funding will further erode market confidence and program participation levels. The commenter notes its own reliance on the CHP/Fuel Cell program in past years to market its product and states that the success of the CHP/Fuel Cell program depends upon the confidence of developers and investors in a stable and supportive regulatory environment. Bloom also urges the Board to significantly increase the entity cap, stating that Bloom has had success in developing multiple projects in other states that do not have entity caps.

IGS, a provider of CHP systems in New Jersey and elsewhere, requests that the Board significantly increase funding for the CHP/Fuel Cell program or, at a minimum, provide that further funding will be made available when the proposed $14.4 million is exhausted. IGS states that the financial viability of CHP projects depends upon NJCEP funding; that the low level of participation in the previous year is not indicative of the true level of activity in this market because of the long development time required; and that increased funding is necessary for New Jersey to achieve 1500 MW of CHP goal of the EMP.

In past comments, Rate Counsel has expressed concern about the CHP program's failure to expend available funds. The FY16 Budget process proposes a budget of approximately $20.6 million for the Combined Heat and Power ("CHP") and Fuel Cell incentive program, consisting of approximately $14.8 million in new funding and $5.8 million carried over from FY15. This represents a significant decrease from the FY15 CHP/FC program budget of approximately $40.4 million that the Board approved in June 2015 for this program. Rate Counsel supports this recommendation. In addition, the Staff Straw CRA 2016 notes the ongoing low level of participation in this program and proposes a stakeholder process in FY16 to assess market barriers and review Board policies, including the State's resiliency goals that impact the development of CHP/FC and other forms of distributed generation.

NJ LEUC stated the Staff recommendation to dedicate $14.8 million or seven percent (7%) of the funding available for NJCEP programs to CHP and FC reflects a purely top down approach to funding. If a more rigorous bottom up approach were taken, the number would not be justified. As stated in the CRA, even with EMP encouragement, NJCEP has not experienced growth in this area. Why then fund at a level without any real expectation of needing these funds?

US DOE stated that CHP projects have long-term development cycles and require a stable source of funding over the long-term that is significantly greater than one year. Outreach and education is very important for technically complex issues such as CHP. DOE appreciates the Board's efforts to do something about it. DOE stated that based on comparisons to surrounding states, the current levels of funding for greater than 1 MW CHP projects are quite deficient. DOE supports the stakeholder-driven process to review the CHP program proposed by Staff. However, DOE cautioned that any stakeholder process needs to have definitive goals, schedules, and deliverables; otherwise stakeholders cannot afford to engage in the long-term.

Response: While Staff acknowledges the need for a stable source of funding, particularly for projects with long lead times such as CHP and FC projects, Staff also recognizes that over the past several years, unspent/uncommitted funds have been lapsed to the general fund. To more accurately determine a programs' need, on an annual bases, Staff has endeavored to better align program budgets with anticipated spending.

As of June 5, 2015, the FY15 CHP-FC program had expended approximately $2 million and had committed almost $8 million. At $20.6 million, the proposed FY16 CHP/FC budget includes more than $12 million for new commitments and is significantly more than what was committed in FY15. Recognizing that the CHP/FC program needs to be redesigned, Staff believes the proposed budget represents a reasonable level of spending, and to the extent that the pace of CHP-FC program participation increases in FY16, Staff supports the reallocation of funds from programs with lower than anticipated participation levels to programs with higher than anticipated participation levels. This practice has enabled all NJCEP programs to remain open for the full fiscal year and allowed Staff the opportunity to better assess program spending levels.

With regard to the numerous program changes cited in the comments above, the Staff Straw FY16 CRA proposes a stakeholder-driven process to assess barriers to market development and review a broad range of issues that impact the CHP-FC program. Staff believes that it is prudent to await the results of this review before proposing program changes.

With regard to the entity cap issue raised by Bloom, Staff recommends that the matter of entity caps be reviewed within the larger process of assessing market barriers and reviewing Board policy. Bloom believes that the current methodology for applying the cap does not provide developers with the certainty needed to finance projects; specifically, by not knowing in which FY a project will receive approval, which is beyond the control of the project developer, it is difficult for a developer to stage and plan projects. Staff maintains that the application approval date, which is the date that determines when an incentive is committed and which applies to all NJCEP C&I programs, is more date certain than determining when an application is fully submitted. Many applications do not fully meet program requirements for commitments and/or are cancelled.

Comment: EDF recognized the need for outreach and education to further the goals of the Clean Energy Program and support Staff's recommendation to fund the three academic institution proposals. EDF states that Sustainable Jersey's (SJ) work is crucial to engaging New Jersey's local governments and residents by providing the information and a certification structure that promotes action. Their new "Sustainable Jersey for Schools Certification Program" promises to reap great energy and cost savings, and EDF is pleased that three EDF Climate Corps Fellows are supporting SJ's Schools Certification Program this summer.

The NJIT's Center for Building Knowledge proposal to establish the New Jersey Clean Energy Learning Center promises to provide much needed centralized and flexible training to the clean energy industry, including contractors, code officials and others. The New Jersey Clean Energy Learning Center could house the Investor Confidence Project (ICP) training units in support of the P4P ICP pilot. EDF looks forward to working with the Office of Clean Energy and the new NJ Clean Energy Learning Center to incorporate ICP into their training offerings.

Response: Staff appreciates EDF's support for the above referenced initiatives.

STAFF RECOMMENDATIONS

On or about May 5, 2015, Staff circulated for public comment a Staff Straw Comprehensive Resource Analysis (CRA) for FY2016, which proposed new levels of funding for the five budget categories that comprise the NJCEP: Energy Efficiency, Renewable Energy, EDA Programs, CHP/FC and Administration. The CRA also included line items for the State's Energy Initiatives and Utility Costs and Energy Resilience Projects. The new funding levels, when added to committed funds and unexpended funds from FY15, comprise the proposed FY16 NJCEP program budget.

The FY16 Straw CRA identified several of the goals of the 2011 New Jersey Energy Master Plan that are relevant to the proposed FY16 funding level and NJCEP budget. Furthermore, as directed by the Board-approved FY15 CRA, the NJCEP Market Managers led a stakeholder-driven review of the full suite of NJCEP programs to identify opportunities to streamline the applications and review process, increase participation and improve program performance. OCE Staff led monthly EE and RE committee meetings and provided input regarding proposed programs and budgets.

OCE Staff issued the proposed new funding levels, as well as energy savings goals, to the NJCEP Market Managers to propose individual program budgets. Based on these goals, participation trends and the proposed changes to individual programs discussed above, the Market Managers proposed the individual program budgets and revisions to the compliance filings. Staff has reviewed the initial filings, the written comments submitted by stakeholders, the oral comments presented at the public hearing and the changes to the FY16 compliance filings as proposed by the Market Managers.

Following this review, OCE Staff recommends several changes to the initial compliance filings submitted in May 2015:

Staff recommends the Board raise the minimum demand threshold in the P4P program to 200 kW, with a lower minimum threshold of 100kW for multifamily buildings only.

As previously noted, TRC's draft compliance filing included a proposal to allow Board Staff to authorize the addition of new LED measures to the prescriptive rebate list, set initial rebate levels and to modify rebate levels for LED measures, only where products are evolving rapidly. This proposed change is NOT included in the final compliance filing submitted by TRC. It is still under review by the Board and will be considered at a future agenda meeting.

The program managers have submitted revised compliance filings that incorporate the changes discussed above. Staff recommends approval of the final compliance filings that incorporate these changes.

DISCUSSION AND FINDINGS

OCE Staff has consulted with the Market Managers and the Program Coordinator in developing the programs and budgets set out above, and held monthly public meetings with the EE and RE committees from March to June 2015 to receive comments and input into the development of the FY16 programs and budgets. In addition, a public hearing was held on May 22, 2015 to solicit additional input on the proposed program plans and budgets, and written comments were accepted from the public through May 29, 2015. Accordingly, the Board **HEREBY FINDS** that the process utilized in developing the FY16 programs and budgets was appropriate and provided stakeholders and interested members of the public the opportunity to comment.

Staff considered public stakeholder input as well as the comments of the Market Managers and Program Coordinator and believes the programs and budgets discussed above will deliver significant benefits to the State and will satisfy the objectives of EDECA. Therefore, Staff recommends approval of the FY16 program and budget filings, consistent with the recommended modifications discussed above.

The Board has reviewed the OCE's recommendations regarding the FY16 programs and budgets as well as comments submitted by other interested public stakeholders. The Board **HEREBY FINDS** the OCE's recommendations to be reasonable. Therefore, the Board **HEREBY APPROVES** Staff's recommendation to approve the FY16 compliance filings.

Having approved the programs, the Board **HEREBY DIRECTS** Staff to work with the Market Managers, with appropriate notice to the public, to finalize application forms and make other changes necessary to implement the changes ordered herein.

The Board has reviewed the NJCEP budget proposed by Staff and public comments on the proposed budget. The Board **HEREBY FINDS** the proposed budget to be reasonable and appropriate. Therefore, the Board **HEREBY APPROVES** the FY16 budget in the tables above.

The FY16 budgets approved herein are based on estimated FY15 expenses and once final FY15 expenses are known, are subject to "true up" in a future Order. For example, if actual FY15 expenses are less than the estimated expenses for any program, then the unspent amount will carry over into FY16. To the extent that FY16 budgets approved herein are below FY16 expenses due to actual FY15 expenses being less than estimated FY15 expenses, the Board's Fiscal Office is authorized to pay invoices for approved program expenses.

Pursuant to its authority under N.J.S.A. 48:2-40, the Board will reopen this matter and adjust the FY16 budgets, as required, in a separate Order. Such changes will be considered by the Board and memorialized in a separate Order. The FY16 budgets approved herein are contingent on appropriations by the Legislature and subject to State appropriations law.

This order shall be effective on June 26, 2015.

DATED: 6-25-15

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By:

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PRESIDENT

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COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

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UPENDRA J. CHIVUKULA
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 COMPREHENSIVE ENERGYEFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR THE FY14-FY17 CLEAN ENERGY PROGRAM: FY15 PROGRAMS AND BUDGETS
DOCKET NO. EO13050376V

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