IN THE MATTER OF THE IMPLEMENTATION OF A2528/S2344 (N.J.S.A. 48:3-60.3) AND THE SBC CREDIT PROGRAM

DOCKET NO. EO12100940

On January 17, 2012, L. 2007, c. 340 (codified at N.J.S.A. 48:3-60.3) ("Act"), was signed into law. Under the Act, commercial and industrial ("C&I") ratepayers are entitled to a credit from their annual Societal Benefits Charge ("SBC") contributions equal to "one-half of that portion of the costs incurred by the commercial or industrial ratepayer during the preceding calendar year for the purchase and installation of products or services that are intended for energy efficiency purposes, that would be eligible for incentives under programs that the board shall have determined to fund by the [SBC]...." N.J.S.A. 48:3-60.3(b). Eligible C&I ratepayers can begin applying for credits beginning on January 1, 2013.

To effectuate the Act's implementation, Board Staff sought the input of stakeholders and other interested parties. On March 1, 2012, Board Staff submitted a list of questions on the Act for stakeholders to submit comments to. Individual comments were received on March 16, 2012 from: Public Service Electric and Gas, Jersey Central Power and Light, Atlantic City Electric Company, Rockland Electric Company, New Jersey Natural Gas Company, South Jersey Gas Company, Pivotal Holdings, Inc., d/b/a/ Elizabethtown Gas Company, New Jersey Large Energy Users Coalition and the New Jersey Division of Rate Counsel. Along with their individual comments, the seven New Jersey electric and natural gas investor-owned utilities submitted a consolidated response as well.

On October 4, 2012, Board Staff circulated to stakeholders and posted on the BPU and Clean Energy websites, a straw proposal ("Straw #1") that would implement the Act and create the SBC Credit Program. Board Staff held a stakeholder conference on October 24, 2012, to discuss the straw proposal. A Public Hearing on the straw proposal was initially scheduled for November 5, 2012, but because of Hurricane Sandy the hearing was rescheduled for December 3, 2012. As of November 29, 2012, the EDCs and Gerdau have submitted formal comments on the straw proposal. Today, November 29, 2012, Board Staff released a second redline version of the straw proposal ("Straw #2") based on the formal and informal comments received so far, and the Board extended the comment period to December 5, 2012, to allow parties additional time to comment on Straw #2 as well as Straw #1.

The most significant changes to Straw #2 include the following: (1) lowers the credit from 100% of annual SBC contributions to 50%; (2) requires the Administrator to issue and track credits instead of the utilities; and (3) modifies the Energy Reduction Target to require savings of 100,000 kWh in annual electric savings, 350,000 MMBtu of annual natural gas savings, or the previously required 15% of total building source energy consumption. Straw #2, which is a redline version of the original straw (#1), appears below, and the original straw appears immediately following straw #2.

THE SBC CREDIT PROGRAM (#2)

On January 17, 2012, Governor Christie signed into law a bill ("SBC Law" or "Act") (found at N.J.S.A 48:3-60.3) that ~~establishes a credit for~~allows commercial and industrial ("C&I") ratepayers to establish a credit against ~~their~~ Societal Benefits Charge ("SBC") contributions for the costs of ~~certain~~ energy efficiency ("EE") products and/or services. C&I ratepayers are entitled to a credit from their annual SBC contributions under the Act equal to one-half of the costs incurred for the purchase and installation of Clean Energy Program ("CEP")-supported EE products and services in the preceding calendar year, and up to ~~100~~50% of their SBC contributions for a given year. The ~~credit can~~program will be ~~carried over for up to ten additional years if the initial credit exceeds the ratepayer's annual SBC contribution for that year.~~ launched on January 1, 2013, and will continue indefinitely. EE expenditures made during 2012 will be eligible to receive credits.

A. Program Description

The purpose of the SBC Credit Program is to implement the Act and to foster self-investment in EE projects by providing financial support to all C&I ratepayers in the State of New Jersey. Credits will be granted to participants that satisfy the program's eligibility and program requirements to invest in self-directed EE projects. To qualify, a C&I ratepayer must have contributed to the SBC in the past calendar year~~, although any subsequent credit issued pursuant to the Act will be used to offset future SBC liabilities.~~. The maximum credit per entity ~~will be~~is 50% of eligible project costs, ~~and up to 100~~with an annual cap of 50% of annual SBC contributions per utility account. The credit can be carried over for up to ten additional years if the initial credit exceeds 50% of the ratepayer's annual SBC contributions. Credits will be issued ~~by utilities~~ upon project completion and verification that all program requirements are met. ~~The program will be launched on January 1, 2013, and will continue indefinitely.~~

The SBC Credit Program will rely on the same network of Program Partners that are utilized under the Pay for Performance program. Partners will provide technical services to SBC Credit Program participants. Program Partners are required to strictly follow program policy, but will work under contract to SBC Credit Program participants and act as their "energy expert" for the delivery of services. Entities wishing to be certified as Program Partners must complete the appropriate training as provided by the C&I Market Manager or future Program Administrator (collectively, "Administrator"). Certain entities who have their own in-house professional engineering expertise can become a Program Partner for their own facility. Their staff will be oriented through a fast-track process. This option is geared toward larger customers~~. This opportunity~~, and will be evaluated on a case-by-case basis by the Administrator. All other SBC Credit Program requirements will be applicable.

B. Target Markets and Eligibility

The SBC Credit Program is available to all C&I ratepayers who meet the following qualifications: (1) ~~Entity~~ must have contributed to the SBC in the past calendar year; and (2) ~~Entity~~ is current on their SBC liabilities and, consequently, is in good standing with their utility. A C&I ratepayer is defined as a customer serviced by a non-residential utility tariff. C&I ratepayers that comply with the two requirements above ("Eligible Entities") are required to work with an approved Program Partner to develop a ~~Draft EE Plan ("DEEP") and~~ Final EE Plan ("FEEP"). The submitted plans must include a package of EE measures that achieve an Energy Reduction Target ("ERT") of at least 15% of total building source energy consumption~~.~~, 100,000 kWh in annual electric savings, or 350,000 MMBtu of annual natural gas savings. Projects that cannot identify EE improvements that meet the ~~minimum ERT~~above savings will be referred to the appropriate ~~SmartStart Buildings~~CEP EE Program. ~~(Refer to Pay for Performance Program requirements for the definition of "Project.")~~

~~A custom savings threshold is offered to customers whose annual energy consumption is heavily weighted to manufacturing and process loads. This approach will be reviewed on a case-by-case basis. In order to be considered for a custom savings threshold (i.e., other than a 15% reduction in total building source energy consumption), the project must involve:~~

- ~~A manufacturing facility, including such industries as plastics and packaging, chemicals, petrochemicals, metals, paper and pulp, transportation, biotechnology, pharmaceutical, food and beverage, mining and mineral processing, general manufacturing, equipment manufacturers and data centers; or~~
- ~~Manufacturing and/or process-related loads, including data center consumption, that consume 50% or more of total facility energy consumption.~~

~~The energy target for projects meeting the above criteria must have annual energy savings of at least 4% of total building source energy consumption. The Administrator, in collaboration with the Office of Clean Energy ("OCE"), reserves the right to consider alternative minimum threshold savings requirement in these types of situations. In addition, the ERP must include a comprehensive mix of measures (e.g. lighting cannot make up more than 50% of the total projected savings). All other SBC Credit Program rules apply.~~

C. Program Incentives

The program will offer a maximum credit per ~~entity~~utility account of 50% of total project costs, as identified in the FEEP. Yearly credits are capped at ~~100~~50% of a participant's SBC contributions. The credit can be carried over for up to ten additional calendar years if the credit exceeds 50% of the ratepayer's annual SBC ~~contribution.~~contributions. There is no minimum credit. Credits will be ~~reserved upon approval of the DEEP, and~~ committed upon approval of the FEEP by the Administrator and, if required, by the Board of Public Utilities. Credits shall be issued and tracked by the ~~utilities~~Administrator upon project completion and verification that all program requirements are met. Credits shall reduce the amount of funds available under the CEP. Incentives are provided per utility account only. If the customer has multiple accounts associated with a facility, then separate applications must be submitted for the equipment tied to those respective accounts.

D. Submittal Requirements for Credit Reservation

Eligible Entities interested in applying to participate in the SBC Credit Program shall submit an Enrollment Letter ~~and DEEP in that order. The credit shall be reserved upon approval of the DEEP.~~

~~1. Enrollment Letter~~

~~Eligible Entities shall submit~~with the following information ~~at the time of applying~~ (limit 2 pages excluding attachments):

a. Number of buildings/sites and list of all associated utility and third-party supplier accounts in the previous calendar year;
b. Total usage and number of location or premise IDs as provided by utility; and
c. Utility account numbers and authorization for the utility to provide the information needed to calculate the SBC credit.

~~2. DEEP~~

~~Eligible Entities whose Enrollment Letter is approved ("Qualifying Entities") shall~~

submit their DEEP for credit reservation. Credits will be reserved based on the date a completed DEEP is approved. The DEEP must be submitted to the Administrator for review within 90 days from the date of the Enrollment Letter. (The Qualifying Entity may choose to submit the FEEP in lieu of submitting a DEEP). The DEEP shall include the following information:

a. Executive Summary

i. Energy use by source from previous 12 months (kWh, kW, MMBtu);
ii. Total site energy use from previous 12 months (kBtu/sqft);
iii. Projected annual energy savings by source (kWh, kW, MMBtu, and %);
iv. Projected annual total site energy savings (kBtu/sqft and %);
v. Total estimated project cost; and
vi. Total estimated annual energy cost savings.

b. Site Overview

c. Utilities Overview

d. Table of Energy Conservation Measures ("ECMs")

A table of ECMs to be implemented in the next 12 months shall include: (1) a general description of equipment being replaced/augmented; (2) an anticipated implementation schedule; and (3) estimated construction start and end dates for each measure. Moreover, the following information shall be included for each measure:

i. Estimated installed cost;
ii. Estimated annual energy savings by source (kWh, kW, MMBtu);
iii. Estimated annual O&M savings ($);
iv. Estimated annual energy cost savings ($); and
v. Estimated simple payback or IRR % (total of all measures).

e. ERT

A set minimum ERT is required of all projects and is based on an approved whole-building energy simulation. The achievement of the ERT is verified using post-retrofit billing data and the EPA Portfolio Manager methodology. For building types that are not addressed by EPA's the Benchmarking Tool, an alternative approach as reviewed by Board Staff, shall be followed. The 15% minimum energy reduction will be based on source energy, which is consistent with the EPA's Portfolio Manager benchmarking software. Savings projections shall be calculated using calibrated energy simulation. The approach involves the following steps: (1) Develop a whole building energy simulation using approved simulation tools (the list of approved tools are based on the software requirements outlined in ASHRAE 90.1 2004 Section 11 or Appendix G, or as approved by the Administrator; (2) Calibrate simulation to match pre-retrofit utility bills; (3) Model proposed improvements to obtain projected energy savings; and (4) Calculate percent energy reduction to demonstrate achievement of the ERT.

E. Submittal Requirements for Credit Commitment

~~Qualifying~~Eligible Entities shall submit a FEEP to the Administrator for credit commitment~~. A FEEP must be submitted~~ no later than one hundred and twenty (120) days from the date of the ~~credit reservation.~~Enrollment Letter. The following information must be included in the FEEP:

1. ~~Final~~ Executive Summary

a. Existing energy use by source from previous 12 months (kWh, kW, MMBtu);
b. Existing total site energy use from previous 12 months (kBtu/sqft);
c. Calculated annual energy savings by source (kWh, kW, MMBtu, and %);
d. Calculated annual total site energy savings (kBtu/sqft and %);
e. Total project cost (note - prevailing wage rates required); and
f. Total calculated annual energy cost savings.

2. Table of Energy Conservation Measures ("ECMs")

A table of ECMs to be implemented in the next 12 months must be included. Credits shall only be available for ECMs approved in the FEEP. ECM descriptions shall include: (1) a detailed description of equipment being replaced/augmented; (2) a detailed description of recommended measure (including quantities, EER, AFUE, etc.); (3) A basis for calculating energy savings and O&M savings (including all assumptions); and (4) a basis for calculating installed cost (including all assumptions). Moreover, the following information shall be included for each measure:

a. Estimated installed cost;
b. Estimated annual energy savings by source (kWh, kW, MMBtu);
c. Estimated annual O&M savings ($);
d. Estimated annual energy cost savings ($); and
e. Estimated simple payback or IRR % (total of all measures).

3. Measurement and Verification ("M&V")

Include a description of pre/post M&V to be implemented. The Post Construction Benchmarking Report will be based on the approved ~~ERT~~FEEP projected energy savings and will provide an accurate verification of savings while keeping the costs associated with M&V at a reasonable level. M&V requirements will follow the International Performance Measurement & Verification Protocol (IPMVP). Option D – Calibrated Simulation will be the required M&V approach for all projects. Options A – Partially Measured Retrofit Isolation~~,~~ and Option B – Retrofit Isolation, may be used as guidelines for data collection. The Post Construction Benchmarking Report must demonstrate savings ~~over at least one~~each year of post construction consumption~~. The post-construction period may be extended to up to eighteen months. To validate~~ in which an SBC Credit is received. In the event the scope of work, savings, and ~~achievement of the ERT~~/or cost estimates does not match as-built documentation, the ~~EPA Portfolio Manager~~amount of the credit will be ~~used. The steps of this process are summarized below:~~adjusted proportionally.

To validate the savings and achievement of the ERT, the EPA Portfolio Manager will be used. The steps of this process are summarized below:

a. Develop and document building energy baseline based on at least one full year of historical energy use data for the building;
b. Document annual energy use during the post-retrofit period;
c. Collect energy consumption data for the ~~12-month~~ post-installation period; and

c. Perform weather-normalization and calculate percent reduction of source energy use as the difference between baseline and post-retrofit energy consumption as a percentage of the baseline energy consumption (baseline – post retrofit energy consumption / baseline).

4. Appendices

a. Professional Engineer Certification to verify all FEEP documents are accurate;
b. Utility bills and/or summaries;
c. Supporting calculations; ~~and~~
d. Specification sheets~~.~~;
e. Site overview; and
f. Utilities overview

5. ERT

~~A set minimum ERT is required of all projects and is based on an approved whole-building energy simulation, as explained above.~~

A set minimum ERT is required of all projects and is based on an approved whole-building energy simulation. The ERT must include a package of EE measures that reduce total building source energy consumption by at least 15%; achieve 100,000 kWh in annual electric savings, or achieve 350,000 MMBtu of annual natural gas savings. The achievement of the ERT is verified using post-retrofit billing data and the EPA Portfolio Manager methodology. For building types that are not addressed by EPA's the Benchmarking Tool, an alternative approach as reviewed by Board Staff, shall be followed. The minimum energy reductions will be based on source energy, which is consistent with the EPA's Portfolio Manager benchmarking software. Savings projections shall be calculated using calibrated energy simulation. The approach involves the following steps: (1) Develop a whole building energy simulation using approved simulation tools (the list of approved tools are based on the software requirements outlined in ASHRAE 90.1 2004 Section 11 or Appendix G, or as approved by the Administrator; (2) Calibrate simulation to match pre-retrofit utility bills; (3) Model proposed improvements to obtain projected energy savings; and (4) Calculate percent energy reduction to demonstrate achievement of the ERT.

F. Submittal Requirements for Credit Payment

Once the work defined in the FEEP has been completed, the ~~Qualifying~~Eligible Entity shall submit proof of construction completion for all measures. Proof of construction completion include, but is not limited to, the following: (1) Invoices for material/labor ~~including as-built report~~; (2) ~~Work orders; (3)~~ Certification of compliance with prevailing wage; and (~~4~~3) Valid tax clearance certificate. All work must be completed within 12 months of FEEP approval. Extensions may be granted for a period of up to six months with satisfactory proof of project advancement (in the form of copies of permits, equipment invoices, installation invoices indicating percentage complete, updated project schedules, etc.). If ECMs are not completed within the specified timeframe, credit commitment may be forfeited. Differences between the FEEP and the as-built project must be documented and will require a revised FEEP submitted for review. In the event the scope of work, savings, and/or cost estimates ~~does~~do not match as-built documentation, the amount of the credit will be adjusted accordingly. The adjusted calculation shall in no circumstance exceed the original credit commitment provided initially. The Administrator will review the final application and prepare a recommendation for the OCE regarding any proposed credit, including any split between electric and gas SBC credits for measures that save both gas and electric.

Upon approval of the final paperwork by the Administrator confirming that the project(s) was completed and meets all program requirements, and calculation of the final amount of the credit(s), the

Administrator will issue the credits at the end of the next twelve (12) monthly billing cycle, and to continue such credits in subsequent years (up to ten additional calendar years) until such credits are exhausted.

G. Terms and Conditions of SBC Credit Program

1. Investment Returns

~~Each ECM~~ The aggregate ECM work scope identified for all ECM's in the FEEP must in total demonstrate a simple payback of 8 years or less, or ~~total ECM work scope~~ must have an IRR of 10% or greater (prior to credit). Board Staff will provide the appropriate energy unit costs and inflation factors.

2. Performance Standards

All ECMs must meet Minimum Performance Standards, ~~which may be fulfilled during Professional Engineer review, and shall be the more stringent of: (1) 2011~~as defined by the Pay for Performance Guidelines~~-~~ – Appendix B ~~(Attached in Appendix); (2) ASHRAE 90.1-2007; or (3) Local code.~~.

3. EE Products and/or Services

Credits are limited to EE products and/or services that are already eligible for incentives under the CEP during the calendar year in which the ~~construction~~FEEP is ~~performed~~approved. . The following are not eligible: (1) renewable energy; and (2) maintenance energy saving projects.

4. Pre-existing ECMs

ECMs already installed or under construction will not be considered for credits and shall not be included in the ~~DEEP or~~ FEEP.

5. Other Funding

Federal grants or incentives are allowed. Other state or utility incentives are allowed so long as they are not originating from CEP funds. CEP loan funds are allowed. Total of Federal, state, utility, and credit funding shall not exceed 100% of total project costs. Projects with funds currently committed under other CEP funded programs ~~must be excluded from DEEP/FEEP scope and the value of the incentive will be deducted from the credit~~may be included in the FEEP scope; however the value of the incentive will be deducted from the credit. Any year in which a credit is received, other CEP incentives shall be reduced accordingly by the amount of the credit, such that the aggregate amount of the credit and other CEP incentives does not exceed 50% of the Eligible Entity's SBC contributions made during that calendar year. Any year in which a CEP incentive is received, any credit committed to the Eligible Entity shall be reduced accordingly by the amount of the credit, such that the aggregate amount of the credit and other incentives does not exceed 50% of the Eligible Entity's SBC contributions made during that calendar year.

6. Review Timetable

Upon receipt of ~~DEEP and~~the FEEP, the Administrator will have sixty (60) days to review each submittal and provide comments to participant; participant will have fifteen (15) business days to respond to comments.

7. BPU Approval

Administrator will present FEEPs to Board for approval as required by Board policy and the commitment of credit.

8. On-Site Inspections

Administrator may conduct up to three site inspections, including a pre-inspection, at 50% completion, and at 100% completion. A pre-inspection will be scheduled within 15 days of FEEP submittal, granted sufficient data is provided. Participant will need to provide access to site and notification upon reaching specific percent completions as mentioned above. Measures which require an inspection at 50% completion will be identified by Administrator upon submittal of the FEEP.

H. Program Deliverables

The Administrator will provide the following services under the SBC Credit Program:

1. Program design and management;

2. Review of ~~DEEPs~~FEEPs;

3. ~~Review of FEEPs;~~

~~4.~~ Technical assistance;

~~5~~4. Updates of data tracking tools; and

~~6.~~ 5. Up to three quality control inspections for each project, if ~~needed~~reasonably required.

I. Utility Responsibilities and Payment of SBC Credits

Under the SBC Credit Program, ~~a~~Eligible Entities must provide written authorization to the Administrator for the relevant utility to release SBC billing information as required to calculate the credit. The New Jersey electric or gas utility must disclose to the Administrator in a written notice the amount of SBC contributions collected by the utility from a participant for the prior calendar year and for each calendar year specified in the request, and a confirmation of whether the ~~account is~~aggregated accounts are in good standing. ~~Upon approval of the final paperwork by the Administrator confirming that the project(s) was completed and meets all program requirements, and calculation of the final amount of the credit, the Administrator will direct the appropriate utility or utilities to issue the credit at the end of the next calendar year (capped at 100% of its SBC payments made during that year), and to continue such credit in subsequent years (up to ten additional calendar years) until such credit is exhausted. Any costs related to this requirement shall be recoverable in utilities' annual SBC rate filings.~~

J. Quality Control Provisions

Documented policies and procedures provide proper guidelines to ensure consistency in the processing and quality control for all program participants. All EE plans are reviewed upon receipt to verify adherence to eligibility requirements. Applicant eligibility information is verified, along with all technical information in support of EE measure qualification and credit calculation. Applicant supplied information and Administrator performed credit calculations are entered into the database, and files are created for all documents and ongoing project correspondence. Pre and/or post inspections will be conducted as required.

K. Program Evaluation

Ongoing evaluation services will be provided by the OCE through its external evaluation vendor.

THE SBC CREDIT PROGRAM STRAW PROPOSAL (#1)

On January 17, 2012, Governor Christie signed into law a bill ("SBC Law" or "Act") (found at N.J.S.A 48:3-60.3) that establishes a credit for commercial and industrial ("C&I") ratepayers against their Societal Benefits Charge ("SBC") contributions for the costs of certain energy efficiency ("EE") products and/or services. C&I ratepayers are entitled to a credit from their annual SBC contributions under the Act equal to one-half of the costs incurred for the purchase and installation of Clean Energy Program ("CEP")-supported EE products and services in the preceding calendar year, and up to 100% of their SBC contributions for a given year. The credit can be carried over for up to ten additional years if the initial credit exceeds the ratepayer's annual SBC contribution for that year.

A. Program Description

The purpose of the SBC Credit Program is to implement the Act and to foster self-investment in EE projects by providing financial support to all C&I ratepayers in the State of New Jersey. Credits will be granted to participants that satisfy the program's eligibility and program requirements to invest in self-directed EE projects. To qualify, a C&I ratepayer must have contributed to the SBC in the past calendar year, although any subsequent credit issued pursuant to the Act will be used to offset future SBC liabilities. The maximum credit per entity will be 50% of eligible project costs, and up to 100% of annual SBC contributions per utility account. Credits will be issued by utilities upon project completion and verification that all program requirements are met. The program will be launched on January 1, 2013, and will continue indefinitely.

The SBC Credit Program will rely on the same network of Program Partners that are utilized under the Pay for Performance program. Partners will provide technical services to SBC Credit Program participants. Partners are required to strictly follow program policy, but will work under contract to SBC Credit Program participants and act as their "energy expert" for the delivery of services. Entities wishing to be certified as Program Partners must complete the appropriate training as provided by the C&I Market Manager or future Program Administrator (collectively, "Administrator"). Certain entities who have their own in-house professional engineering expertise can become a Partner for their own facility. Their staff will be oriented through a fast-track process. This option is geared toward larger customers. This opportunity will be evaluated on a case-by-case basis by the Administrator. All other SBC Credit Program requirements will be applicable.

B. Target Markets and Eligibility

The SBC Credit Program is available to all C&I ratepayers who meet the following qualifications: (1) Entity must have contributed to the SBC in the past calendar year; and (2) Entity is current on their SBC liabilities and, consequently, is in good standing with their utility. A C&I ratepayer is defined as a customer serviced by a non-residential utility tariff. C&I ratepayers that comply with the two requirements above ("Eligible Entities") are required to work with an approved Partner to develop a Draft EE Plan ("DEEP") and Final EE Plan ("FEEP"). The submitted plans must include a package of EE measures that achieve an Energy Reduction Target ("ERT") of at least 15% of total building source energy consumption. Projects that cannot identify EE improvements that meet the minimum ERT will be referred to the appropriate SmartStart Buildings Program. (Refer to Pay for Performance Program requirements for the definition of "Project.")

A custom savings threshold is offered to customers whose annual energy consumption is heavily weighted to manufacturing and process loads. This approach will be reviewed on a case-by-case basis. In order to be considered for a custom savings threshold (i.e., other than a 15% reduction in total building source energy consumption), the project must involve:

- A manufacturing facility, including such industries as plastics and packaging, chemicals, petrochemicals, metals, paper and pulp, transportation, biotechnology, pharmaceutical, food and beverage, mining and mineral processing, general manufacturing, equipment manufacturers and data centers; or
- Manufacturing and/or process-related loads, including data center consumption, that consume 50% or more of total facility energy consumption.

The energy target for projects meeting the above criteria must have annual energy savings of at least 4% of total building source energy consumption. The Administrator, in collaboration with the Office of Clean Energy ("OCE"), reserves the right to consider alternative minimum threshold savings requirement in these types of situations. In addition, the ERP must include a comprehensive mix of measures (e.g. lighting cannot make up more than 50% of the total projected savings). All other SBC Credit Program rules apply.

C. Program Incentives

The program will offer a maximum credit per entity of 50% of total project costs as identified in the FEEP. Yearly credits are capped at 100% of a participant's SBC contributions. The credit can be carried over for up to ten additional calendar years if the credit exceeds the ratepayer's annual SBC contribution. There is no minimum credit. Credits will be reserved upon approval of the DEEP, and committed upon approval of the FEEP by the Administrator and, if required, by the Board of Public Utilities. Credits shall be issued and tracked by the utilities upon project completion and verification that all program requirements are met. Credits shall reduce the amount of funds available under the CEP.

D. Submittal Requirements for Credit Reservation

Eligible Entities interested in applying to participate in the SBC Credit Program shall submit an Enrollment Letter and DEEP in that order. The credit shall be reserved upon approval of the DEEP.

1. Enrollment Letter

Eligible Entities shall submit the following information at the time of applying (limit 2 pages excluding attachments):

a. Number of buildings/sites and list of all associated utility and third-party supplier accounts in the previous calendar year;
b. Total usage and number of location or premise IDs as provided by utility; and
c. Utility account numbers and authorization for the utility to provide the information needed to calculate the SBC credit.

2. DEEP

Eligible Entities whose Enrollment Letter is approved ("Qualifying Entities") shall submit their DEEP for credit reservation. Credits will be reserved based on the date a completed DEEP is approved. The DEEP must be submitted to the Administrator for review within 90 days from the date of the Enrollment Letter. (The Qualifying Entity may choose to submit the FEEP in lieu of submitting a DEEP). The DEEP shall include the following information:

a. Executive Summary

i. Energy use by source from previous 12 months (kWh, kW, MMBtu);
ii. Total site energy use from previous 12 months (kBtu/sqft);
iii. Projected annual energy savings by source (kWh, kW, MMBtu, and %);

iv. Projected annual total site energy savings (kBtu/sqft and %);
v. Total estimated project cost; and
vi. Total estimated annual energy cost savings.

b. Site Overview

c. Utilities Overview

d. Table of Energy Conservation Measures ("ECMs")

A table of ECMs to be implemented in the next 12 months shall include: (1) a general description of equipment being replaced/augmented; (2) an anticipated implementation schedule; and (3) estimated construction start and end dates for each measure. Moreover, the following information shall be included for each measure:

i. Estimated installed cost;
ii. Estimated annual energy savings by source (kWh, kW, MMBtu);
iii. Estimated annual O&M savings ($);
iv. Estimated annual energy cost savings ($); and
v. Estimated simple payback or IRR % (total of all measures).

e. ERT

A set minimum ERT is required of all projects and is based on an approved whole-building energy simulation. The achievement of the ERT is verified using post-retrofit billing data and the EPA Portfolio Manager methodology. For building types that are not addressed by EPA's the Benchmarking Tool, an alternative approach as reviewed by Board Staff, shall be followed. The 15% minimum energy reduction will be based on source energy, which is consistent with the EPA's Portfolio Manager benchmarking software. Savings projections shall be calculated using calibrated energy simulation. The approach involves the following steps: (1) Develop a whole building energy simulation using approved simulation tools (the list of approved tools are based on the software requirements outlined in ASHRAE 90.1 2004 Section 11 or Appendix G, or as approved by the Administrator; (2) Calibrate simulation to match pre-retrofit utility bills; (3) Model proposed improvements to obtain projected energy savings; and (4) Calculate percent energy reduction to demonstrate achievement of the ERT.

E. Submittal Requirements for Credit Commitment

Qualifying Entities shall submit a FEEP to the Administrator for credit commitment. A FEEP must be submitted no later than one hundred and twenty (120) days from the date of the credit reservation. The following information must be included in the FEEP:

1. Final Executive Summary

a. Existing energy use by source from previous 12 months (kWh, kW, MMBtu);
b. Existing total site energy use from previous 12 months (kBtu/sqft);
c. Calculated annual energy savings by source (kWh, kW, MMBtu, and %);
d. Calculated annual total site energy savings (kBtu/sqft and %);
e. Total project cost (note - prevailing wage rates required); and
f. Total calculated annual energy cost savings.

2. Table of ECMs

A table of ECMs to be implemented in the next 12 months must be included. Credits shall only be available for ECMs approved in the FEEP. ECM descriptions shall include: (1) a detailed description of equipment being replaced/augmented; (2) a detailed description of recommended measure (including quantities, EER, AFUE, etc.); (3) A basis for calculating energy savings and O&M savings (including all assumptions); and (4) a basis for calculating installed cost (including all assumptions). Moreover, the following information shall be included for each measure:

a. Estimated installed cost;
b. Estimated annual energy savings by source (kWh, kW, MMBtu);
c. Estimated annual O&M savings ($);
d. Estimated annual energy cost savings ($); and
e. Estimated simple payback or IRR % (total of all measures).

3. Measurement and Verification ("M&V")

Include a description of pre/post M&V to be implemented. The Post Construction Benchmarking Report will be based on the approved ERT and will provide an accurate verification of savings while keeping the costs associated with M&V at a reasonable level. M&V requirements will follow the International Performance Measurement & Verification Protocol (IPMVP). Option D – Calibrated Simulation will be the required M&V approach for all projects. Options A – Partially Measured Retrofit Isolation, B – Retrofit Isolation, may be used as guidelines for data collection. The Post Construction Benchmarking Report must demonstrate savings over at least one year of post construction consumption. The post-construction period may be extended to up to eighteen months. To validate the savings and achievement of the ERT, the EPA Portfolio Manager will be used. The steps of this process are summarized below:

a. Develop and document building energy baseline based on at least one full year of historical energy use data for the building;
b. Document annual energy use during the post-retrofit period; Collect energy consumption data for the 12-month post-installation period; and
c. Perform weather-normalization and calculate Percent Reduction of Source Energy Use as the difference between baseline and post-retrofit energy consumption as a percentage of the baseline energy consumption (baseline – post retrofit energy consumption / baseline).

4. Appendices

a. Professional Engineer Certification to verify all FEEP documents are accurate;
b. Utility bills and/or summaries;
c. Supporting calculations; and
d. Specification sheets.

5. ERT

A set minimum ERT is required of all projects and is based on an approved whole-building energy simulation, as explained above.

F. Submittal Requirements for Credit Payment

Once the work defined in the FEEP has been completed, the Qualifying Entity shall submit proof of construction completion for all measures. Proof of construction completion include, but is not limited to, the following: (1) Invoices for material/labor including as-built report; (2) Work orders; (3) Certification of compliance with prevailing wage; and (4) Valid tax clearance certificate. All work must be completed within 12 months of FEEP approval. Extensions may be granted for a period of up to six

months with satisfactory proof of project advancement (in the form of copies of permits, equipment invoices, installation invoices indicating percentage complete, updated project schedules, etc.). If ECMs are not completed within the specified timeframe, credit commitment may be forfeited. Differences between the FEEP and the as-built project must be documented and will require a revised FEEP submitted for review. In the event the scope of work, savings, and/or cost estimates does not match as-built documentation, the amount of the credit will be adjusted accordingly. The adjusted calculation shall in no circumstance exceed the original credit commitment provided initially. The Administrator will review the final application and prepare a recommendation for the OCE regarding any proposed credit, including any split between electric and gas SBC credits for measures that save both gas and electric.

G. Terms and Conditions of SBC Credit Program

1. Investment Returns

Each ECM must demonstrate a simple payback of 8 years or less, or total ECM work scope must have an IRR of 10% or greater (prior to credit).

2. Performance Standards

All ECMs must meet Minimum Performance Standards, which may be fulfilled during Professional Engineer review, and shall be the more stringent of: (1) 2011 Pay for Performance Guidelines-Appendix B (Attached in Appendix); (2) ASHRAE 90.1-2007; or (3) Local code.

3. EE Products and/or Services

Credits are limited to EE products and/or services that are already eligible for incentives under the CEP during the calendar year in which the construction is performed. The following are not eligible: (1) renewable energy; and (2) maintenance energy saving projects.

4. Pre-existing ECMs

ECMs already installed or under construction will not be considered for credits and shall not be included in the DEEP or FEEP.

5. Other Funding

Federal grants or incentives are allowed. Other state or utility incentives are allowed so long as they are not originating from CEP funds. CEP loan funds are allowed. Total of Federal, state, utility, and credit funding shall not exceed 100% of total project costs. Projects with funds currently committed under other CEP funded programs must be excluded from DEEP/FEEP scope and the value of the incentive will be deducted from the credit.

6. Review Timetable

Upon receipt of DEEP and FEEP, the Administrator will have sixty (60) days to review each submittal and provide comments to participant; participant will have fifteen (15) business days to respond to comments.

7. BPU Approval

Administrator will present FEEPs to Board for approval as required by Board policy and the commitment of credit.

8. On-Site Inspections

Administrator may conduct up to three site inspections, including a pre-inspection, at 50% completion, and at 100% completion. A pre-inspection will be scheduled within 15 days of FEEP submittal, granted sufficient data is provided. Participant will need to provide access to site and notification upon reaching specific percent completions as mentioned above. Measures which

require an inspection at 50% completion will be identified by Administrator upon submittal of the FEEP.

H. Program Deliverables

The Administrator will provide the following services under the SBC Credit Program:

1. **Program design and management;**
2. **Review of DEEPs;**
3. **Review of FEEPs;**
4. **Technical assistance;**
5. **Updates of data tracking tools; and**
6. **Three quality control inspections for each project, if needed.**

I. Utility Responsibilities and Payment of SBC Credits

Under the SBC Credit Program, a New Jersey electric or gas utility must disclose to the Administrator in a written notice the amount of SBC contributions collected by the utility from a participant for each calendar year specified in the request, and a confirmation of whether the account is in good standing. Upon approval of the final paperwork by the Administrator confirming that the project(s) was completed and meets all program requirements, and calculation of the final amount of the credit, the Administrator will direct the appropriate utility or utilities to issue the credit at the end of the next calendar year (capped at 100% of its SBC payments made during that year), and to continue such credit in subsequent years (up to ten additional calendar years) until such credit is exhausted. Any costs related to this requirement shall be recoverable in utilities' annual SBC rate filings.

J. Quality Control Provisions

Documented policies and procedures provide proper guidelines to ensure consistency in the processing and quality control for all program participants. All EE plans are reviewed upon receipt to verify adherence to eligibility requirements. Applicant eligibility information is verified, along with all technical information in support of EE measure qualification and credit calculation. Applicant supplied information and Administrator performed credit calculations are entered into the database, and files are created for all documents and ongoing project correspondence. Pre and/or post inspections will be conducted as required.

K. Program Evaluation

Ongoing evaluation services will be provided by the OCE through its external evaluation vendor.