Agenda Date: 6/22/18
Agenda Item: 8I

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 CLEAN ENERGY PROGRAMS AND BUDGETS FOR FISCAL YEAR 2019	))))	ORDER DOCKET NO. QO18040393

Parties of Record:

Janja Lupse, CLEAResult Consulting Inc.
Diane Zukas, TRC Energy Services
Michael Ambrosio, TRC Energy Services
Mark Mader, Jersey Central Power & Light
Timothy White, Atlantic City Electric
Sandra Easton-Perez, Orange & Rockland Utilities
Bruce Grossman, South Jersey Gas Company
Susan Ringhof, Public Service Electric & Gas Company
Tracey Thayer, Esq., New Jersey Natural Gas
Mary Patricia Keefe, Esq., Elizabethtown Gas Company
Stefanie A. Brand, Esq., Director, Division of Rate Counsel

SERVICE LIST ATTACHED

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities (Board or BPU) at its June 22, 2018 public meeting, where the Board considered and determined fiscal year 2019 (FY19) programs and budgets for New Jersey's Clean Energy Program (NJCEP).[1]

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

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 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 2018 (FY18).[2]

Process Regarding Development of the Proposed FY18 Programs and Budget Filings

Coordination with Project Administrator

On December 1, 2015, the Department of Treasury awarded a Program Administrator contract (Contract) to TRC.[3] The Contract requires TRC to participate in the annual Comprehensive Resource Analysis (CRA) process, participate in the annual budget process, prepare draft annual Compliance Filings (as defined below) for NJCEP, design and implement improvements to NJCEP's programs, obtain and consider stakeholder feedback (from, without limit, the RE and EE Committees), coordinate annual NJCEP evaluations, and implement the agreed-upon recommendations flowing from those evaluations. TRC has been fulfilling these requirements as applicable and as they come due.

Stakeholder and Public Process

On April 23, 2018, the Board Staff provided public notice of a May 15, 2018 public hearing regarding a to-be-released draft FY19-22 CRA and related programs and budgets for FY19. On May 3, 2018, a notice was distributed to the EE, RE, and other NJCEP listservs about the posting to the NJCEP website of the following proposed FY19 documents: TRC Program Descriptions and Budgets (*aka* "Compliance Filings" and "Plan Filings") (Volumes 1 & 2), Utilities' Compliance Filing, the Board's Office of Clean Energy (OCE) Compliance Filing (collectively, the Proposed FY19 Compliance Filings), the Proposed FY19 Budget, (FY19 Budget) and Summary of Proposed Program Changes for FY19. The distributions and postings requested comments on the proposed documents, with a due date of May 31, 2018. The proposed documents were discussed at the May 15 public hearing and at the EE and the RE Stakeholder Group meetings held on May 18, 2018 (The combination of the Proposed FY19 Budget and the Proposed FY19 Compliance Filings (including the above-described draft

[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 in order to align with the overall State budget cycle.

[3] On January 13, 2017, TRC acquired the NJCEP Program Administrator Contract from Applied Energy Group, Inc. (AEG) and assumed AEG's rights and duties thereunder. For ease of presentation, the Program Administrator is referred to throughout this Order as "TRC" or "the Program Administrator;" TRC, together with its subcontractors is referred to as the "TRC Team."

Appendix E) are hereinafter referred to as the Proposed FY19 Compliance Filings and Budgets.)

Approval of CRA Straw Proposal

On June 22, 2018, prior to acting on the present Order, the Board reviewed and approved a Comprehensive Energy Efficiency & Renewable Energy Resource Analysis Straw Proposal," (CRA Straw Proposal), including New SBC Funding and Total FY19 Funding (the CRA Order). The proposed budgets set out below utilize and are consistent with the funding levels approved in the CRA Order.

Savings Protocols

By Order dated June 29, 2016, Docket No. QO16060525, the Board approved a document entitled Protocols to Measure Resource Savings – Revisions to FY2016 Protocols, Release Date: May 31, 2016; Board Approval Date: June 29, 2016 (2017 Savings Protocols); proposed FY19 Protocols to Measure Resource Savings are being presented to the Board for possible action on the same date as the present Order. The protocols are used to estimate energy savings and renewable energy generation.

PROPOSED FY19 PROGRAMS AND BUDGETS

Based on the goals and strategies set forth in the CRA Straw Proposal, the policy objectives of the NJCEP, and historic spend rates, Board Staff, in close coordination with the TRC Team, developed proposed programs and budgets as described below.

Proposed FY19 Budgets for NJCEP

To calculate the Proposed FY19 budget for the entire NJCEP, Board Staff:

- Carried over from the CRA Order the amounts of New SBC Funding, other funding, and Total FY19 Funding;
- Estimated the amount of the commitments made prior to FY19 expected to be paid in or remain committed through FY19 (Estimated Commitments); and
- Added the Commitment Backlog to Total FY19 Funding to arrive at a total Proposed FY19 Budget of $502,087,580.

After the posting of the Proposed FY19 Compliance Filings and Budgets, Board Staff determined to propose that $250,000 be reallocated from the SREC Registration Program to the NJIT Learning Center because at that time the Learning Center's scope was increased and it was determined that the SREC Registration Program could likely be successfully managed with $250,000 less than originally proposed. The resulting Revised Proposed FY19 Budget is shown in the table immediately below:

[Table Follows]

Revised Proposed FY19 Budget

Program/Budget Line	*New Funding*	*Other Funding*	*Estimated Commitments*	*Draft FY19 Budget*
Total -NJCEP + State Initiatives	**$344,665,000**	**$19,070,000**	**$138,352,480**	**$502,087,480**
State Energy Initiatives	**$139,300,000**	**$18,961,000**		**$158,261,000**
Total NJCEP	**$205,365,000**	**$109,000**	**$138,352,480**	**$343,826,480**
EE Programs	**$171,445,000**	**$0**	**$117,100,000**	**$288,545,000**
Res EE Programs	**$57,000,000**	**$0**	**$18,700,000**	**$75,700,000**
Residential Retrofit- name TBD	$30,000,000		$4,700,000	$34,700,000
RNC	$9,000,000		$14,000,000	$23,000,000
EE Products	$18,000,000		$0	$18,000,000
Res Low Income	**$30,000,000**	**$0**	**$6,000,000**	**$36,000,000**
Comfort Partners	$30,000,000		$6,000,000	$36,000,000
C&I EE Programs	**$73,445,000**	**$0**	**$81,800,000**	**$155,245,000**
C&I Buildings	$46,445,000		$66,000,000	$112,445,000
LGEA	$2,000,000		$1,800,000	$3,800,000
DI	$25,000,000		$14,000,000	$39,000,000
Multi-family EE	**$6,000,000**	**$0**	**$0**	**$6,000,000**
Multi-family	$6,000,000			$6,000,000
State Facilities Initiative	**$5,000,000**	**$0**	**$10,600,000**	**$15,600,000**
State Facilities Initiative	$5,000,000		$10,600,000	$15,600,000
Distributed Energy Resources	**$16,000,000**	**$0**	**$19,252,480**	**$35,252,480**
CHP - RE Storage	$14,000,000		$17,200,000	$31,200,000
Microgrids	$2,000,000		$2,052,480	$4,052,480
RE Programs	**$2,300,000**	**$0**	**$1,000,000**	**$3,300,000**
Offshore Wind	$150,000		$1,000,000	$1,150,000
SREC Registration	$2,150,000			$2,150,000
EDA Programs	**$0**	**$109,000**	**$0**	**$109,000**
CEMF		$31,000		$31,000
GGF		$78,000		$78,000
Planning and Administration	**$15,620,000**	**$0**	**$1,000,000**	**$16,620,000**
BPU Program Administration	$2,600,000	$0	$0	$2,600,000
BPU Program Administration	$2,600,000			$2,600,000
Marketing	**$4,000,000**	**$0**	**$0**	**$4,000,000**
New Marketing Contract	$4,000,000			$4,000,000
Program Evaluation/Analysis	**$3,000,000**	**$0**	**$500,000**	**$3,500,000**
Program Evaluation	$3,000,000		$500,000	$3,500,000
Outreach and Education	**$5,950,000**	**$0**	**$500,000**	**$6,450,000**
Sustainable Jersey	$500,000		$300,000	$800,000
NJIT Learning Center	$450,000		$200,000	$650,000
Outreach, Website, Other	$5,000,000			$5,000,000
Sponsorships	**$70,000**	**$0**	**$0**	**$70,000**
Sponsorships	$70,000			$70,000

Proposed FY19 Budgets for EE Programs

The proposed FY19 budgets for EE programs are shown in the immediately above table; a brief description of each of the EE programs is set forth below:

- *New Residential Retrofit / Existing Homes Program:* Merges the pre-existing Residential HVAC and Home Performance with Energy Star Programs. Provides rebates to customers who purchase high efficiency heating, ventilating, and cooling (HVAC) equipment such as furnaces and central air conditioners. It relies on contractors who 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.
- *Residential New Construction*: Provides financial incentives to builders who construct new homes meeting the New Jersey Energy Star Homes standards, which exceed the requirements of existing energy codes.
- *Energy Efficient Products*: Provides financial incentives and support to retailers who sell energy efficient products, such as appliances or LED light bulbs.
- *Comfort Partners*: Provides for the installation of energy conservation measures at no cost to income-qualified customers.
- *C&I Buildings*: Merges the pre-existing Commercial and Industrial (C&I) Prescriptive/Custom Rebates, Large Energy Users, Pay-for-Performance - New Construction, Pay-for-Performance - Existing Buildings, and Customer-Tailored Energy Efficiency Pilot Programs. Provides rebates and other incentives to C&I customers who install high efficiency equipment in existing buildings or who incorporate such equipment into new construction. Would also provide incentives for new C&I 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*: Provides subsidized energy efficiency audits to municipalities, school districts, and non-profits.
- *Direct Install*: Provides incentives for the installation of energy efficiency measures in small commercial buildings and non-profits' buildings.
- *State Facilities Initiatives:* Through an Energy Capital Committee, identifies and implements energy efficiency projects in State-owned facilities with the objective of producing energy savings.
- *Multifamily:* A new program, pulling into a single point of entry projects that would otherwise have been potentially eligible for other NJCEP programs and program pathways. Will include both a relatively simple prescriptive path and a more complex comprehensive/whole building path. Program eligibility and incentives will be comparable to those available under the programs from which the projects are pulled.

Proposed FY19 Budgets for DER Programs

The proposed FY19 budgets for DER programs are shown in the preceding table; a brief description of each DER program is set forth below:

- *CHP / Fuel Cell/ RE Storage*: Provides incentives for the installation of Combined Heat and Power (CHP), including without limit those utilizing bio-power, fuel cells with heat recovery, and RE storage systems. As to RE storage systems during FY19, payments will be made only for commitments made prior to FY18, and no new commitments will be made.

- *Micgrogrids*: Provides incentives to fund feasibility studies and engineering design for potential DER microgrids in the State.

Proposed FY19 Budgets for RE Programs

The revised proposed FY19 budgets for RE programs are shown in the preceding table; a brief description of each of the RE programs is set forth below:

- *Offshore Wind*: Provides funding for research, evaluations, and general consulting services.
- *SRP (SREC [Solar Renewable Energy Credit] Registration Program):* Registers projects that are eligible to generate and trade SRECs.

Proposed FY19 Budgets for EDA Programs

For each EDA Program during FY19, no new applications will be accepted, and no new grants or incentives will be awarded by EDA. Instead, EDA will manage the existing portfolio of loans and grants previously awarded through the programs.

- *Clean Energy Manufacturing Fund:* Provides incentives to attract and expand energy efficiency and renewable energy manufacturing facilities in New Jersey.
- *Green Growth Fund*: Provides assistance in the form of loans to clean technology companies who have achieved ‘proof of concept’ and successful, independent beta results, and who seek funding to grow and support their technology businesses.
- *Large CHP Solicitation:* Provides assistance to certain large CHP projects.

Proposed FY19 Budgets for Planning & Administration

The revised proposed FY19 budgets for Planning & Administration are shown in the preceding table; a brief description of each of the Planning & Administration functions is set forth below.

- *BPU Program Administration:* Includes primarily Board Staff salaries and fringe benefits.
- *Marketing:* Includes funding for a new marketing contractor.
- *Program Evaluation:* Includes funding for program evaluation, the results of which are used, to, among other things, set incentive levels and design programs.
- *Outreach, Website, etc.:* Includes funding for the implementation of an *Enhanced Outreach Plan* prepared by the TRC Team, a clean energy business web site, and projects with Rutgers LESS, NJIT, and Sustainable Jersey.
- *Sponsorships:* Includes funding for, among other things, membership in organizations of clean energy officials.

SUMMARY OF PROPOSED PROGRAM CHANGES FOR FY19

The following summarizes the key program changes proposed in the Proposed FY19 Compliance Filings. Certain of the proposed changes, i.e., those that are set forth in Volume 2 of the Proposed FY19 TRC Compliance Filing (Proposed Volume 2 Changes) and are designated as "Vol. 2" below, expressly require further development before implementation, which development "would entail, among other things, further opportunities for public and stakeholder input and comment as details are developed and further review and approval by the [Board]." More information is set forth in the Proposed FY19 Compliance Filings themselves and/or the Summary of Proposed Program Changes for FY19.

Residential Retrofit / Existing Homes Program (New for FY19, Vol. 2)

- Merge HPwES and Residential HVAC Programs to this single "umbrella" program that will have more flexibility and effectively allow participants to implement energy efficiency projects that could consist of various measures from:
    - A single measure (e.g., air sealing or new furnace), to
    - Bundled complementary measures (e.g., air sealing and new furnace), to
    - Comprehensive whole house projects (air sealing, insulation, and HVAC upgrades).
- Include tiers of contractors, each of whom would be approved to perform certain types of work.
- Provide incentives generally similar in amounts to HPwES and Residential HVAC.

Residential New Construction

- Revise incentives in response to changing market conditions.
    - Reduce incentives by 25% overall.
    - Simplify by providing a base incentive for each type of residence plus an additional incentive based on $/MMBtu saved.
    - One (1) month transition period from FY18 to FY19 incentives, with FY19 incentives taking effect on August 1, 2018.
- Eliminate the ERI Pathway because it no longer provides incremental energy savings.
- Revise the Program's administrative processes to better align with participants' construction schedules and to be generally more efficient.

Clean Power Choice

- Eliminate the Clean Power Choice Program, which has experienced declining participation, through an orderly shutdown.

C&I Buildings (New for FY19, Vol. 2)

- Merge the C&I Prescriptive/Custom Rebates, LEUP, P4P EB, P4P NC, and CTEEP programs to this single program that would more effectively and flexibly allow participants to implement energy efficiency projects. Will provide incentives generally similar in amounts to those provided in the merged programs.

  - Implement certain incentive revisions/additions in response to changing market conditions (e.g., expand eligibility to include LED screw-in bulbs replacing CFL screw-in bulbs).

- Include a new Building and Systems Evaluation Program (BASE) component. Will offer building-specific technical assistance to guide participants to a clear and informed energy improvement decision, which in most cases will result in the implementation of energy conservation measures.
  - Participants will work with a pre-approved program energy consultants (PECs).
  - Incentives would be a 50/50 cost share, capped at $100,000 in most cases.

Local Government Energy Audit Program

- Clarify that a participant's average demand, averaged over the preceding 12 months, be > 200 kW for eligibility to participate in this Program. Also clarify the grounds for "Direct Install Program" waivers from the described > 200 kW requirement.

Direct Install Program

- Relax the eligibility requirement that a participant's peak demand be ≤ 200 kW in at least 11 of the preceding 12 months to a requirement that a participant's average demand, averaged over the preceding 12 months, be ≤ 200 kW.
- Tighten the requirement as to the ratio between energy savings and incentive cost by increasing the Total Resource Cost (TRC) Test eligibility requirement from 1.10 to 1.25. However, the 1.10 to 1.25 change would be accompanied by adding flexibility to the way the Program's Energy Assessment tool can be deployed. The added flexibility would be as follows: Under the current Program rules, if a project does not meet the TRC test requirement, the only possible resolution is to remove less cost-effective measures from the project's scope. To provide additional flexibility, the participant would be given the additional option of driving up its TRC by paying a greater share of the total cost of one or more measures (for example, to increase the participant's cost share for a new furnace from the current 30% to 37%,).

Multifamily (New for FY19, Vol. 2)

- A new program, pulling into a single point of entry projects that would otherwise have been potentially eligible for eight other NJCEP programs and program pathways: (i) Home Performance with ENERGY STAR, (ii) ENERGY STAR Certified New Homes and Zero Energy Ready Homes; (iii) ENERGY STAR Multifamily High Rise, (iv) Residential HVAC (*WARM*Advantage and *COOL*Advantage), (v) Pay for Performance: Existing Buildings, (vi) Pay for Performance: New Construction, (vii) Commercial and Industrial Retrofit and New Construction (SmartStart), and (viii) Direct Install. The New Multifamily Program would include both a relatively simple prescriptive path and a more complex comprehensive/whole building path and would utilize, at least in part, pre-existing relationships with various energy services companies, e.g., Residential New Construction raters. Program eligibility and incentives would be comparable to those available under the programs from which the projects are being pulled, with some moderate enhancements to better incentivize this market. At the time program details are proposed to the NJBPU, an associated budget will also be presented to the Board for approval.

CHP – RE Storage

- Match the required minimum efficiency to the currently pending "Protocols to Measure Resource Savings" (Protocols). Those Protocols would require that energy savings be calculated using High Heating Value (HHV) instead of Lower Heating Value (LHV) as is currently the case. This Protocols change would result in a CHP system with a current system efficiency of 65% using LHV being rated at 60% using HHV. Thus, to maintain the same "apples to apples" efficiency requirement from FY18 to FY19, the Program's efficiency requirement would be revised from 65% (LHV) to 60% (HHV).
- Add a bonus incentive of 10% of the total system incentive for a system incorporating blackstart technology at a critical facility (as defined in the Microgrid Development Program).
- RE Storage stakeholder groups will be convened to seek input regarding redesigning and reopening the program in FY19.

SUMMARY OF COMMENTS FROM PUBLIC STAKEHOLDERS

Oral testimony regarding the Proposed FY19 Compliance Filings and Budgets was provided at the May 15, 2018 public hearing by: Bloomenergy (Bloom), the Division of Rate Counsel (Rate Counsel), Doosan Fuel Cell America (Doosan), and FuelCell Energy (FuelCell). In addition, written comments regarding the Proposed FY19 Compliance Filings and Budgets were submitted by AB Energy USA (ABE), Ameresco, Bloom, Core States Group (CSG), the American Council for an Energy Efficient Economy (ACEEE), Airtech Vacuum (Airtech), Consolidated Energy Design (CED), Core Metrics, EAM Associates (EAM), Energy Squared, Foley, Inc. dba Caterpillar (Caterpillar), FuelCell, Home Depot, M&E Engineers (M&E), MaGrann Associates (MaGrann), the National Fuel Cell Research Center (NFCRC), New Jersey Credit Union League (CU League), the New Jersey Retail Merchants Association (NJRMA), New Jersey Natural Gas (NJNG), and ReVireo. Below is a summary of the testimony and comments as well as Board Staff's responses to them.

Board Staff notes that the process and schedule for commenting on the Proposed FY19 Compliance Filings and Budgets, the Straw Proposal for the FY19-FY22 Comprehensive Resource Analysis (Straw Proposal), and the proposed FY19 Protocols to Measure Resource Savings were very similar and that all three proposals are being presented to the Board on the same day. Because some comments do not readily lend themselves to being classified as being about one proposal versus one or more of the others, readers are strongly encouraged to read the comments and responses regarding all three proposals.

Board Staff also notes that on May 23, 2018, after the release of the above-described proposals, Governor Murphy, signed the Renewable Energy Law, A-3723, into law and also signed the related E.O. 28 (collectively, 2018 RE Laws). The new laws have the potential to significantly modify the landscape for the delivery of EE and RE in New Jersey. Among other things, the 2018 RE Laws direct: (a) electric utilities to reduce the use of electricity by 2% and gas utilities by 0.75% within five (5) years; (b) the Board to conduct and complete a study to determine the targets for full economic, cost-effective potential for savings and peak demand reductions within one (1) year; (c) the Board to adopt quantitative performance indicators for each utility taking into account the utility's EE measures and other non-utility EE measures, including the impacts of NJCEP, within one (1) year, and (d) state agencies to develop an updated Energy Master Plan (EMP) that provides a path to 100 percent clean energy by 2050 within one (1) year.

Existing Homes / Residential Retrofit

Comment: NJNG appreciated the proposal to provide outreach and training to the contractors who will participate in this new program, but expressed its concern that the proposal to require those contractors sign a one-time participation acknowledgment could become an impediment to their participation, given that it may involve as many as 10,000 contractors. It suggests that the Board instead work with the Department of Community Affairs (DCA) to embed NJCEP's training and outreach in DCA's licensing programs, which would be more efficient and effective for all parties, especially the contractors.

Response: Board Staff appreciates the reminder that it will be important to design and implement the participation acknowledgement in a manner that minimizes any burden it places on the contractors. It is currently contemplating a simple two-page document that would primarily inform the contractors of the program requirements. Board Staff will further consider NJNG's suggestion regarding DCA, but it has some concern that other agencies may not have the focus or expertise to provide and require the best possible training on energy efficiency matters and that the transaction costs of coordinating efforts may outweigh any efficiency improvements.

Comment: The CU League suggested extending financing incentives, such as interest rate buy-downs, to participants who are simply installing energy efficient HVAC equipment (rather than continuing the policy of limiting such incentives to whole house comprehensive projects). It also suggested increasing to $15,000 the cap on the amount of the loans that could be supported by the program.

Response: Although Board Staff agrees that providing financing incentives might increase the purchase and installation of energy efficient HVAC equipment and that such provision might drive a related increase in the cap, it submits that direct cash incentives are the most cost-effective vehicle for encouraging relatively simple upgrades, like new HVAC equipment, that produce relatively lower amounts of energy savings. Accordingly, it does not anticipate including such incentives, or any related cap increase, during the FY19 funding cycle, but may consider doing so in the future, especially if more funding becomes available.

Comment: The CU League commented there is a cost associated with making sure each contractor has its own online portal related to financing incentives, which is a feature the CU League understands will be required for lenders' continued participation in the Program. The cost of such a portal is $249 to initially implement and then $49 per month for access. The source of that funding is currently unclear. The CU League recommended it come from program funding so as not to discourage participation in the program by contractors and credit unions.

Response: Board Staff respectfully submits that the lenders should provide this service at no additional charge to applicants, contractors, or Program; as is the practice followed by some lenders.

Comment: The CU League commented that instead of paying one $500 production incentive only if an HPwES contractor passes its initial inspection, the Program should offer a tiered incentive: $500 for passing on the initial inspection and $250 for ultimately passing any inspection (e.g., a second inspection).

Response: Board Staff prefers to retain the current incentive structure because performance diminished when it offered a similar tiered structure in the past.

Comment: NJNG commented NJCEP should seriously consider retaining the "HPwES" and related ENERGY STAR branding as it proceeds to merge HPwES into the new program for existing homes.

Response: Board Staff appreciates the comment and agrees that NJCEP should and will take steps to retain the value that has accrued to the HPwES and ENERGY STAR brands.

Comment: NJNG commented that it is unnecessary and unduly expensive to provide a $200 bonus incentive for a Mini-Split Cold Climate Heat Pump replacing electric resistance heating on a property on which there is no natural gas distribution line. This is because a customer replacing that equipment will achieve significant energy savings even without the bonus and because the customer would save even more if it switched to a standard natural-gas-fired furnace.

Response: Board Staff respectfully disagrees. In its judgment the extra incentive is necessary to encourage the electric-only customer to make the replacement because, as NJNG agrees, his/her savings will be substantially lower than if he/she were able to access and use natural gas. Board Staff also notes that (a) in the subject scenario, the benefits of switching to natural gas are irrelevant because by definition there is no natural gas on the property.

Comment: Rate Counsel commented that the TRC cost-effectiveness testing for HPwES resulted in a TRC ratio of only 0.2, much lower than the NJCEP average score of 1.2. Accordingly, it recommended the Board conduct a detailed investigation into the situation.

Response: Board Staff has for some time recognized and acknowledged that HPwES is not as cost-effective according to traditional cost-effectiveness tests as most other NJCEP programs. That said, the HPwES program plays an important role in meeting other NJCEP objectives, such as supporting long-term market transformation, and the value of supporting those other objectives may be included in newer evaluation methods that are currently being developed and/or analyzed. Further, the Board recently approved a pilot program to test the benefits of including a direct install component in the program, which is intended to improve the programs cost-effectiveness. Finally, Board Staff anticipates reducing incentives over time and making other program changes intended to increase cost-effectiveness.

RNC

Comment: EAM, a rater participating in the RNC Program, supported the proposed incentive reductions as part of the long-term plan "to eventually wean builders from the rebate system." On the other hand, MaGrann, another rater participating in the RNC Program, claimed the proposed incentives would reduce the incentives associated with its current portfolio of 37 projects, including 2,804 homes, an average of 38%, a much higher percentage than the 25% described in the pending proposal. Further, MaGrann's affordable and Multi-Single (i.e., townhome) project incentives would be reduced by an even greater 53% and 49% respectively.

As to MaGrann's Multi-Single projects, the base component of the incentive would have to be increased from $500 to $1,000 to result in the desired 25% reduction. MaGrann concluded by suggesting that a Multi-Single base incentive of $750, midway between Board Staff's proposed $500 and the optimum $1,000, would be a sound compromise.

Response: Board Staff appreciates EAM's support and MaGrann's input. However, for a number of reasons it recommends retaining the proposed $500 base incentive for Multi-Single housing (Proposed Incentive). First, all parties, including MaGrann and industry stakeholders, were generally supportive, or at least accepting, of the goal of reducing overall program incentives by 25%. The proposed incentive structure, including the Proposed Incentive, was designed not only to reduce the overall program incentives by 25%, but also to reduce the incentive for each class of housing participating in the program by the approximately the same 25%. According to an analysis prepared by the RNC Program Manager, the proposed incentive structure was projected to reduce each class within three (3) percentage points of the desired 25%, i.e., the reductions for each class were projected to be as follows: Single Home, 22.6%; Multi-Single, 27.8%; Multifamily, 24.2%; and Multifamily High Rise (MFHR), 23.6. The apparently heavier reductions that MaGrann claims to expect to its portfolio's incentives are likely due to some of that portfolio's unusual characteristics. For example, MaGrann's Multi-Single portfolio consists of homes that are on average approximately 35% smaller than the average of Multi-Single home participating in the RNC Program, which smaller homes generally use less energy, and therefore produce less energy savings, than other homes in the class. It would be unreasonable, and unworkable, to demand that Board Staff design the reduction so that each rater's portfolio incurs exactly a 25% decrease. Second, the other industry stakeholders were at least accepting not only of the overall 25% but also of the specific housing class incentive reductions, including the Proposed Incentive. MaGrann's portfolio represents only approximately 11% of the overall Multi-Single participation. Further, even MaGrann and its clients can cause their Multi-Single housing to qualify for more than the $500 base incentive. There are two components of an RNC incentive: the fixed, per unit component (e.g., $500) and a variable, performance-based component (i.e., $30/MMBtu saved). Thus, by simply increasing the energy efficient performance of their housing, MaGrann and its clients can earn greater incentives. In conclusion, because almost 90% of the participants in the subject class were accepting of the Proposed Incentive, it is unlikely that the Proposed Incentive will cause any significant overall decrease in that class's overall participation rates and Board Staff therefore believes it most appropriate to proceed to achieve the 25% overall reduction with the Proposed Incentive. During FY19 it will monitor the participation levels of the subject housing class; if it observes a significant decline, it will bring that to the attention of the Board and recommend an appropriate adjustment.

Comment: MaGrann commented the proposed August 1 effective date for the proposed new incentives was too soon and a January 1, 2019 would be more appropriate in that it would allow participants sufficient time to make the design or business adjustments driven by the new incentives.

Response: Board Staff respectfully disagrees and considers one (1) month to be a sufficient and appropriate time for several reasons. First, MaGrann and other stakeholders have known since early 2018 that the incentives would be reduced and for several months that the reduced incentives would be essentially as set forth in the current proposal, thus giving them additional time to adjust their project designs and businesses. Second, one (1) month is the length of the transition period the NJCEP has historically and successfully provided when incentives are reduced. Third, the August 1 effective date is tied to other dates that impact implementation of the Program (e.g., the dates upon which commitments would expire) and Board Staff is concerned that altering those dates could create some confusion in the market and related negative impacts on Program participation.

Comment: Rate Counsel identified two inadvertent clerical issues in the RNC section of the draft Compliance Filing.

Response: Board Staff has corrected the two clerical issues in the final version of the Compliance Filing and appreciates Rate Counsel's identification of them.

EEP

Comment: Rate Counsel supported the proposal to launch an Online Energy Efficiency Store.

Response: Board Staff appreciates the support.

HPwES

Comment: Rate Counsel recommended the Board conduct an evaluation of the two pilot components it is currently offering.

Response: Board Staff agrees and notes that it has always intended to conduct the subject evaluation (as reflected in, among other places, the Board's Order approving the launch of the pilots. In the Matter of the Clean Energy Programs and Budget for Fiscal Year 2018 -- New Pilot Components of Home Performance with Energy Star® & Updated Standards to Conform To New Uniform Energy Factor Standards, Docket No. QO17050465 at p.3. (January 31, 2018).

C&I Buildings

Comment: NJNG commented Board Staff should ensure there is sufficient value attached to the still-in-development Optional Savings Verification component to incentivize participants and contractors to take on the additional work; otherwise NJCEP may lose some of the verified savings it currently accrues through P4P's verification requirements.

Response: Board Staff agrees and welcomes NJNG's input as that component is further developed.

Comment: NJNG commented that, as to the Large Energy Users component, the $5 million threshold should be clarified so that potential applicants are on a level playing field regardless of whether they purchase their energy from a utility versus from a third-party supplier. It suggested basing the calculation of the threshold on the purchase of commodities only (i.e., should not include charges for, e.g., demand management).

Response: Board Staff agrees: the threshold would be calculated based on the cost of the commodity only, i.e., delivery and supply, i.e., transmission/distribution and generation (not additional services such as demand management).

Comment: Energy Squared requested clarification as to whether the prevailing wage requirement applies to all work under a construction contract, or only work specific to the NJCEP-eligible energy conservation measures (ECMs).

Response: The Board does not interpret or enforce the Prevailing Wage Law. The commenter is encouraged to seek guidance from the Department of Labor and Workforce Development.

Comment: Energy Squared commented that Path C (Whole Building Performance Incentives) should remain open to “free market third-party” contractors, i.e., participation in that Path should not be limited to a pool of approved contractors working at rates set by or with NJCEP.

Response: Board Staff agrees.

Comment: Energy Squared commented that the introduction of PECs in the NJ BASE component may lead to a less competitive and lower-quality product being delivered. By pre-negotiating the PEC rates through competitive bidding, some high-quality providers may not be able or willing to compete on price and may drop out of participation. It is important to maintain a free market for approved consultants to structure their fees the way that works best for their individual business and clients.

Response: Board Staff acknowledges the requirement that PECs be paid only at rates that are pre-negotiated with NJCEP may preclude some qualified, cost-effective consultants from becoming a PEC. However, Board Staff also believes many potential participants will find considerable value in the convenience and security of using a consultant whose qualifications and pricing have been approved through NJCEP. Accordingly, as it proceeds towards the finalization of the details of this program, Board Staff will further consider, and encourage stakeholder and public input on, whether it should (a) retain its currently proposed requirement, (b) require the use of a qualified PEC but at pricing determined between the PEC and the participant, (c) give participants choice of engaging either (i) a PEC at the pre-negotiated pricing or (ii) its own consultant at whatever pricing the participant and consultant agree upon, on the condition that NJCEP’s 50% share and cap will be calculated using the pre-negotiated pricing, or (d) other approaches that may be presented.

Comment: M&E commented that the current P4P NC Program, which will be merged into the new C&I Buildings Program, inappropriately sets too high of a baseline against which gut renovation projects’, i.e., reconstruction projects’, energy savings will be measured. The New Jersey Rehabilitation Subcode, in particular its Section 7, N.J.A.C. 5:23-6.7(e)(14), allows a reconstruction project to incorporate insulation and fenestration that is less energy efficient than the New Jersey Energy Subcode would require for new, greenfield construction. Accordingly, the Rehabilitation Subcode should set the baseline. However, the Program instead sets the baseline U and R factors in accordance with the more stringent Energy Subcode. This deprives the P4P applicant of the benefit of the savings that occur between meeting the Rehabilitation Standards versus the Energy Subcode standards and therefore provides insufficient incentive to install energy efficient measures in a gut rehabilitation. M&E claimed the Board’s Program Administrator, TRC, is aware of this problem and is considering adjusting the Building Performance Factor (BPF) to reflect a higher Performance Cost Index (PCI). However, this methodology would theoretically adjust PCI Target relative to the ASHRAE 90.1- 2004 values as a baseline, which M&E argued still would not be consistent with the Rehabilitation Subcode and would not reflect the fact that most of our existing building stock was built prior to 2004.

Response: Board Staff agrees that some adjustment to the existing approach is appropriate, but it submits that the above-described increasing of PCI is a better way to make the adjustment than the one proposed by M&E. This is because M&E’s proposal would involve a time-consuming, expensive, and inherently imprecise process to establish and analyze, on a site-by-site basis, the energy (in)efficient status of the existing insulation and frenestration, which time, expense, and imprecision will generally not result in a more generous, precise, or otherwise better, savings calculation. Board Staff is aware of no other similar new construction whole-building programs that have implemented any more generous adjustments for gut renovations.

Comment: Rate Counsel commented the Participant Cost Test (PCT) ratio for the C&I Prescriptive/Custom Rebates component of this Program is a very high 14.4.

Response: PCT is not the only test for measuring the effectiveness of a program component. That said, as the new combined program is finalized, Board Staff will consider adjustments to the subject component that would increase its cost-effectiveness.

DI

Comment: NJNG supports the proposed changes and asked that Board Staff and the Program Administrator coordinate with NJNG to ensure a smooth transition and implementation, especially given NJNG's management of On-Bill repayment options.

Response: Board Staff appreciates the support and, with the NJCEP Program Administrator, TRC, has been coordinating with NJNG and will continue to do so.

Comment: Rate Counsel questioned how the Total Resource Cost - TRC test ratio for a project could change based upon the participant absorbing a higher proportion of the project's total cost.

Response: The Summary of Program Changes unartfully suggested the TRC itself would change; it should have stated that the Program's Energy Assessment tool would incorporate the change and provide an output that would allow the Project to be approved on the stated basis.

Multifamily

Comment: Energy Squared expressed concern that the use of NJCEP Outreach Team members, rather than existing P4P contractors, may be counterproductive regarding outreach to current Multifamily P4P participants. Specifically, the commenter is concerned the Outreach Team may not be aggressive or successful as the existing contractors in convincing participants of the benefits of a more comprehensive whole-building approach.

Response: Board Staff appreciates the expression of concern, but it is confident the Outreach Team members will be trained and coached to successfully encourage consideration of the whole-building approach in appropriate cases, and it will, in any case, ensure that those members appropriately coordinate with any P4P contractors who have a relationship with the potential participant(s).

Comment: Rate Counsel expressed concern about the apparently high cost of saved energy for the new program and its relatively low cost-effectiveness.

Response: As Rate Counsel acknowledged, the incentives for this new program have not yet been finalized. Given that, and that the currently projected cost-effectiveness is only slightly towards the low end of NJCEP Programs, it should not be difficult to set the incentives at a point that will be cost-effective.

CHP – RE Storage

Comment: Bloom reiterated many of the claims and arguments argument it had previously made regarding the FY17 and FY18 Compliance Filings and Budgets. Its ultimate claim is that the currently proposed Compliance Filings and Budgets erroneously exclude fuel cells without heat recovery (FCw/Ohr), also known as All-Electric Fuel Cells, from participation in the NJCEP

DER Program. In making that claim, Bloom was joined by a group of allies, each of whom has a significant financial tie to FCw/oHR: Doosan, FuelCell, AirTech, Home Depot, and NJRMA (collectively, Commenters). Among other things, Bloom claims Board Staff in the earlier proceedings presented the Board "with misleading information with respect to the relative costs and performance of fuel cells without heat recovery relative to combustion combined heat and power (CHP) projects."

Bloom acknowledged that, in response to comments in the earlier proceedings, Board Staff commissioned a two-phase evaluation of the costs, emissions and benefits of various distributed generation technologies, including FCw/oHR (Evaluation), which Evaluation supported the determination to continue to exclude FCw/oHR. Bloom, however, claims the Evaluation and its conclusions should be discounted because:

> [It] mischaracterized incentive programs and policies in other jurisdictions, claimed that non-combustion fuel cells and combustion engines have equivalent NOx emissions, and used *estimated* efficiencies and capacity factors for performance of combustion CHP and fuel cells instead of using *actual* data from installed and operating projects. Most notably, the Phase II "Data and Technology Driven" Report [part of the Evaluation], did not explain to the Board or the public *why* it was not based on actual performance data.

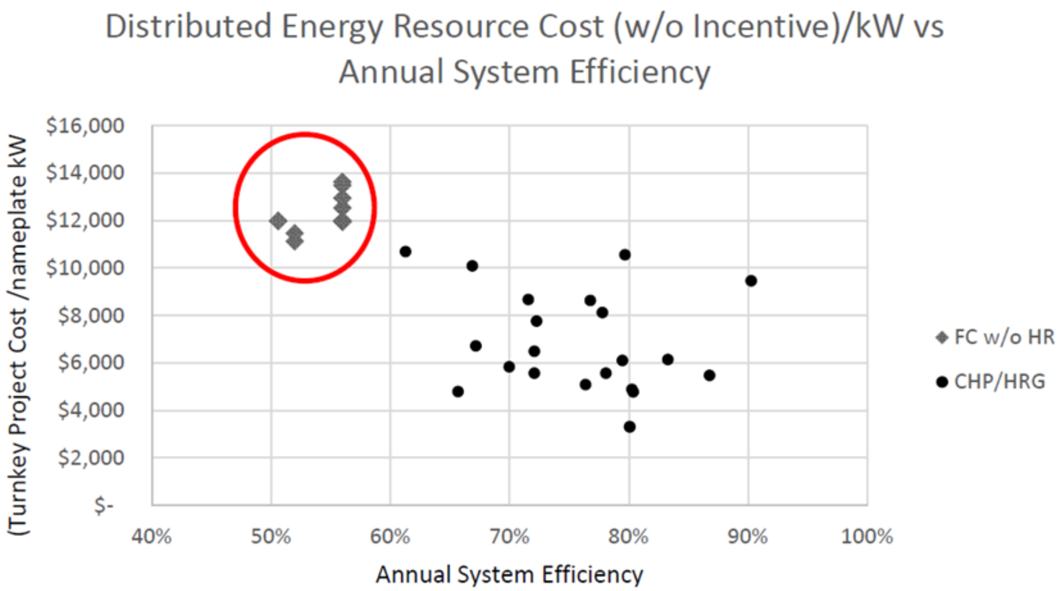
Bloom claimed that "the facts have changed since June 2016," i.e., since FCw/oHR were excluded from NJCEP. First, Bloom welcomes NJCEP's inclusion of the Investment Tax Credit in calculating cost-effectiveness. Second, Bloom claimed that since 2016 FCw/oHR costs have sharply dropped, driving a reduction in their payback period to less than six (6) years. Third, it claimed that actual field data continues to prove the efficacy of FCw/oHR. Finally, it pointed to other jurisdictions that have determined to incentivize FCw/oHR.

Response: Board Staff submits that it has consistently provided the Board with accurate and complete information regarding FCw/oHR. Bloom's claims that Board Staff misled the Board with its characterization of a 2015 California Public Utilities Commission determination and of a 2015 Rutgers study are unfounded. As the Board's subsequent Order, followed by its denial of Bloom's Motion for Reconsideration, makes clear, Board Staff provided the Board with full and complete descriptions of each of those documents. I/M/O of the Clean Energy Programs and Budget for Fiscal Year 2017, Docket Nos. 0016040353 and 0016060525 at p. 26 – 27, (June 29, 2016). I/M/O of the Clean Energy Programs and Budget for Fiscal Year 2017, Bloom Energy Corporation, Docket No. 0016040353 at p.4.[4] (September 23, 2016).

As to the Evaluation, it, in relevant part, presented the following table (with FCw/oHR data circled in red):

[4] On p.4 of its present written comments, Bloom purportedly quotes another provision of this September 23 Order, but the quote is nowhere to be found, at least not on the page Bloom cites.

Fuel Cell and CHP Proposed Capital Cost/kW vs Proposed System Efficiency



Based in part on the data in the table above, the Evaluation concluded in relevant part:

- Based upon the applications reviewed, fuel cells without heat recovery [i.e., FCw/oHR] are not currently cost effective when compared to other DG [Distributed Generation technology] or economically efficient based upon the TRC and SCT metrics, simple payback periods and IRR.
- If the primary objective is to incentivize the most cost effective and or efficient systems, then the analysis suggests that [FCw/oHR] are not cost effective.

(Emphasis added.)

As to Bloom's claims about mischaracterizations or other deficiencies that allegedly exist in the Evaluation:

- Bloom does not provide any support for its claim that the Evaluation mischaracterized other jurisdictions' programs and policies or that the Evaluation claimed that FCw/oHR and combustion engines have equivalent NOx emissions. Further, a review of the Evaluation provides no support for Bloom's claims.
- The NJCEP Program Administrator advised Bloom that the Evaluation relied on estimated data for the combustion CHP projects that have been approved by NJCEP because combustion CHP projects take longer to be built and therefore actual data regarding their performance is simply not yet available. Further, as part of ongoing, informal discussions with Bloom, the NJCEP Program Administrator updated a survey of the program participants and posted an updated project list online on or about May 1, 2018.

The Evaluation also included several important findings that Bloom overlooked. For example, the Evaluation included a cost-benefit analysis of fuel cell projects, the results of which were that FCw/oHR projects had a Total Resource Cost (TRC) benefit to cost ratio ranging from 0.17

to 0.27. i.e., that every $1 expended resulted in less than 27 cents in benefits. This would place FCw/oHR at or below the lowest level of cost-effectiveness included within NJCEP and well below the cost-effectiveness of, e.g., the C&I New Construction Program's TRC of 3.3. Further, the Evaluation also showed that FCw/oHR's total costs were 3 to 4 times the cost of a traditional CHP system, with most traditional CHP systems' costs being in the range of $3,000 to $6,000/kW while FCw/oHR costs are on average approximately $12,000/kW.

Additionally, FCw/oHR are by nature neither an EE nor an RE technology in that FCw/oHR utilize natural gas to generate electricity on-site without reducing on-site usage and FCw/oHR do not operate on renewable fuel sources. Further, given the conclusions reached by the Evaluation, FCw/oHR do not support the primary NJCEP objective of reducing energy costs by maximizing energy savings per NJCEP dollar spent. Instead, FCw/oHR might be considered for NJCEP support only as part of a new distributed generation (DG) program that would need to be developed, designed, and funded to support objectives other than those currently identified for NJCEP.

Board Staff does not disagree with either of Bloom's first two claims about post-2016 changes to some potentially relevant facts, i.e., preliminary informal calculations do indeed indicate FCw/oHR's simple payback has dropped from 21.2 to 9.9 years without incentives and from 17.4 to 5.5 years with incentives. Additionally, the applicable Federal Tax Incentive has indeed been renewed. Board Staff's view of Bloom's third point is addressed in the bullet immediately above this paragraph. Finally, Board Staff recognizes that other jurisdictions do incentivize FCw/oHR, but it respectfully submits that they do so in pursuit of policies different than those of traditional EE or RE, which policies it has already stated it is willing to recommend the Board consider in the context of a new DG program. Board Staff also notes that it, of course, is not bound to follow determinations made by other jurisdictions.

In conclusion, Board Staff remains unconvinced that FCw/oHR should be incentivized through any existing NJCEP program, but it is ready, willing, and able to consider FCw/oHR in the context of a potential new DG program supporting as yet-unidentified NJCEP objectives.

Comment: ABE, Ameresco, and Caterpillar all expressed their support for the current CHP program, the changes proposed for FY19, and the continued exclusion of FCw/oHR. As to the exclusion of FCw/oHR, they pointed out that most states exclude FCw/oHR from their CHP programs because FCw/oHR do not meet the federal or other commonly accepted definitions of CHP and do not meet the requisite 60% HHV efficiency,

Response: Board Staff appreciates the support.

Comment: As it has since FY17, Bloom once again argued that the proposed funding for DER is insufficient compared to that of neighboring states.

Response: Board Staff disagrees and is confident its proposed funding will be sufficient to support the funding of eligible projects. It notes that neighboring states have different legislative and policy mandates that may not be applicable to New Jersey.

Comment: Airtech commented that it has at its New Jersey facility been manufacturing parts for Bloom's FCw/oHR for 10 years and that it may have to lay-off some of its employees if FCw/oHR remain excluded from NJCEP. NJFCC and NJRMA echoed and supported Bloom's and NFCRC's main comments. FuelCell and Doosan manufacture FCw/oHR, and they echoed and supported Bloom's and NFCRC's main comments. Core States is a New Jersey-based construction services firm that installs Bloom's FCw/oHR in New Jersey, and that some comments suggest includes a current installation at a New Jersey Home Depot store. It commented that its hiring of New Jersey contractors will be adversely affected if FCw/oHR continue to be excluded from NJCEP. Home Depot commented that it and Bloom are building out a multi-state portfolio of FCw/oHR to ensure reliable on-site power and reduce air emissions and that it hires New Jersey contractors and consultants for its New Jersey locations.

Response: Although Board Staff is in general and in principle pleased that a collateral benefit of NJCEP is the retention of jobs in New Jersey, job retention in and of itself is not one of NJCEP's primary or secondary objectives. As to these commenters other comments, Board Staff refers the reader to its responses to Bloom's and NFCRC's comments.

Comment: Doosan commented that FCw/oHR should be eligible for a higher NJCEP incentive than combustion CHP because FCw/oHR emit less pollutants and use less water. It also commented that FCw/oHR should be required to meet a less stringent efficiency requirement than combustion CHP because some customers lack the thermal use necessary to support the current efficiency requirement. Finally, it commented that NJCEP should provide Performance-Based Incentives as do California and other states.

Response: At present, and if Board Staff's recommendation is adopted by the Board, FCw/oHR are for all practical purposes ineligible for NJCEP incentives. Accordingly, Doosan's comments are moot. That said, Board Staff is, as previously stated, ready, willing, and able to consider FCw/oHR in the context of a potential new DG program, which new program would, among other things, include its own efficiency requirements and incentive amounts.

Comment: Bloom and NJRMA commented that the definition of the Critical Facilities that can qualify for the blackstart/islanding bonus should be expanded to include private entities, such as telecommunications facilities and grocery stores.

Response: Both the proposed and the existing Board-approved definition of Critical Facilities already include private facilities ("non-profit and/or private facility"), so long as those private facilities also are essentially identified as critical for emergency response or can serve as a public shelter.

Comment: NFCRC commented that the Evaluation's conclusions should be rejected because the Evaluation includes Table 25 in its Phase 2, which table contains data showing that certain combustion CHPs produce greater annual emission reductions than do FCs. NFCRC contends that because FCs produce fewer emissions than combustion CHPs, the Evaluation must be flawed and erroneous.

Response: Board Staff disagrees because NFCRC is erroneously trying to compare the amount of total emissions from a particular source to the amount of emission reduction that the application of an EE measure may bring about at that source. Thus, NFCRC ignores the very real possibility that a certain baseline source emits 1000 lbs / kWh but only 50 lbs / kWh after the introduction of EE measures, resulting in savings of 950 lbs / kWh, that another baseline source emits 10lbs / kWH but only 5lbs / kWh after the introduction of EE measures, and that therefore the EE measures on the first source produce greater reductions than those on the second source even though the total emissions from the second source are less than those from the first source.

Comment: NJNG supports the proposed CHP changes and the commitment to seek stakeholder and public input regarding potential improvement to the RE Storage Program.

Response: Board Staff appreciates the support.

RE Storage, Microgrids, RE Programs

Comment: Rate Counsel supported the proposals regarding these programs.

Response: Board Staff appreciates the support.

Marketing

Comment: Rate Counsel commented the proposed $4,000,000 of funding for marketing be increased to three (3) times that much because the proposal is less than 1% of the total NJCEP funding, while the Strategic Plan and a 2016 NJCEP evaluation stated that marketing typically accounts for 3 – 7 % of total funding.

Response: Board Staff agrees that over time the funding for marketing should increase towards the industry averages, but it also continues to support the proposed $4,000,000 in that the new marketing contractor will not be engaged until after FY19 has commenced and will likely need a lower rate of funding while it is transitioning into its new role. Board Staff also notes that, as mentioned in the CRA Order, Board Staff has recommended the Board defer further consideration of the Strategic Plan while the various proceedings related to the 2018 RE Laws are conducted.

Comfort Partners:

Comment: Rate Counsel commented the cost of saved electricity for the Comfort Partners program, $0.62/kWh saved, is upwards of seven (7) times the average cited by the Lawrence Berkeley National Laboratory (LBNL). Although it recognizes that Comfort Partners has the collateral benefits of reducing payments from the State's Universal Service Fund and of implementing repairs ancillary to energy efficiency upgrades, and although it does not recommend that funding for Comfort Partners be reduced, it does recommend that opportunities for improving the program's cost-effectiveness should be sought.

Response: The comment is based on models, estimates, and assumptions embedded in the cited Protocols and the cited study. The cost savings the comment cites therefore may or may not reflect actual results. Indeed, the actual measured cost of saved electricity experienced by the Comfort Partners Program ranges from approximately $0.12 to $0.42/kWh saved. Those costs, per kWh saved, are significantly less than the amount reflected in the comment. Further, as the comment recognizes, Comfort Partners takes a more comprehensive approach than many other EE programs. The Comfort Partners holistic approach includes repairs ancillary to EE upgrades and therefore inherently costs more per kWh saved. Finally, the Comfort Partners' utility sponsors recently engaged a third-party expert to re-evaluate the Program in 2017. As a result of that effort, the Comfort Partners utility managers, through their base of contractors, have implemented, or will shortly implement, many of the experts' recommendations for improving the Program's cost-effectiveness. Board Staff and Program's sponsors would welcome any other suggestions the commenter might have.

BOARD STAFF RECOMMENDATIONS

The Proposed FY19 Compliance Filings and Budgets set out in detail the rationale utilized by Board Staff and the TRC Team to develop the subject proposed programs and budgets. Likewise, the OCE and Utilities Compliance Filings set forth additional programs, evaluations, and other programmatic support under the NJCEP umbrella.

Board Staff acknowledges that the Proposed Volume 2 Changes will require further development, public input, and approvals before being implemented, which will likely include consideration of the factors identified in the 2018 RE Laws; it also acknowledges and agrees that some of the input on the Proposed Volume 2 Changes may be sought and received through the proceedings related to the 2018 RE Laws.

Further, as mentioned above, after the posting of the Proposed FY19 Compliance Filings and Budgets, Board Staff determined to recommend only one limited change, that $250,000 be reallocated from the SREC Registration Program to the NJIT Learning Center because at that time the Learning Center's scope was increased and it was determined that the SREC Registration Program could likely be successfully managed with $250,000 less than originally proposed, resulting in the Revised Proposed FY19 Budget.

Board Staff is not recommending changes to any of the proposed Compliance Filings. Accordingly, Staff recommends approval of the TRC, OCE, and Utilities FY19 Compliance Filings (collectively, the FY19 Compliance Filings), as well as approval of the Revised Proposed FY19 Budget (the FY19 Budget, together with the FY19 Compliance Filings, the FY19 Compliance Filings and Budgets).

DISCUSSION AND FINDINGS

Consistent with the Board's contract with TRC, Board Staff coordinated with the TRC Team regarding the Proposed FY19 Compliance Filings and Budgets, as well with regards to the comments received on same. Further, Board Staff, in conjunction with the TRC Team, discussed the Proposed FY19 Compliance Filings and Budgets at a public hearing and at public meetings of the EE and RE Stakeholder Groups, all to receive comments and input. Finally, the Proposed FY19 Compliance Filings and Budgets were circulated to the EE and RE listservs, they were posted on the NJCEP web site, and written comments about them were solicited from the public and considered by Board Staff and the Board. Accordingly, the Board **HEREBY FINDS** the processes utilized in developing the FY19 Compliance Filings and Budgets were appropriate and provided stakeholders and interested members of the public adequate notice and opportunity to comment on them.

The Board has reviewed the FY19 Compliance Filings and Budgets, and Board Staff's recommendations regarding same, including Board Staff's acknowledgments regarding the Proposed Volume 2 Changes. The Board **HEREBY FINDS** the FY19 Compliance Filings and Budgets will benefit customers and are consistent with the NJCEP primary objective of lowering energy bills, as well as with NJCEP's secondary objectives. Further, the programs reflected in the FY19 Compliance Filings and Budgets will provide environmental benefits beyond those provided by standard offer or similar programs, and are otherwise reasonable and appropriate. Therefore, the Board **HEREBY APPROVES** the FY19 Compliance Filings and Budgets.

The Board **HEREBY DIRECTS** Board Staff, with assistance from the Program Administrator, to update relevant program documents (i.e. applications, program manuals, etc.), and take the necessary steps to implement the programs and changes ordered herein, including, without limit, the provision of adequate notice of such changes.

The budgets approved herein are based on estimated FY18 expenses and once final FY18 expenses are known, are subject to "true up" in a future Order. For example, if actual FY18 expenses are less than the estimated expenses for any program, then the unspent amount will carry over into FY19. To the extent that FY19 budgets approved herein are below FY19 expenses due to actual FY18 expenses being less than estimated FY18 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, as required, may reopen this matter and adjust the FY19 budgets in a separate Order. Any such adjustments will be considered by the Board and memorialized in a separate Order. The budgets approved herein are contingent on appropriations by the Legislature and subject to State appropriations law.

This Order shall be effective on July 1, 2018.

DATED: 6\22\18

BOARD OF PUBLIC UTILITIES
BY:

JOSEPH L. FIORDALISO
PRESIDENT

MARY-ANNA HOLDEN
COMMISSIONER

DIANNE SOLOMON
COMMISSIONER

UPENDRA J. CHIVUKULA
COMMISSIONER

ROBERT M. GORDON
COMMISSIONER

ATTEST:

AIDA CAMACHO-WELCH
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.

IN THE MATTER OF THE CLEAN ENERGY PROGRAMS
AND BUDGETS FOR FISCAL YEAR **2019**
DOCKET NO. QO18040393

SERVICE LIST

Mr. Michael Ambrosio
TRC Energy Solutions
317 George Street, Suite 520
New Brunswick, NJ 08901

Ms. Mary Patricia Keefe
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922

Mr. Ken Maloney
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922

Mr. Alex Stern
Assistant General Reg. Counsel
Public Service Electric and Gas Company
T5, PO Box 570
Newark, NJ 07101

Ms. Susan Ringhof
Public Service Electric and Gas Company
T5, PO Box 570
Newark, NJ 07101

Mr. Kenneth Esser, Jr.
Public Service Electric and Gas Company
T5, PO Box 570
Newark, NJ 07101

Mr. Andrew Dembia
Regulatory Affairs Counsel
New Jersey Natural Gas Company
1415 Wyckoff Road
PO Box 1464
Wall, NJ 07719

Mr. Anthony Pugliese
Elizabethtown Gas
148 Edison Road
Stewartsville, NJ 08886

Mr. Bruce Grossman
Program Manager, Residential EE
South Jersey Gas Company
1 South Jersey Plaza
Folsom, NJ 08037

Mr. Samuel Valora
Program Manager, C&I Energy Efficiency
South Jersey Gas Company
1 South Jersey Plaza
Folsom, NJ 08037

Mr. Scott Carter
AGL Resources
Ten Peachtree Place
Atlanta, GA 30309

Mr. Thomas Kaufmann
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922

Mr. Wayne Barndt, Manager Regulatory
Strategy & Policy Pepco Holdings
New Castle Regional Office Mailstop 79NC59,
PO Box 9239 Newark, DE 19714

Ms. Anne Marie Peracchio
Director, Conservation & Clean Energy Policy
New Jersey Natural Gas Company
1415 Wyckoff Road
PO Box 1464
Wall, NJ 07719

Ms. Holly Thompson
Orange & Rockland Utilities, Inc.
Customer Energy Services
390 West Route 59
Spring Valley, NY 10977

Mr. Steve Swetz
Director, Corporate Rates & Revenue Requirements
Public Service Electric and Gas Company
T5, PO Box 570
Newark, NJ 07101

Ms. Stefanie A. Brand, Esq.,
Director
New Jersey Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Mr. Mark Mader
Rates and Regulatory Affairs
Jersey Central Power & Light Company
300 Madison Avenue, PO Box 1911
Morristown, NJ 07962-1911

Ms. Debbie Franco
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922

Mr. Timothy White, Manager
Policy Coordination Pepco Holdings
New Castle Regional Office Mailstop 79NC59 ,
PO Box 9239
Newark, DE 19714

Ms. Sandra Easton-Perez
Administrator
Orange & Rockland Utilities, Inc.
Customer Energy Services
390 West Route 59
Spring Valley, NY 10977

Ms. Stacy Richardson
Legal Specialist
State of NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Ms. Sherri Jones
Assistant Director
State of NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Mr. Kenneth J. Sheehan, Esq.
Director
State of NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Mr. Benjamin S. Hunter
OCE Manager
State of NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Ms. Rachel Boylan
Legal Specialist
State of NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Mr. Thomas A. Kowalczyk
TRC Energy Solutions
317 George Street, Suite 520
New Brunswick, NJ 08901

Aida Camacho
Board Secretary
State of NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350