Proposed Programmatic Changes
associated with
2012-2012 CEP Budget Revisions

In order to address the Governor's FY 2012 budget lapse ($200M) and the FY 2013 budget lapse ($131.5M) in the Clean Energy Program (CEP), Staff recognizes the need to continue to maintain access for all ratepayers to NJCEP programs, as well as the CEP's ongoing goal of transforming the market place.

In the process of reducing program budgets and reallocating funds, Staff, with the Program Coordinator's, Market Managers' and Program Partners' (NJEDA and Sustainable Jersey) input, focused its efforts on existing EE programs and ranked them based on the following criteria: jobs created, energy savings (with a focus on programs that promote a more comprehensive approach to EE) and participation rates. The goal of this exercise was to identify the CEP's core programs, which will serve as the foundation of the CEP as it transitions to a new Program Administrator (PA) and from incentive-based to market-based programs.

The result is the attached straw proposal, which in addition to the budget cuts/reallocations, includes the following programmatic changes:

<u>CORE PROGRAMS</u>

1. Comfort Partners

Residential EE Programs

2. Home Performance with Energy Star (HPwES)
3. Residential New Construction – Based on upgraded building energy codes and appliance standards, shift program to meet Climate Choice standards as of January 1, 2013.
4. Residential HVAC – Based on upgraded appliance standards, as of January 1, 2013, eliminate furnaces and air conditioners from eligible equipment, and shift focus to a more comprehensive approach to EE; i.e. HPwES, or address air sealing.
5. EE Products – Reduce the suite of eligible products and consider reducing incentives for CFLs while increasing incentives for LED lighting.

Commercial + Industrial EE Programs

6. Direct Install (DI) - Focus efforts on small schools and those municipalities that took advantage of ARRA funds to perform an audit but have not implemented an energy savings program.
7. Local Government Energy Audit (LGEA) - For the first six months of 2013, incentives will be available to small schools only, as a means of jumpstarting the ESIPs* program. During this time, the new PA will hire a pool of regional contractors to perform the audits. (*See below for recommended ESIPs changes.)
8. Pay for Performance (P4P)
9. C+I Retrofit – Based on upgraded building energy codes and appliance standards, reevaluate what measures are incentivized and reduce current suite of measures.
10. C+I New Construction – Based on upgraded building energy codes and appliance standards, reevaluate what is incentivized.

11. Small CHP

Given the reduction in budgets, OCE staff will work with DAGs to obtain the flexibility to move funds between programs within the Residential and C+I markets and make longer commitments against anticipated revenues.

EDA Programs (Grant EDA the flexibility to move funds between programs based on participation rates.)

12. Large CHP – Evaluate applications on technical merits; if approved, applicant provides supporting financial documentation within a prescribed time frame.
13. Clean Energy Manufacturing Fund (CEMF) – Incentives must be for manufacturing only, not software development, etc.
14. Edison Innovation Green Growth Fund (EIGGF)

Staff recommends that the following programs be temporarily suspended for further evaluation:

1. Multi-Family Financing, Retro Commissioning, and New Financing program, and EE Revolving Loan fund (within EDA) – Due to lack of launch of program or lack of participants.
2. Large Energy Users Pilot and P4P New Construction - In light of the new SBC legislation which goes into effect on January 1, 2013 and changes requested by current LEUP participants.

*Currently, the ESIPs program requires two audits: the first by a third-party auditor and another Level 3 audit conducted by the ESCo. In order to eliminate this redundancy and reduce costs, Staff will seek program changes that allow the first audit to be a walk-through.