



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
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www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE ENERGY SAVINGS)
AGREEMENT BETWEEN PUBLIC SERVICE)
ELECTRIC AND GAS COMPANY AND THE)
PASSAIC VALLEY SEWERAGE COMMISSION)

ORDER

DOCKET NO. EE95080363

BY THE BOARD:

By Order dated December 29, 1995, Docket No. EE95080363, the Board of Public Utilities ("Board") approved the Demand Side Management ("DSM") Resource Plan filed by Public Service Electric and Gas Company (PSE&G) including DSM Offer No. 2 ("Standard Offer 2"). The Standard Offer 2 was an offer from PSE&G to purchase energy savings under a long-term contract at fixed prices from qualifying energy efficiency projects.

On July 16, 1996 the Passaic Valley Sewerage Commissioners ("PVSC") submitted Standard Offer 2 Project No. 2103-005, which was accepted by PSE&G on January 27, 1997. The PVSC wastewater facility is a specialized secondary treatment plant capable of treating an average of 330 million of gallons per day of wastewater. Part of the process requires twelve four-compartment biological oxygenation tanks with mixer type rotating oxygen spargers utilizing pure oxygen for biological stabilization of the sewage. The project involved taking 16 oxygen compressors out of service and installing 48 new mixers in the secondary sewage treatment operations.

Between 1998 and 2001 the project experienced numerous delays due to problems with the equipment that was installed, issues related to Department of Environmental Protection permits, and the bankruptcy of SYCOM Corporation, the entity that entered into the Standard Offer 2 agreement with PSE&G on behalf of the PVSC. Subsequent to the resolution of numerous technical and legal issues, the PVSC submitted a redesigned project to PSE&G for consideration under the Standard Offer 2 agreement.

By letters dated September 18, 2007 and October 4, 2007, the PVSC submitted to PSE&G a proposed methodology for measuring and verifying energy and demand savings from the redesigned project. This methodology is referred to as the Measurement and Verification Protocol or M&V Protocol. PSE&G and the PVSC held numerous discussions but were unable

to the staff of the Board's Office of Clean Energy ("OCE" or "Staff"), PSE&G outlined its concerns with the M&V Protocol proposed by the PVSC. Specifically, PSE&G expressed its concern that the M&V Protocol proposed by the PVSC did not include an input-output relationship and therefore did not conform with Board approved methodologies for measuring energy savings. PSE&G stated that "If a measure of output can be agreed upon by the parties, under the guidance of Board Staff, then it is possible to utilize an existing M&V Methodology."

Due to the highly technical nature of the issues concerning the proposed M&V Protocol, Staff enlisted a consultant to assist in the resolution of issues related to the M&V Protocol proposed by the PVSC. Subsequent to extensive research and discussions with OCE, PSE&G, and the PVSC, Staff's consultant developed a proposed M&V Protocol that attempted to resolve all of the outstanding issues. The proposed M&V Protocol was circulated to the parties in July 2008 and a meeting to discuss the proposed methodology and inputs and attended by OCE, PSE&G and the PVSC was held on September 5, 2008. Several adjustments to the proposal were agreed to at the September 5th meeting. The PVSC agreed to submit a revised M&V Protocol that incorporated the proposed methodology and to adjust some of the inputs to the methodology on the basis of agreements reached at the September 5th meeting. By letter dated April 28, 2009 the PVSC submitted to Staff a revised proposed M&V Protocol for Standard Offer Project No. 2103-005.

The two key issues in dispute had been the selection of the applicable measurement methodology and the closely related question of establishing a baseline for calculating savings. Both are discussed below.

With regard to the proposed methodology, the PVSC facility is designed and operates in a manner that does not allow for the establishment of a clear input-output relationship. Variations in electric usage exist, but they are indicative of maintenance, outages, and equipment cycling not tied to plant effluent flow rates. In this case the baseline must be adjusted to reflect actual operating conditions including variations in loads and outages. The baseline is then compared to actual measured data for each new mixer.

PVSC's initial proposed baseline assumed that all of the original oxygen compressors and mixers would be in operation continuously with no variation in load. The PVSC baseline did not include an adjustment for equipment outages and normal load variations that are shown by the monitoring data. The baseline in the revised M&V Protocol proposed by the PVSC in its April 28th letter is adjusted to incorporate these factors.

The OCE has reviewed the proposed M&V Protocol for the PVSC project and believes it is consistent with what was agreed to at the September 5, 2008 meeting, and, given the unique and specific circumstances presented in this matter, represents a reasonable methodology for calculating the energy savings that will be produced by the equipment installed pursuant to the Standard Offer agreement. Based on its review of project's energy usage data to date, OCE believes that PVSC's project will result in lower energy usage and costs for that entity. Therefore, OCE recommends approval of the M&V Protocol the PVSC submitted to Staff in its letter dated April 28, 2009.

By email dated May 18, 2009 PSE&G indicated that it will not be responding to the April 28, 2009 PVSC letter. PSE&G stated in the email that it neither opposes the proposed M&V Protocol nor represents that the energy savings are accurately measured. PSE&G indicated that it has reviewed the proposed M&V Protocol and defers to the Board's judgment in approving the proposed M&V Protocol.

The Standard Offer was designed to provide incentives to entities that installed energy efficiency measures. The Board has reviewed the proposed M&V Protocol and **HEREBY FINDS** that it represents a reasonable methodology for measuring the energy savings from the equipment installed at the PVSC facility, given the unique and specific circumstances presented in this matter. The Board **FURTHER FINDS** that the subject project will assist the PVSC in lowering its energy usage and costs. Based on the above, the Board **HEREBY APPROVES** the Measurement and Verification Protocol for Standard Offer Project 2103-005 submitted by the Passaic Valley Sewerage Commissioners by letter dated April 28, 2009. The Board authorizes PSE&G to utilize the Measurement and Verification Protocol for calculating savings from the PVSC project and calculating Standard Offer 2 payments to the PVSC. PSE&G shall recover payments made to the PVSC consistent with previous cost recovery Orders issued by the Board related to Standard Offer 2.

DATED: 8/19/09

BOARD OF PUBLIC UTILITIES
BY:


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PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


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COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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

