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## AN ENVIRONMENTAL AND ENERGY LAW PRACTICE

### **New Jersey's Fiscal Emergency Takes \$158 Million Bite Out of the Clean Energy Program's 2010 Budget**

On February 11, 2010, Governor Christie issued Executive Order No. 14, which, among other things, declared a fiscal emergency in New Jersey and reallocated certain monies to the state's general fund to address New Jersey's projected 2010 budget shortfall of more than \$2 billion. As part of these efforts, \$158 million from the Board of Public Utilities' Clean Energy Program ("CEP"), which funds or administers the majority of the state's renewable energy and energy efficiency financial incentive programs, was placed into reserve. In addition, grant awards from the Retail Margin Fund for Combined Heat & Power ("CHP") were also suspended.

Faced with less overall funding than previously planned (the CEP's 2010 budget of \$555 million was previously approved by the BPU in December 2009), on March 18, 2010, the BPU issued its proposal to realign the CEP's 2010 budget with the available funding. The new 2010 budget was estimated to be \$459 million (\$555 million minus \$158 million plus \$61 million in expense savings not included in the initial 2010 budget) that would be allocated as follows:

- \$202 million for projects that have already received CEP funding commitments;
- \$257 million for new funding commitments, which is proposed to be allocated as follows: \$195 million for energy efficiency programs; \$30 million for renewable energy programs; \$8 million for CEP oversight; and \$24 million for programs funded by the CEP, but administered by other state agencies (e.g., the Clean Energy Manufacturing Fund, which is administered by the New Jersey Economic Development Agency).

Notable proposed changes to specific CEP incentive programs for 2010 as a result of the budget realignment include:

#### **Energy Efficiency**

- **NJ SmartStart's** program budget is proposed to be reduced by approximately \$2 million. Less existing commitments, approximately \$15 million would be available in this program;
- **Pay for Performance's** program budget is proposed to be reduced by approximately \$22 million. Less existing commitments, approximately \$50 million would be available in this program. Funding for the program's additional incentives that are offered for CHP is also proposed to be eliminated (existing commitments will be met); and
- **Direct Install's** program budget is proposed to be reduced by approximately \$2.5 million. Less existing commitments, approximately \$13 million would be available

in this program. In addition, an entity cap of \$250,000 per year and a project cap of \$40,000 per year (\$100,000 for government entities) are proposed.

### **Renewable Energy**

- The **Renewable Energy Incentive Program's** budget is proposed to be reduced by approximately \$55 million. Less existing commitments, approximately \$29 million would be available in this program;
- **Solar rebates** are also proposed to be reduced, e.g., the rebates for non-residential systems installed during the second funding cycle, which begins May 1, 2010, are proposed to be reduced from \$1.00/watt to \$0.80/watt.

### **Other Agency Programs**

- New funding for the **Offshore Wind Meteorological Tower Rebate Program** is proposed to be eliminated (existing commitments will be met);
- The **Renewable Energy Grid Connected Program's** budget is proposed to be reduced by approximately \$10 million and the program's second solicitation has been deferred. Less existing commitments, approximately \$6 million would be available in this program;
- The **Clean Energy Manufacturing Fund's** program budget is proposed to be reduced by approximately \$17 million. Less existing commitments, approximately \$14 million would be available in this program.
- New funding for the **Energy Efficient Mortgage and Solar Loan Programs** administered by the New Jersey Housing and Mortgage Finance Agency is proposed to be eliminated; however, the solar loan program will remain open as a result of the federal stimulus funding.

Comments on the revised CEP 2010 budget were due to the BPU by March 25, 2010. In light of the state's fiscal emergency, it is anticipated that the BPU will adopt the revised budget, as proposed, in the near future.