



Agenda Date: 6/30/17
Agenda Item: 8E

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE COMPREHENSIVE)
ENERGY EFFICIENCY AND RENEWABLE ENERGY)
RESOURCE ANALYSIS FOR THE FISCAL YEAR 2018) ORDER
DOCKET NO. QO17050464

Parties of Record:

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Diane Zukas, TRC Energy Services
Michael Ambrosio, TRC Energy Services
Mark Mader, Jersey Central Power & Light
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Sandra Eason-Perez, Orange & Rockland Utilities
Bruce Grossman, South Jersey Gas Company
Susan Ringhof, Public Service Electric & Gas Company
Tracey Thayer, New Jersey Natural Gas
Mary Patricia Keefe, Elizabethtown Gas Company
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BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities (Board or BPU) at its June 30, 2017 public meeting, where the Board considered and determined the funding for New Jersey's Clean Energy Program (NJCEP) for fiscal year 2018 (FY18).¹

BACKGROUND & PROCEDURAL HISTORY

On February 9, 1999, the Electric Discount and Energy Competition Act (EDECA or the Act) was signed into law, creating the societal benefits charge (SBC) to fund programs for the advancement of energy efficiency (EE) and renewable energy (RE) in New Jersey. The Act also provided for the Board to initiate proceedings and undertake a comprehensive resource analysis (CRA) of EE and RE programs in New Jersey every four years. The CRA would then be used to determine the appropriate level of funding over the next four years for the EE and Class I RE programs, which are part of what is now known as NJCEP. Accordingly, in 1999, the Board

¹ The funding levels approved in this Order are subject to State appropriations law.

initiated its first CRA proceeding and, in 2001, it issued an order setting funding levels, the programs to be funded, and the budgets for each those programs, all for the years 2001 through 2003. Since then, the Board has issued numerous Orders setting the funding levels, related programs, and program budgets for the years 2004 – Fiscal Year 2017 (FY17).²

On June 6, 2017, Board Staff distributed to the EE and RE listservs a notice of the availability of the draft FY18 “Comprehensive Energy Efficiency & Renewable Energy Resource Analysis Straw Proposal,” dated May 31, 2017 and attached hereto as **Appendix A** (Straw Proposal). Board Staff also posted the document on the NJCEP web site. The distributions and postings requested comments on the Straw Proposal, with a due date of June 20, 2017. Further, a public hearing regarding the Straw Proposal was held on June 16, 2017, and the Straw Proposal was also discussed at the meetings of both the EE and the RE Stakeholder Groups, which meetings were held on June 13, 2017. In addition, NJDEP, by email dated June 8, 2017, confirmed (a) the Board had consulted with NJDEP regarding the Straw Proposal including, without limit, the Proposed FY18 Funding Levels set forth therein (as defined below), and (b) NJDEP agreed with the Proposed FY18 Funding Levels, stating they were “acceptable and consistent with the overall goals of ... NJCEP.”

Straw Proposal

The following summarizes the key components of the Straw Proposal:

While the 2011 Energy Master Plan (EMP) does not set specific energy savings goals for NJCEP, Board Staff drew the following objectives from the EMP, which informed the development of the Proposed FY18 Funding Levels:

- Energy efficiency is the most cost-effective way to lower energy costs.
- Energy efficiency programs should focus on both reducing energy usage and lowering peak demand, which can further lower costs for all ratepayers.
- While energy efficiency programs are the cheapest source of energy, the Board must consider the funding impact on non-participating customers.
- Energy efficiency programs and renewable energy contribute to the State's overall economic development and create in-State jobs.
- Energy efficiency and renewable energy programs deliver environmental and health benefits and lower peak energy costs, both of which benefit all ratepayers, including non-participating customers.
- Energy efficiency and renewable energy programs must undergo regular and rigorous evaluation to confirm projected costs, energy savings, and economic benefits.
- The promotion of in-State renewable energy resources can reduce emissions while promoting economic development.
- Energy savings should be considered comprehensively. Those savings that NJCEP programs deliver should complement other non-NJCEP activities such as stricter

² In the early years, the budgets and programs were based on calendar years, but, in 2012, the Board determined to begin basing the budgets and programs on fiscal years to align with the overall State budget cycle.

building codes, higher appliance standards, utility programs, and EE in State-owned facilities.

- Energy efficiency and renewable energy programs should reach across sectors including residential, commercial and governmental, etc. and be accessible to distressed communities.

These considerations provided a starting point for discussions on what the long-term goals and objectives of NJCEP should be. NJCEP's Program Administrator, TRC Energy Solutions ("TRC") worked closely with BPU Commissioners and Staff to develop NJCEP objectives.

Proposed FY18 Funding Levels

The Straw Proposal provides discussion of how the funding levels proposed for FY18 are consistent with the goals and objectives discussed above. Board Staff is recommending that for FY18 the Board set a new SBC funding level of \$344,665,000, which is the same funding level approved by the Board for FY15, FY16, and FY17. When combined with other sources of funds, it results in total FY18 funding of \$346,370,959 (collectively, the Proposed FY18 Funding Levels). Board Staff estimates the Proposed FY18 Funding Levels will be sufficient to maintain a full portfolio of programs. The following table provides more details regarding the Proposed FY18 Funding Levels:

Proposed FY18 Funding Levels

Budget Category	New SBC Funding	Total FY18 Funding*
<i>Energy Efficiency:</i>		
Residential	\$ 49,846,906	\$ 50,249,371
Low Income	23,864,504	24,000,000
Commercial & Industrial	69,409,625	70,142,422
State Facilities	100,000	100,000
Subtotal Energy Efficiency	\$ 143,221,035	\$ 144,491,793
Distributed Energy Resources	8,735,203	9,000,000
Renewable Energy	2,585,321	2,600,000
EDA Programs	-	108,166
NJCEP Administration	6,862,441	6,910,000
NJCEP Total	\$ 161,404,000	\$ 163,109,959
State Energy Initiatives	183,261,000	183,261,000
Grand Total	\$ 344,665,000	\$ 346,370,959

* Includes new SBC FY18 funding, other FY18 resources (including loan repayments and interest), and unspent/uncommitted funds from FY17 being reallocated among all funding categories. This amount does not include committed balances in each program that will carry over to fund future incentive payments.

SBC Collection Schedule

Board Staff proposed that the Board utilize the same methodology for allocating the funding to the state's electric and natural gas utilities that was approved by the Board for FY17 but that, given recent changes in the relative costs of electricity and natural gas, it use updated assumptions, specifically more recent revenue and sales forecasts, as detailed in the Straw Proposal. This proposal results in the following allocation:

Monthly Utility Funding Levels

FY18	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
ACE	\$3,040,040.81	\$3,298,480.52	\$2,979,084.65	\$2,296,518.45	\$2,009,276.38	\$2,230,711.93	\$2,385,727.93	\$2,663,774.52	\$2,250,409.76	\$2,257,759.39	\$1,678,064.51	\$2,299,543.18	\$29,389,392.03
JCP&L	\$7,376,726.34	\$7,166,311.88	\$5,550,139.92	\$5,160,518.32	\$5,259,529.56	\$5,910,716.66	\$5,730,081.35	\$5,278,402.15	\$5,137,186.09	\$4,788,600.51	\$5,053,989.03	\$6,037,324.39	\$68,449,526.20
PS-Electric	\$14,191,405.10	\$14,005,883.38	\$12,605,229.98	\$10,278,817.05	\$9,872,599.23	\$11,378,366.88	\$11,897,815.27	\$11,534,978.28	\$11,083,997.06	\$10,122,744.82	\$10,111,718.52	\$11,574,001.23	\$138,657,546.80
RECO	\$562,220.14	\$594,640.04	\$542,653.67	\$424,109.65	\$387,681.46	\$431,826.43	\$487,063.21	\$433,220.91	\$398,449.92	\$380,702.34	\$389,244.35	\$461,312.54	\$5,493,124.66
NJN	\$425,187.04	\$415,055.42	\$415,328.10	\$736,287.80	\$1,460,402.82	\$2,381,488.83	\$2,876,181.12	\$2,403,162.84	\$1,953,223.10	\$1,067,338.82	\$564,348.60	\$419,222.27	\$15,117,226.76
Edison	\$353,795.10	\$347,436.76	\$356,220.45	\$446,854.23	\$824,946.53	\$1,290,373.25	\$1,677,424.05	\$1,791,371.77	\$1,488,924.15	\$1,028,938.07	\$624,735.03	\$406,103.99	\$10,637,123.38
PS-Gas	\$2,177,357.76	\$1,922,979.04	\$2,272,689.80	\$2,645,645.34	\$4,797,252.68	\$8,421,812.00	\$10,932,753.03	\$10,072,077.71	\$8,743,457.17	\$6,140,757.87	\$3,637,467.61	\$2,452,494.57	\$64,216,744.58
SJG	\$489,660.01	\$472,055.86	\$506,019.86	\$543,811.74	\$881,504.67	\$1,524,235.59	\$2,062,869.44	\$1,960,633.33	\$1,820,022.42	\$1,182,583.19	\$692,229.97	\$558,689.51	\$12,694,316.59
Total	\$28,616,392.30	\$28,222,842.90	\$25,227,366.43	\$22,532,562.58	\$25,493,193.33	\$33,569,521.57	\$38,049,915.40	\$36,137,621.51	\$32,875,669.67	\$26,969,425.01	\$22,751,797.62	\$24,208,691.68	\$344,655,000.00

(Proposed FY18 Utility Payments).

Rate Impacts

The Proposed FY18 Funding Levels represent a continuation of the current funding level and therefore will have no incremental impact on rates. Any adjustments to rates necessary to collect the Proposed FY18 Funding Levels will, as necessary and appropriate, be addressed in individual utility rate cases.

SUMMARY OF COMMENTS FROM PUBLIC STAKEHOLDERS

Oral testimony on the Staff Straw CRA and FY18 Programs was provided at the June 16, 2017 public hearing by the Division of Rate Counsel (Rate Counsel), Lime Energy, South Jersey Gas and Environment New Jersey (Environment NJ). In addition, written comments specifically devoted to the CRA were submitted by Matchless Energy (Matchless) and Rate Counsel. Below is a summary of the testimony and comments as well as Board Staff's responses to them. Board Staff notes that the hearing was a joint hearing in which the Board also received comments regarding the proposed Clean Energy Programs and Budgets for FY18 (FY18 Compliance Filings and Budgets), on which proposal the Board is scheduled to act on the same date as the present Order. Readers of this Summary are advised to also read the Summary in the Board's Order regarding the FY18 Compliance Filings and Budgets.

Comment: Rate Counsel, Environment NJ, and Matchless Energy comment that the Straw Proposal allocates too much funding to State Energy Initiatives and too little funding to NJCEP programs.

Response: As stated in the Straw Proposal, energy efficiency programs and investments are supported not only by the Board but also by other State agencies, including, among others,

NJDEP's Air Quality, Energy & Sustainability Program, including its Office of EE and RE, as well as NJ Transit, which implements many energy efficiency projects, such as the installation of energy-efficient lighting and energy-efficient switch heaters, as well as the development and implementation of a demand response pilot program. Board Staff submits that adequately funding such a multi-agency approach to supporting EE and RE is an appropriate allocation and use of SBC funds. Board Staff notes that the amount of funding appropriated to the State Energy Initiative and to NJCEP is set by appropriations legislation, which legislation the Board is legally bound to follow.

Comment: Rate Counsel and Environment NJ comment they would appreciate more time to review Board Staff's Proposals and a more detailed explanation of Board Staff's Proposals, especially as to why funding has been reduced from FY17 levels for many programs but also increased by approximately 33% for State Energy Initiatives.

Response: OCE Staff aimed to provide a reasonable opportunity for public comment on the FY18 CRA and program documents and considered the two-week window to be sufficient. Staff notes that many parties had sufficient time to prepare and submit substantial comments. In addition, many of the items reflected in the subject documents had been the subject of informal discussion at EE and RE Committee meetings, and therefore had been identified as possible issues at an earlier date.

Comment: Rate Counsel supports the Board's intention to move towards a three-year planning and budgeting cycle, but also supports the proposal to set out only a one-year plan in FY18 while the strategic planning process proceeds.

Response: Board Staff appreciates the commenter's support.

BOARD STAFF RECOMMENDATIONS

The Straw Proposal sets out in detail the rationale utilized by Board Staff in developing the Proposed FY18 Funding Levels. Board Staff has reviewed the comments submitted. Having reviewed and considered the comments, Board Staff has determined to recommend the Board set, adopt, and approve the Proposed FY18 Funding Levels as originally proposed.

DISCUSSION AND FINDINGS

The Straw Proposal recognizes the value of energy efficiency as a foundational energy resource that, when delivered cost-effectively, reduces the cost of energy for all ratepayers, while providing additional benefits, including health and safety benefits associated with improved air quality, lower environmental compliance costs, increased grid reliability, and increased economic development opportunities in the form of jobs in construction and a business environment that should allow New Jersey businesses to compete more effectively with out-of-state businesses. It will help New Jersey re-establish itself as a national leader in clean energy programs.

Consistent with the Board's contract with its Program Administrator, Board Staff coordinated with the Program Administrator regarding the Straw Proposal. Further, Board Staff, in conjunction with the Program Administrator, discussed the Straw Proposal at a public hearing and at public meetings of the EE and RE Stakeholder Groups, all to receive comments and input. In addition, NJDEP has confirmed that it agrees with the Proposed FY18 Funding Levels. Finally, the Straw Proposal was circulated to the EE and RE listservs, it was posted on the

NJCEP web site, and written comments were solicited from stakeholders and the public and considered by Board Staff and the Board. Accordingly, the Board **HEREBY FINDS** the process utilized in developing the Straw Proposal, including, without limit, the Proposed FY18 Funding Levels set forth therein, was appropriate and provided stakeholders and interested members of the public adequate notice and opportunity to comment on it.

The Board has reviewed the Straw Proposal, including, without limit, the Proposed FY18 Funding Levels set forth therein, and Board Staff's recommendations regarding same, and the Board **HEREBY FINDS** the Straw Proposal will benefit customers and is consistent with the EMP goal of reducing energy usage and associated emissions, will provide environmental benefits beyond those provided by standard offer or similar programs, and is otherwise appropriate. Therefore, the Board **HEREBY APPROVES** the Straw Proposal and the Proposed FY18 Funding Levels.

The Board has reviewed Board Staff's recommendation for allocating the funding to the state's electric and natural gas utilities. The Board **HEREBY FINDS** that the recommended allocation of the FY18 funding to electric and natural gas utilities is reasonable and consistent with the methodology approved by the Board in its 2008 CRA III Order. Based on the above, the Board **HEREBY APPROVES** the Proposed FY18 Utility Payments (as approved, the FY18 Utility Payments).

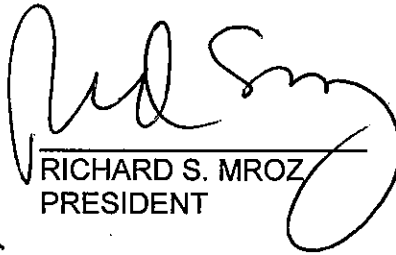
The FY18 Utility Payments shall be made consistent with the Board's existing policies and procedures, including, without limit, the utilities' deduction of monthly Comfort Partners Program costs from the stated FY18 Utility Payments amounts. The Board also **HEREBY AUTHORIZES** the utilities to continue utilizing deferred accounting, through the SBC, for NJCEP revenues and expenses as set out in previous Orders of the Board. The Board will, as appropriate, consider rate making issues in the context of specific utility rate filings with the Board.

The Board notes that, on June 6, 2017 and supplemented on June 9, 2017, Board Staff, published its recommendations regarding proposed FY18 programs and budgets and that those programs and budgets are addressed in a separate Order.

This Order shall be effective on July 1, 2017.

DATED: 6/30/17

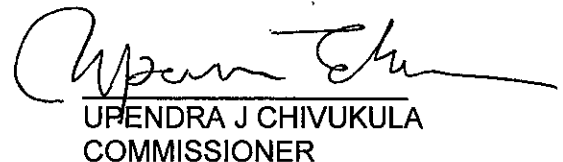
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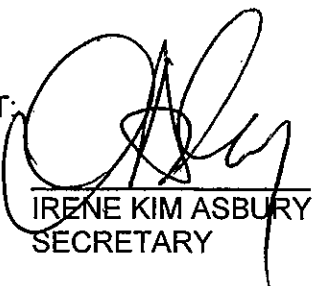

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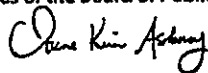

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COMMISSIONER

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 ENERGY EFFICIENCY AND RENEWABLE
ENERGY RESOURCE ANALYSIS FOR THE FISCAL YEARS 2018 CLEAN ENERGY
PROGRAM
DOCKET NO. QO17050464

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APPENDIX A

Straw Proposal

Office of Clean Energy

**Comprehensive Energy Efficiency & Renewable Energy Resource
Analysis Straw Proposal**

***New Jersey's Clean Energy Program*[™]
Proposed Funding Levels FY18**

May 31, 2017

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List of Acronyms

- Board or BPU: New Jersey Board of Public Utilities
- BPI: Building Performance Institute
- C&I: Commercial & Industrial
- CHP: Combined Heat and Power
- CEEEP: Rutgers Center for Energy, Economic & Environmental Policy
- CRA: Comprehensive Energy Efficiency & Renewable Energy Resource Analysis
- DEP: Department of Environmental Protection
- DER: Distributed Energy Resource
- DI: Direct Install Program
- EDA: Economic Development Authority
- EDECA: Electric Discount and Energy Competition Act
- EE: Energy Efficiency
- EMP: Energy Master Plan
- FY: Fiscal Year
- LEUP: Large Energy Users Program
- NASEO: National Association of State Energy Officials
- NJCEP: New Jersey's Clean Energy Program
- NJIT: New Jersey Institute of Technology
- OCE: Office of Clean Energy
- OEM: Office of Emergency Management
- OSW: Offshore Wind
- RE: Renewable Energy
- RFP: Request for Proposal
- RPS: Renewable Portfolio Standard
- RULESS: Rutgers University Laboratory for Energy Smart Systems
- SBC: Societal Benefits Charge
- SREC: Solar Renewable Energy Certificates
- SRP: SREC Registration Program
- TCNJ: The College of New Jersey

EXECUTIVE SUMMARY

On February 9, 1999, the Electric Discount and Energy Competition Act was signed into law, which, among other things, created the societal benefits charge to fund programs for the advancement of energy efficiency and Class I renewable energy technologies and markets in New Jersey. The Act also charged the New Jersey Board of Public Utilities with initiating proceedings and undertaking a comprehensive energy efficiency and renewable energy resource analysis in New Jersey. The comprehensive resource analysis would be used to determine the level of funding for energy efficiency and Class I renewable energy programs statewide. Collectively, these programs form New Jersey's Clean Energy Program™. Over the years, the programs have significantly reduced energy usage, delivered clean, local sources of renewable energy and resulted in billions of dollars of energy cost savings to New Jersey ratepayers.

This straw proposal recommends the funding level for FY18, highlights recent accomplishments, and describes the framework on which New Jersey's Clean Energy Program will continue to deliver innovative, cost-effective programs throughout the state. The proposed funding level will support five funding categories including: 1) Energy Efficiency; 2) Distributed Energy Resources; 3) Renewable Energy; 4) NJCEP Administration; and, 5) State Energy Initiatives. The total recommended funding for FY18 programs is \$344,665,000, the same level of funding approved for FY17.

NJCEP will continue to deliver a full suite of programs in FY18. The clean energy programs will focus on delivering high-level service to program participants and increasing energy and cost savings to customers across the state.

1. HISTORY/BACKGROUND

The Board initiated its first CRA proceeding in 1999 and issued the first CRA Order in 2001. The 2001 Order set funding levels, the programs to be funded, and the budgets for each of those programs for the years 2001 through 2003. Since then, the Board has issued numerous orders setting the funding levels, related programs, and program budgets for the years 2004 – fiscal year 2017.³

From 2001 to 2006 the programs were managed by the state's electric and natural gas utilities. In 2004, the Board determined it would manage NJCEP going forward and in 2005-2006, the Board issued RFPs to contract the necessary administrative services. In 2006 Honeywell, Inc. was engaged to manage the RE and residential EE programs, and TRC Energy Solutions (TRC) was engaged to manage the C&I EE programs. In 2007, Applied Energy Group (AEG) was engaged as the NJCEP Program Coordinator. These contracts, following multiple extensions, terminated on March 31, 2016.

In April 2015, the Board, through the Department of the Treasury, Division of Purchase and Property (Treasury), issued RFP 16-X-23938 seeking proposals for a single Program Administrator to provide the services then being provided by Honeywell, TRC, and AEG (2015 RFP). On December 1, 2015, Treasury awarded the Program Administrator contract to AEG. Subsequently, on January 13, 2017, TRC Environmental Corporation acquired, AEG's New Jersey operation including the NJCEP Program Administrator contract from AEG and assumed AEG's rights and obligations thereunder. TRC has subcontracted portions of the work under its contract to CLEAResult Consulting Inc.; ICF Resources, LLC; and Energy Futures Group, Inc. AEG and subsequently, TRC have managed programs since March 1, 2016 which marked the conclusion of the transition period set out in the RFP.

³ In the early years, the budgets and programs were based on calendar years, but in 2012, the Board determined to begin basing the budgets and programs on fiscal years to align with the overall State budget cycle.

2. GOALS/OBJECTIVES OF CRA

Setting clear and actionable policy goals and objectives is integral to the long-term success of NJCEP. The first step in the planning process – establishing policy objectives – is the most important. Clarity regarding the Board’s priorities is integral to rationalizing decisions regarding where and how to invest NJCEP resources. Operational goals and objectives that help guide the implementation of the NJCEP programs are equally important and should support the overarching policy objectives.

The Energy Master Plan provides a useful reference for NJCEP-specific policy objectives. Policy considerations gleaned from the EMP that guided the NJCEP objectives include:

- Energy efficiency is the most cost-effective way to lower energy costs.
- Energy efficiency programs should focus on both reducing energy usage and lowering peak demand, which can further lower costs for all ratepayers.
- While energy efficiency programs are the cheapest source of energy, the Board must consider the funding impact on non-participating customers.
- Energy efficiency programs and renewable energy contribute to the State's overall economic development and create in-State jobs.
- Energy efficiency and renewable energy programs deliver environmental and health benefits and lower peak energy costs, both of which benefit all ratepayers, including non-participating customers.
- Energy efficiency and renewable energy programs must undergo regular and rigorous evaluation to confirm projected costs, energy savings and economic benefits.
- The promotion of in-State renewable energy resources can reduce emissions while promoting economic development.
- Energy savings must be considered comprehensively. Those savings that NJCEP programs deliver should complement other non-NJCEP activities such as stricter building codes, higher appliance standards, utility programs, and EE in State-owned facilities.
- Energy efficiency and renewable energy programs should reach across sectors including residential, commercial and governmental, etc. and be accessible to distressed communities.

These considerations provided a starting point for discussions on what the long-term goals and objectives of NJCEP should be. TRC worked closely with BPU Commissioners, Senior Staff and OCE Staff to develop NJCEP objectives.

3. PROGRAM EVALUATION

Program evaluation is an integral component of proper program planning and reporting. Continuous program evaluation ensures ratepayer funds are being effectively spent on NJCEP programs and are achieving the energy savings targets set by the CRA process. The table below describes the planned evaluation activities for FY18.

Proposed FY18 Evaluation Activities

Fiscal Year	Evaluation Study Name^[1]	To be conducted by
FY 2018 <i>(July 1, 2017 to June 30, 2018)</i>	1. Impact Evaluation Studies ^[2] a. Residential Programs: i. Energy Efficient Products Program ii. Existing Homes Program (Home Performance with ENERGY STAR®) b. Commercial & Industrial Programs: i. Direct Install ii. Retrofit iii. Pay for Performance	3 rd Party Contractors /TBD
	2. C&I and Residential Baseline Study	3 rd Party Contractors /TBD
	3. Protocols Evaluation	Rutgers CEEEP (In Process)
	4. Planning Process (program planning, goal setting, and budgeting for FY18 through FY20)	TRC/BPU
	6. Cost-Benefit Analysis (Retrospective & Prospective)	Prospective: TRC Retrospective: TBD
	7. Evaluation & Research Plan Update	3 rd Party Contractors/TBD
	8. Protocols Update	TRC
	9. RPS Evaluation Study – Phase II	3 rd Party Contractors/TBD
	10. Analytics for Energy Policies	RULESS
	11. OSW Modeling Studies	Rutgers DMCS

4. RECOMMENDATIONS

The funding recommendations for FY18 considered the program’s historic results, and several proposed changes to the existing programs. The following table shows NJCEP program expenses, commitments and energy savings/generation since FY14:

^[1] The timeline for completing the evaluations may vary. Evaluations started in FY17 may/not be completed in the same fiscal year.

^[2] Impact evaluations will be conducted for the listed programs. Impact evaluations for all NJCEP programs in one year are not feasible given budget constraints.

**NJ Clean Energy Program
 Historical Results**

Category	FY14	FY15	FY16**	FY17 YTD thru Dec 31, 2016
Expenses:				
Energy Efficiency	\$ 178,097,682	\$ 187,876,975	\$ 158,597,561	\$ 68,438,287
CHP	1,474,906	2,448,358	4,958,392	10,050,908
Renewable Energy	4,193,890	4,699,543	4,247,762	1,167,531
EDA Programs	5,524,016	2,877,474	202,606	-
NJCEP Admin	5,511,570	5,435,669	7,574,044	1,842,562
TRUE Grant	<u>7,419,100</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>
NJCEP Total Expenses	\$ 202,221,164	\$ 203,338,018	\$ 178,580,365	\$ 81,499,289
Year-end Commitments:				
Energy Efficiency	\$ 95,187,314	\$ 102,018,033	\$ 83,573,517	\$ 97,923,586
CHP	6,050,795	9,361,807	31,490,510	34,265,000
Renewable Energy	7,755,043	7,233,804	7,442,096	-
EDA Programs	8,106,179	13,438,007	9,123,680	9,123,680
NJCEP Admin	-	-	552,330	950,000
TRUE Grant	<u>1,874,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Commitments	\$ 118,973,832	\$ 132,051,651	\$ 132,182,133	\$ 142,262,266
Total Program Need:				
Energy Efficiency	\$ 273,284,995	\$ 289,895,008	\$ 242,171,078	\$ 166,361,873
CHP	7,525,702	11,810,165	36,448,902	44,315,908
Renewable Energy	11,948,933	11,933,347	11,689,858	1,167,531
EDA Programs	13,630,195	16,315,480	9,326,286	9,123,680
NJCEP Admin	5,511,570	5,435,669	8,126,374	2,792,562
TRUE Grant	<u>9,293,600</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>
NJCEP Total Need	\$ 321,194,996	\$ 335,389,669	\$ 310,762,498	\$ 223,761,554
Savings:				
Electric (Lifetime MWh)	6,040,321	6,596,626	5,196,520	1,755,315
Gas (Lifetime Dtherm)	16,657,595	14,611,466	19,448,885	10,022,366
Demand Reduction (kW)	80,245	113,442	69,668	24,866
Generation (MWh)	5,346,105	4,853,617	7,800,616	5,185,562

** Note: Several programs were temporarily suspended in FY16 due to program transition

Proposed Funding Levels

For FY18, Staff is proposing a one-year funding level of \$344,665,000 which is the same funding level as FY17.

Staff recommends that the FY18 funding level be allocated to budget categories as follows:

Proposed FY18 Funding Levels

Budget Category	New SBC Funding	Total FY18 Funding*
<i>Energy Efficiency:</i>		
Residential	\$ 49,846,906	\$ 50,249,371
Low Income	23,864,504	24,000,000
Commercial & Industrial	69,409,625	70,142,422
State Facilities	100,000	100,000
Subtotal Energy Efficiency	\$ 143,221,035	\$ 144,491,793
Distributed Energy Resources	8,735,203	9,000,000
Renewable Energy	2,585,321	2,600,000
EDA Programs	-	108,166
NJCEP Administration	6,862,441	6,910,000
NJCEP Total	\$ 161,404,000	\$ 163,109,959
State Energy Initiatives	183,261,000	183,261,000
Grand Total	\$ 344,665,000	\$ 346,370,959

* Includes new SBC FY18 funding, other FY18 resources (including loan repayments and interest), and unspent/uncommitted funds from FY17 being reallocated among all funding categories. This amount does not include committed balances in each program that will carry over to fund future incentive payments.

Utilization of Funding

The long-term direction for the NJCEP suite of programs will be based upon several common themes including:

- A customer-focused approach through outreach
- Early Account Manager/Case Manager coordination with customers
- Determining customer goals before deciding on program path
- Tiered paths based upon customer goals vs. a wide variety of individual programs (single measure, multi measure and comprehensive/whole building)

The overarching principles and tiered approach will apply to the redesigned C&I and residential program paths as well as the new multifamily program that is under development. This approach encourages more up-front customer interaction for those looking to implement multiple or comprehensive measures and will allow customers to understand the full scope of energy efficiency/savings opportunities and make decisions based upon their goals, budgets and plans as opposed to trying to fit a project into the existing portfolio of programs. It will also result in longer term customer engagement which can result in deeper

energy savings over time.

The FY18 funding levels will be used for the following programs/initiatives.⁴

- Residential EE
 - 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.
 - 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.
 - Energy Efficient Products: The Energy Efficient Products Program provides financial incentives and support to retailers that sell energy efficient products, such as appliances, appliance recycling, or LED light bulbs.
 - Home Performance with ENERGY STAR: The Home Performance with ENERGY STAR Program relies on contractors that are BPI-certified and incentivizes the installation of whole-house energy conservation measures, such as new HVAC, air sealing, insulation, etc. in existing homes.
- Low Income: The Residential Low-Income/Comfort Partners Program provides for the installation of energy conservation measures at no cost to income-qualified customers.
- C&I EE
 - C&I New Construction: The C&I New Construction Program provides rebates and other incentives to commercial and industrial customers that design and build energy efficient buildings.
 - C&I Retrofit: The C&I Retrofit Program provides rebates and other incentives to commercial and industrial customers that install high efficiency equipment in existing buildings.
 - Pay-for-Performance: The Pay-for-Performance Program provides incentives for new construction and existing buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
 - Local Government Energy Audit: The Local Government Energy Audit Program offers subsidized energy efficiency audits to governmental entities, municipalities, school districts and non-profits.
 - Direct Install: The Direct Install Program provides incentives for the installation of energy efficiency measures in small commercial buildings and non-profits.
 - Large Energy Users Program: The Large Energy Users Program provides incentives to the State's largest energy users through a streamlined program approach.
 - Customer-Tailored Pilot Program: The Custom-Tailored Pilot provides flexible services designed to meet the individual needs of medium to large C&I customers that fall between the DI-program for small C&I customers and the LEUP for the

⁴ The programs and their terms are subject to change from time-to-time. Staff anticipates circulating for comment draft FY18 compliance filings which include program descriptions and detailed budgets.

- largest C&I customers. Services will include technical assistance, custom-calculated incentives, and possible financing.
- New Multi-Family Program: Multi-family homes are currently served by a number of programs. In FY18, staff intends to propose a new multi-family program that will serve all multi-family customers regardless of building type or utility rate classification.
 - State Facilities: The State Facilities Initiative implements and funds energy efficiency and energy savings projects for State-owned and operated buildings and grounds. This includes air handling and movement, lighting and equipment upgrades and replacements, and other energy efficient measures. There are several projects that have been completed or are in the audit phase and will be ready to start design and implementation stages in FY18.
 - Distributed Energy Resources (DER):
 - CHP and Fuel Cell Systems: The CHP and Fuel Cell component provides incentives for the installation of CHP and fuel cell with heat recovery systems including biomass powered systems.
 - Renewable Energy Storage: Provides incentives for renewable energy storage systems.
 - Microgrid: This program provides incentives to fund feasibility studies for potential DER microgrids in New Jersey.
 - Renewable Energy:
 - The SREC Registration Program registers projects that are eligible to generate and trade SRECs.
 - NJCEP Administration
 - Administration and Overhead: OCE Staff expenses and overhead.
 - Marketing: Includes funding for marketing and related expenses.
 - Evaluation and Related Research: Includes funding for program evaluation activities proposed above and other evaluation-related initiatives.
 - Outreach and Education: Includes a strategic outreach plan to be implemented by the Program Administrator. It also includes grants to state colleges and universities, such as, Rutgers, NJIT, and TCNJ for example.
 - Other/Memberships: Includes funding for the National Association of State Energy Officials
 - State Energy Initiatives: \$183,261,000 in SBC funds will be allocated to fund the State's energy initiatives and utility bills.

State Energy Initiatives

The expenditure for State energy initiatives recognizes that the State's EE initiatives extend beyond the BPU. Through energy efficiency efforts implemented by sister agencies, such as the office of Air Quality, Energy and Sustainability in DEP, the State conducts valuable research on clean energy technologies. By supporting sister agencies, the NJCEP is furthering its commitment to EE and RE programs. Likewise, NJ Transit aims to implement strategic energy efficiency initiatives to lower utility costs. Such efforts have a direct impact on utility costs and should be encouraged.

Renewable Energy Funding

The funding requested in this CRA for renewable energy programs in New Jersey is a fraction of the total contribution made by ratepayers to support the development of renewable energy. It does not include other costs, such as: the cost of compliance with NJ's RPS; the value provided through net metering of customer-sited renewables; and utility managed RE programs. In addition, the proposed DER budget includes funding for RE Storage and biomass powered CHP systems.

Proposed Savings Goals

The FY18 energy savings goals are derived using a bottoms-up approach to program planning based on the anticipated participation for each NJCEP program.

The energy savings goals were generated by making measure-level projections for each NJCEP program. These measure-level projections roll up into program-level projections, which in turn roll up into sector-level projections. The measure-level projections are based on a multitude of factors including past program participation, changes to programs that impact participation, changes in the marketplace (i.e. new building codes), and overall regional and national trends. Specific savings goals will be included in the compliance filings submitted by each program manager.

SBC Collection Schedule

The Board has utilized the same method and assumptions for allocating the overall statewide funding level to individual utilities over the past several years. However, given recent changes in the relative costs of electricity and natural gas, Staff recommends that the Board use updated assumptions for allocating the funding to utilities in FY18.

For FY18, Staff recommends that the allocation of the funding to utilities be updated utilizing more recent revenue and sales forecasts. Specifically, New Jersey Natural Gas has provided Staff with the following tables from the statewide Universal Service proceeding that forecasts electric and natural gas operating jurisdictional revenues and normalized monthly sales:

NJ Utility Jurisdictional Operating Revenue and Volume

Source: Accounting email in workpaper folder

Gas Operating Jurisdictional Revenues*			Electric Operating Jurisdictional Revenues		
	(\$000)			(\$000)	
Public Service Gas	\$1,580,943	53.6%	Public Service Electric	3,985,941	57.1%
NJNG	\$603,887	20.5%	JCP&L	1,709,504	24.5%
Elizabethtown	\$288,326	9.8%	Atlantic Electric	1,096,534	15.7%
South Jersey	\$474,370	16.1%	Rockland Electric	187,185	2.7%
Total	\$2,947,526	100.00%	Total	6,979,165	100.00%

*Excludes therms related to LCAPP legislation

Calculation of Allocation between Gas and Electric

Gas Revenue	\$2,947,526	30%
Electric Revenue	\$6,979,165	70%
Total Revenue	\$9,926,691	

Projected Sales Volumes
Estimates of Normalized Jurisdictional Sales
 Units in (000s)

	2016 October	2016 November	2016 December	2017 January	2017 February	2017 March	2017 April	2017 May	2017 June	2017 July	2017 August	2017 September	Total
Gas Therms*													
NJNG	33,697	66,838	108,993	131,633	109,985	89,392	48,848	25,828	19,186	19,459	18,996	19,008	691,864
ETG	20,451	37,755	59,056	76,770	81,985	68,143	47,091	28,592	18,588	16,192	15,901	16,303	486,825
PSE&G	121,082	219,554	385,438	500,355	460,965	400,158	281,042	166,475	112,242	99,650	88,008	104,013	2,938,982
SJG	24,888	40,343	69,759	94,411	89,732	83,296	54,123	31,681	25,569	22,410	21,604	23,159	580,976
Total	200,119	364,490	623,245	803,169	742,666	640,990	431,104	252,576	175,584	157,712	144,509	162,483	4,698,647
Electric MWH													
ACE	681,803	596,525	662,266	708,288	790,836	668,114	670,296	498,193	682,701	902,544	979,271	884,447	8,725,284
JCP&L	1,532,083	1,561,478	1,754,806	1,701,178	1,667,081	1,525,158	1,421,666	1,500,456	1,792,394	2,190,043	2,127,574	1,647,756	20,321,671
PSE&G	3,051,632	2,931,031	3,378,069	3,532,289	3,424,568	3,290,678	3,005,286	3,002,022	3,436,153	4,213,222	4,158,144	3,742,310	41,165,413
RECO	125,912	115,097	128,203	144,602	128,617	118,294	113,025	115,581	136,957	166,915	176,540	161,106	1,630,829
Total	5,391,430	5,204,131	5,923,344	6,086,357	5,911,102	5,602,242	5,210,283	5,116,232	6,048,205	7,472,724	7,441,529	6,435,619	71,843,197

*Gas sales exclude wholesale therms

Staff utilized the revenue and sales projection from the tables above to develop the proposed monthly utility payments. The table on the next page sets out the proposed monthly payments to the Trust Fund due from each utility.

Monthly Utility Funding Levels

FY18	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
ACE	\$3,040,040.81	\$3,298,480.52	\$2,979,084.65	\$2,296,518.45	\$2,009,276.38	\$2,230,711.93	\$2,385,727.33	\$2,663,774.52	\$2,250,409.76	\$2,257,759.39	\$1,678,064.51	\$2,299,543.18	\$29,389,392.03
JCP&L	\$7,376,726.34	\$7,166,311.88	\$5,560,139.92	\$5,160,518.32	\$5,259,529.56	\$5,910,716.66	\$5,730,081.35	\$5,278,402.15	\$5,137,186.09	\$4,788,600.51	\$5,053,989.03	\$6,037,324.39	\$68,449,526.20
PS-Electric	\$14,191,405.10	\$14,005,883.38	\$12,605,229.98	\$10,278,817.05	\$9,872,599.23	\$11,378,356.88	\$11,897,815.27	\$11,534,978.28	\$11,083,997.06	\$10,122,744.82	\$10,111,718.52	\$11,574,001.23	\$138,657,546.80
RECO	\$562,220.14	\$594,640.04	\$542,653.67	\$424,109.65	\$387,681.46	\$431,826.43	\$487,063.21	\$433,220.91	\$399,449.92	\$380,702.34	\$389,244.35	\$461,312.54	\$5,493,124.66
NJN	\$425,187.04	\$415,055.42	\$415,328.10	\$736,287.80	\$1,460,402.82	\$2,381,488.83	\$2,876,181.12	\$2,403,162.84	\$1,953,223.10	\$1,067,338.82	\$564,348.60	\$419,222.27	\$15,117,226.76
Etown	\$353,785.10	\$347,436.76	\$356,220.45	\$446,854.23	\$824,946.53	\$1,290,373.25	\$1,677,424.05	\$1,791,371.77	\$1,488,924.15	\$1,028,938.07	\$624,735.03	\$406,103.99	\$10,637,123.38
PS-Gas	\$2,177,357.76	\$1,922,979.04	\$2,272,689.80	\$2,645,645.34	\$4,797,252.68	\$8,421,812.00	\$10,932,753.03	\$10,072,077.71	\$8,743,457.17	\$6,140,757.87	\$3,637,467.61	\$2,452,494.57	\$64,216,744.58
SJG	\$489,660.01	\$472,055.86	\$506,019.86	\$543,811.74	\$881,504.67	\$1,524,235.59	\$2,062,869.44	\$1,960,633.33	\$1,820,022.42	\$1,182,583.19	\$692,229.97	\$558,689.51	\$12,694,315.59
Total	\$28,616,392.30	\$28,222,842.90	\$25,227,366.43	\$22,532,562.58	\$25,493,193.33	\$33,569,521.57	\$38,049,915.40	\$36,137,621.51	\$32,875,669.67	\$26,969,425.01	\$22,751,797.62	\$24,208,691.68	\$344,655,000.00

5. CONCLUSION

Staff's straw proposal for the FY18 CRA is intended to recognize the value of energy efficiency as a foundational energy resource that, when delivered cost-effectively, reduces the cost of energy for all ratepayers while providing additional benefits, including the health benefits associated with improved air quality, lower environmental compliance costs, increased grid reliability, and economic development opportunities in the form of local jobs and a more competitive business environment.