Agenda Date: 2/22/17
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 BUDGET FOR FISCAL YEAR 2017 (FY17) – LARGE ENERGY USERS PROGRAM (LEUP) CHANGES; NEW CUSTOMER-TAILORED PILOT PROGRAM; INVESTOR CONFIDENCE PROJECT (ICP) EXTENSION; AND IN THE MATTER OF THE CLEAN ENERGY PROGRAMS AND BUDGET FOR FY17 – BUDGET MODIFICATIONS	)	ORDER BPU DOCKET NO. QO16040353

Parties of Record:

Michael Ambrosio, TRC Energy Solutions
Mark Mader, Jersey Central Power & Light
Timothy White, Atlantic City Electric
Sandra Eason-Perez, Orange & Rockland Utilities
Bruce Grossman, South Jersey Gas Company
Susan Ringhof, Public Service Electric and Gas Company
Andrew Dembia, New Jersey Natural Gas
Mary Patricia Keefe, Esq., Elizabethtown Gas
Stefanie A. Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities (Board) at its February 22, 2017 public meeting where the Board considered: (i) certain revisions to the Fiscal Year 2017 (FY17) budget for New Jersey's Clean Energy Program (NJCEP); (ii) certain revisions to NJCEP's Large Energy Users Program (LEUP); (iii) the adoption of a new Customer Tailored Energy Efficiency Pilot (CTEEP); and (iv) the extension of its Investor Confidence Program (ICP).

BACKGROUND AND 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, which CRA would then be used to determine the funding and content of the EE and RE programs which are part of what is now known as NJCEP. Accordingly, in 2001, the Board 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 – FY17.[1] The FY17 programs and program budgets were set in a Board Order in the present matter, dated June 29, 2016 (June 29 Order).

On January 27, 2017, Staff posted on the NJCEP website a Request for Comments regarding proposed changes to three programs – LEUP, CTEEP, and ICP (Proposed Program Actions). Comments on same were accepted through February 10, 2017. Similarly, on February 3 and 13, 2017, Staff posted on the NJCEP web sites Requests for Comments regarding the proposed budget revisions (Proposed Budget Revisions).[2] Comments on the Proposed Budget Revisions were accepted through February 17, 2017. The Proposed Program Actions and Proposed Budget Revisions were also distributed on the EE Committee and RE Committee listservs and to the Combined Heat & Power / Fuel Cell Working Group and discussed at the meetings of the EE Committee and RE Committee on February 14, 2017.

PROPOSED PROGRAM ACTIONS

The rules for approved NJCEP programs are set in part through Program Descriptions and Budgets (Compliance Filings), that are subject to review and approval by the Board. In the June 29 Order, the Board approved for implementation during FY17 the Compliance Filings for various NJCEP programs, including one submitted by NJCEP's Program Administrator,[3] dated June 28, 2016, (FY17 Compliance Filing). The current status and proposed changes to the LEUP, CTEEP, and ICP are described below.

LEUP

The FY17 Compliance Filing included the following requirements for LEUP projects:

> The Large Energy Users Program is available on a first come, first served basis so long as funding is available to existing, large commercial and industrial buildings that meet the following qualifications:
>
> - Eligible entities <u>must have contributed a minimum of $300,000 (on a pre-sales tax basis) into New Jersey's Clean Energy Program fund</u> in fiscal year 2016 defined as from July 1, 2015 to June 30, 2016 (aggregate of all buildings/sites). Eligible Entities shall be defined as (1) Public: having

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[1] Prior to 2012, the budgets and programs were based on calendar years. 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.
[2] The February 13 posting was with regards to the Comfort Partners budgets only; the February 3 posting was with regards to the remaining budgets.
[3] On January 13, 2017, TRC Environmental Corporation acquired the NJCEP Program Administrator Contract from Applied Energy Group, Inc. (AEG) and assumed AEG's rights and duties thereunder.

> distinct and separate budgetary authority; (2) Public Schools: having distinct and separate budgetary authority; (3) Private: Non-residential companies including all related subsidiaries and affiliates regardless of separate EIN numbers or locations within New Jersey.
>
> The program has a minimum incentive commitment of $200,000.
>
> (Requirements). FY17 Compliance Filing, p. 69 - 70 (emphasis added).

As to a cap on the amount of annual LEUP incentives, the FY17 Compliance Filing goes on to provide:

> The Program will offer a maximum incentive per entity which will be the lesser of:
>
> - $4 million.
> - 75% of total project(s) cost as identified in the FEEP. Total project costs may include pre-engineering costs, soft costs, and other costs associated with the preparation of the FEEP.
> - 90% of total NJCEP fund contribution in previous year (i.e. from all entity facilities).
> - $0.33 per projected kWh saved annually; $3.75 per projected Therms saved annually.
>
> (Incentive Cap). Ibid.

The LEUP is one of the most cost-effective programs delivering large savings at a low cost relative to other programs. However, Program implementation experienced less than hoped-for participation, and feedback from potential participants all suggests that the minimum contribution level is too high. For example, the LEUP received only 14 applications during FY16 and only 3 in the first half of FY17.

Although the Requirements have not been controversial, their numeric thresholds (Thresholds) were set with less than comprehensive data; for confidentiality and other reasons Staff has not been provided with comprehensive data as to where each of the state's businesses falls with reference to those Thresholds. Additionally, more recently Staff has received concern from an industry coalition that some of its members' EE improvements will soon push them below the Thresholds.

Therefore, Staff has proposed to change the program requirements to expand eligibility for large energy users by dropping the minimum Threshold, reducing the minimum incentive, and allowing participants to bank up to two years of SBC contributions. This would increase the number of potential applicants and allow participants to more efficiently perform 1 larger project every 2 years rather than less efficiently performing 2 smaller ones.[4]

[4] For the avoidance of doubt, this does not mean or imply an applicant could bank and combine other items. For example, an applicant could not combine its $80,000 SBC Contribution in Year 1 and $130,000 in Year 2 to claim it has $210,000 in SBC contributions and is therefore eligible to participate in LEUP.

Proposed LEUP Revisions

Staff has proposed that the Board approve the following revisions to the FY17 Compliance Filing's provisions regarding the LEUP (deletions ~~struck through~~; additions **underlined and bolded**):

- Eligible entities must have contributed a minimum of ~~$300,000~~ **$200,000** (on a pre-sales tax basis) into New Jersey's Clean Energy Program fund in fiscal year 2016 defined as from July 1, 2015 to June 30, 2016 (aggregate of all buildings/sites). Eligible Entities shall be defined as (1) Public: having distinct and separate budgetary authority; (2) Public Schools: having distinct and separate budgetary authority; (3) Private: Non-residential companies including all related subsidiaries and affiliates regardless of separate EIN numbers or locations within New Jersey.

The program has a minimum incentive commitment of ~~$200,000~~ **$100,000**.

- 90% of total NJCEP fund contribution in previous year (i.e. from all entity facilities), **provided, however, that an applicant may choose to bank and combine up to 2 consecutive years of total NJCEP fund contributions for the purpose of calculating its maximum incentive in a given FY, provided the applicant has not participated in LEUP in the FY immediately preceding the subject application. By way of example only, if a participant in FY15 contributed $500,000, in FY16 contributed $600,000, and in FY16 did not submit a LEUP application, the applicant's maximum incentive for a project in FY17 would be no more than $990,000 (.9 x (500,000 + 600,000)).**

CTEEP

In the June 29 Order, the Board approved a $2,200,000 FY17 budget for a CTEEP that would better serve the needs of specific commercial and industrial customers whose usage is too large to qualify for NJCEP's Direct Install program but too low to qualify for the LEUP. The CTEEP would employ account management techniques and include incentive caps consistent with those that apply to other Commercial and Industrial (C&I) programs. The details of the CTEEP were to be developed and proposed by the NJCEP Program Administrator in coordination with Staff. That proposal is now attached as Exhibit A to this Order and Staff has proposed that the Board approve its implementation.

ICP

By Order dated October 15, 2015, the Board approved the implementation of a one-year ICP pilot. I/M/O the Pay-For-Performance Program- Investor's Confidence Project Pilot, Docket No. QO15091097 (October 15, 2015). The ICP identifies six protocols originally developed by the Environmental Defense Fund (EDF) for use throughout the nation as a standardized set of best practices for energy efficiency retrofit projects for large, medium and small commercial and multifamily buildings. Its goal is to reduce transaction costs by assembling existing standards and practices into a consistent and transparent process that promotes efficient markets by increasing confidence in energy efficiency as a demand-side resource and thereby facilitates the potential financing of the subject projects.

During its pilot phase, the ICP showed some progress towards achieving its stated goal and several contractors have been certified. However, the program would benefit from an extension of time to attract more project applications. EDF remains committed to the pilot and its maintenance involves only minimal cost to NJCEP. Accordingly, Staff has proposed to extend the program.

PROPOSED BUDGET REVISIONS

Staff has proposed a number of revisions to the FY17 NJCEP budget, as set forth in more detail below.

Local Government Energy Audit (LGEA)

As shown in the table below, this Program is trending much higher regarding the number of applications received compared to the last two fiscal years:

Fiscal Year	Applications Received	Average Committed Incentive (per bldg/audit)
FY2015	341	$4,641
FY2016	396	$3,996
FY2017 (6 months thru 12/31/16)	304	$3,860

The following summarizes the Program's financial status prior to the entry of the present Order:

- The Program had $1,062,851[5] remaining in its Rebates, Grants and Other Direct Incentives cost category (Rebates CC).
- Applications with estimated incentives totaling $912,757 had been submitted that the Program Manager anticipates will be committed imminently.
- Additional applications for $1,082,435 in incentives were under review by the Program Manager.
- The Program Manager projected committing $500,000 to $1,000,000 (beyond the amounts described above) for new applications to be submitted over the remainder of FY17.

Based upon the above, Staff proposes that this Program's Rebates CC be increased by $1,230,438.

[5] Many of the numeric values in the text of this Order have been rounded; exact figures are provided in the tables included in this Order.

Pay for Performance New Construction (P4P NC)

The following summarizes this Program's financial status prior to the entry of the present Order:

- The Program had $441,000 available in its Rebates CC.
- There were five projects in the approval/pre-approval stage, with a total estimated incentive value of $1,700,000.
- There were an additional seven projects (with a total estimated incentive value of $4,500,000) in review that the Program Manager anticipates will be ready for approval prior to the end of FY17, if there are sufficient funds available.

Based upon the above, Staff proposes that this Program's Rebates CC be increased by $6,000,000.

Pay for Performance Existing Buildings (P4P EB)

The volume of projects received and approved has been trending very well over the last six months, being somewhat above that of recent years. However, the average incentive per project has been lower than previous years, and there have been more cancellations than in the past, thereby creating the likelihood that the original Program Budget would, if not adjusted, result in a year-end surplus.

Based on the above, Staff proposes that the P4P EB Program Budget be reduced by $4,849,256, which Staff believes would leave this Program with sufficient funds to meet anticipated needs through the remainder of FY17.

Solar Registration Program (SRP)

The number of initial and final SRP registrations received in FY17 through January 18, 2017 has far exceeded estimates. The following summarizes recent program activity:

- In FY16, 19,760 Initial Registrations were submitted, while in the first six months of FY17, 15,929 Initial Registrations were submitted. This suggests that by the end of FY17 over 30,000 Initial Registrations will have been submitted, approximately 50% more than during FY16.
- In FY16, 17,779 Final Registrations were submitted, while in the first six months of FY17, 13,255 Final Registrations were submitted. This suggests that by the end of FY17 over 26,000 Final Registrations will have been submitted, approximately 50% more than during FY16.

The original $2,000,000 FY17 Program Budget was set assuming recent trends would continue. However, based on the above-described increase in activity, Staff proposes that this Program's Rebate Processing and Quality Assurance cost category be increased by $983,436; Staff also has proposed this Program's Rebates CC be reduced by $240,271 (to $0) because the Program no longer provides rebates.

Large Energy Users Program (LEUP)

The following summarizes this Program's FY17 activity as of January 2017:

- The LEUP had approved two Final Energy Efficiency Plans (FEEPs) totaling approximately $1,430,000 in new incentive commitments.
- One additional FEEP was under final review with an incentive value of $351,000.
- Two Draft Energy Efficiency Plans (DEEPs) were under review with a total estimated incentive value of $893,000.
- Four FEEPs were under early stages of review with a total estimated incentive value of $3,740,000.
- Four other entities were enrolled in the program with DEEP/FEEP submissions due in early 2017 and a total estimated incentive value of $3,800,000.
- Out of the above-described $10,214,000 in the pipeline, Staff expects only approximately half of that amount to actually be paid or committed during FY17.
- Approximately $7,340,000 remains in this Program Rebates CC to cover the above-described $5,107,000 in expected pipeline costs.

Based on the above, Staff proposes that the LEUP Budget be reduced by $1,098,510, which Staff believes would leave this Program with sufficient funds to meet anticipated needs through the remainder of FY17.

C&I Existing Buildings (C&I EB)

The following summarizes this Program's FY17 activity as of January 2017:

- During FY17, the Program had received 2,018 new applications, approved 2,003 projects, and paid incentives for 1,569 applications.
- New commitments for FY17 had a total estimated incentive value just over $15,000,000, and the total incentive amounts invoiced for payment in FY17 were approximately $9,500,00.
- There were approximately 280 projects under pre-approval review with a total estimated incentive value of $3,200,000.
- The program had received on average, approximately 280 applications per month, with an estimated incentive value of $6,000-$8,000 per application, which suggests that during the remainder of FY17 the Program would spend approximately $10,780,000 on incentives.
- The amount of the remaining Rebates CC was $12,800,000.

Based on the above, Staff proposes that the C&I Retrofit Program's Rebates CC be reduced by $1,731,447, which Staff believes would leave this Program with sufficient funds to meet anticipated needs through the remainder of FY17.

Customer Tailored Energy Efficiency Pilot (CTEEP)

The implementation of CTEEP is anticipated to launch in April 2017. With the Program being open and active for only two to three months in FY17, Staff does not expect the Program to spend or commit all of its budgeted funds during FY17. Staff has proposed this Program's Rebates CC be reduced by $200,000, which Staff believes would leave this Pilot with sufficient funds to meet anticipated needs through the remainder of FY17. Staff also has proposed several of this Program's other cost categories be increased by $141,199 so as to more appropriately budget for the costs of administering the Program.

Comfort Partners

Due to higher than expected participation in some elements of this utilities-administered Program, costs in some cost categories within the Program are now projected to be slightly higher than originally projected. Staff proposes several adjustments among cost categories and among the participating utilities' programs to cover those relatively minor increases. The total value of the budget revisions is less than $150,000, all as shown in the relevant tables below. The total Comfort Partners Program Budget remains unchanged.

BPU Program Administration: Program Transition

The proposed budget modifications include an additional $672,847 to pay contractual expenses for costs related to the transition to the new Program Administrator, which expenses were originally expected to be paid in FY16 but are now expected to be paid in FY17.

Outreach and Education: Sustainable Jersey, NJIT Learning Center, Rutgers LESS, & NJCERN

The proposed budget modifications include an additional $506,348 to pay contractual outstanding expenses for these 3 programs, which expenses were originally expected to be paid in FY16 but are now expected to be paid in FY17.

New Marketing Contract & Program Evaluation/Analysis

Due to unexpected delays in the procurement process, Staff no longer expects during FY17 to pay costs relating to the new marketing contract, and it expects during the same FY to spend less than originally projected costs for program evaluation and analysis. Accordingly, Staff proposes that the above Program Budgets be reduced by a total of $5,270,527.

Temporary Relief for Utility Expenses (TRUE) Grant

The TRUE_Grant Program was required by legislation that transferred $25,000,000 away from NJCEP and towards financial assistance to help customers in need pay utility bills. Presently, $3,291,331 of the $25,000,000 remains due to satisfy the requirements of the legislation. Staff proposes increasing this Program's Budget by $3,291,331, which would be sufficient to complete the satisfaction of NJCEP's obligations regarding this Program.

Changes to Cost Categories

In addition to the proposed budget modifications outlined above, Staff proposes several modifications to the detailed budgets, i.e., to various cost categories within Program Budgets, to reflect relatively minor changes driven by the modifications outlined above and/or by other changes in the program participation or the relevant markets. By way of example, (i) the increase in the volume and amount of direct Rebates costs in P4P NC drives related increases in training and processing costs, (ii) an increase in the volume of applications in C&I New Construction (C&I NC) as compared to FY16 drives an increase in processing costs, (iii) an unexpectedly large increase in the volume of Direct Install (DI) applications following its successful re-launch drives an increase in processing costs, (iv) a small decrease in the volume and amount of applications in Residential HVAC has freed up funds for the development and implementation of additional training focused on health, safety, and installation quality, and (v) the success of the DI re-launch and the increased participation in several programs, coupled with design changes made to several programs for FY17, drive an increased demand for training and in projected associated costs.

Budget Modification Tables

The following tables show the Original Budget (approved by the Board in the June 29 Order), the proposed modifications to that budget, and the resulting modified budget. The first three tables address the proposed modifications for all but the Comfort Partners Program; the last three tables address the proposed modifications for the Comfort Partners Program.

Original Budget as approved by the June 29 Order

FY 2017		Approved FY17 Cost Category Budgets					
Program/Budget Line	**Total Budget**	**Administration**	**Sales, Marketing, Website**	**Training**	**Rebates, Grants and Other Direct Incentives**	**Rebate Processing, and QA**	**Evaluation**
Total NJCEP	**$374,850,366.89**	**$19,325,236.93**	**$8,042,660.55**	**$1,185,490.56**	**$328,220,131.80**	**$13,076,847.04**	**$5,000,000.00**
EE Programs	**$288,856,162.25**	**$15,147,875.71**	**$1,236,893.43**	**$1,051,490.56**	**$259,569,927.25**	**$11,799,975.29**	**$50,000.00**
Res EE Programs	***$89,108,990.91***	***$5,645,233.52***	***$163,887.00***	***$531,500.00***	***$76,230,469.38***	***$6,537,901.01***	***$0.00***
HVAC	$13,947,000.00	$1,541,227.73	$43,001.84	$103,500.00	$11,560,396.63	$698,873.80	$0.00
RNC	$19,428,037.50	$1,551,670.50	$43,001.72	$245,500.00	$16,981,914.90	$605,950.38	$0.00
EE Products	$24,532,000.00	$1,186,329.12	$38,941.72	$25,000.00	$19,925,659.14	$3,356,070.02	$0.00
HPwES	$31,201,953.41	$1,366,006.17	$38,941.72	$157,500.00	$27,762,498.71	$1,877,006.81	$0.00
Res Low Income	***$30,000,000.00***	***$2,020,748.01***	***$765,325.60***	***$355,490.56***	***$25,261,050.90***	***$1,597,384.93***	***$0.00***
Comfort Partners	$30,000,000.00	$2,020,748.01	$765,325.60	$355,490.56	$25,161,050.90	$1,597,384.93	$100,000.00
C&I EE Programs	***$162,247,171.34***	***$7,481,894.18***	***$307,680.83***	***$164,500.00***	***$150,578,406.97***	***$3,664,689.35***	***$50,000.00***
C&I NC	$3,902,244.07	$946,240.17	$38,941.72	$29,500.00	$2,843,736.78	$43,825.40	$0.00
C&I EB	$51,178,338.38	$1,537,883.91	$38,941.84	$29,500.00	$47,316,142.83	$2,255,869.80	$0.00
P4P NC	$15,353,068.38	$968,652.43	$38,941.72	$20,500.00	$14,213,907.51	$111,066.72	$0.00
P4P EB	$37,685,532.70	$1,115,645.62	$43,631.14	$12,500.00	$35,897,259.14	$616,496.80	$0.00
LGEA	$3,129,802.00	$872,884.75	$38,941.72	$12,500.00	$1,938,801.24	$266,674.29	$0.00
DI	$28,657,079.41	$945,713.46	$69,340.97	$43,000.00	$27,286,903.38	$312,121.60	$0.00
LEUP	$20,141,106.40	$944,873.85	$38,941.72	$17,000.00	$19,081,656.09	$58,634.74	$0.00
Custom C&I Pilot	$2,200,000.00	$150,000.00	$0.00	$0.00	$2,000,000.00	$0.00	$50,000.00
State Facilities Initiative	***$7,500,000.00***	***$0.00***	***$0.00***	***$0.00***	***$7,500,000.00***	***$0.00***	***$0.00***
State Facilities Initiative	$7,500,000.00	$0.00	$0.00	$0.00	$7,500,000.00	$0.00	$0.00
Distributed Energy Resources	**$58,628,288.84**	**$821,097.64**	**$116,825.28**	**$100,000.00**	**$57,204,017.82**	**$386,348.10**	**$0.00**
CHP/Fuel Cell	$49,802,806.80	$526,490.45	$77,883.56	$75,000.00	$48,854,526.52	$268,906.27	$0.00
RE Storage	$7,825,482.04	$294,607.19	$38,941.72	$25,000.00	$7,349,491.30	$117,441.83	$0.00
Microgrids	$1,000,000.00	$0.00	$0.00	$0.00	$1,000,000.00	$0.00	$0.00
RE Programs	**$2,450,000.00**	**$796,263.57**	**$38,941.84**	**$34,000.00**	**$240,270.94**	**$890,523.65**	**$450,000.00**
Offshore Wind	$450,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$450,000.00
SREC Registration	$2,000,000.00	$796,263.57	$38,941.84	$34,000.00	$240,270.94	$890,523.65	$0.00
EDA Programs	**$10,294,671.80**	**$160,000.00**	**$0.00**	**$0.00**	**$10,134,671.80**	**$0.00**	**$0.00**
CEMF	$4,404,359.54	$94,000.00	$0.00	$0.00	$4,310,359.54	$0.00	$0.00
GGF	$2,028,395.46	$28,000.00	$0.00	$0.00	$2,000,395.46	$0.00	$0.00
LSCHP Solicitation	$3,861,916.80	$38,000.00	$0.00	$0.00	$3,823,916.80	$0.00	$0.00
Planning and Administration	**$14,621,244.00**	**$2,400,000.00**	**$6,650,000.00**	**$0.00**	**$1,071,244.00**	**$0.00**	**$4,500,000.00**
BPU Program Administration	***$2,400,000.00***	***$2,400,000.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***
BPU Program Administration	$2,400,000.00	$2,400,000.00	$0.00	$0.00	$0.00	$0.00	$0.00
Program Transition	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Marketing (w/CEP website)	***$3,750,000.00***	***$0.00***	***$3,750,000.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***
New Marketing Contract	$3,000,000.00	$0.00	$3,000,000.00	$0.00	$0.00	$0.00	$0.00
Interim Marketing	$750,000.00	$0.00	$750,000.00	$0.00	$0.00	$0.00	$0.00
Program Evaluation/Analysis	***$4,500,000.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$4,500,000.00***
Program Evaluation	$3,200,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,200,000.00
CEEEP	$1,300,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,300,000.00
Outreach and Education	***$3,921,244.00***	***$0.00***	***$2,900,000.00***	***$0.00***	***$1,021,244.00***	***$0.00***	***$0.00***
Sustainable Jersey	$500,000.00	$0.00	$0.00	$0.00	$500,000.00	$0.00	$0.00
NJIT Learning Center	$300,000.00	$0.00	$0.00	$0.00	$300,000.00	$0.00	$0.00
Rutgers LESS	$175,000.00	$0.00	$0.00	$0.00	$175,000.00	$0.00	$0.00
NJCERN	$46,244.00	$0.00	$0.00	$0.00	$46,244.00	$0.00	$0.00
PA Outreach	$2,900,000.00	$0.00	$2,900,000.00	$0.00	$0.00	$0.00	$0.00
Sponsorships	***$50,000.00***	***$0.00***	***$0.00***	***$0.00***	***$50,000.00***	***$0.00***	***$0.00***
Sponsorships	$50,000.00	$0.00	$0.00	$0.00	$50,000.00	$0.00	$0.00
TRUE Grant	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**
TRUE Grant	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Proposed Budget Revisions

FY 2017		Adjustments Required					
Program/Budget Line	**Total Budget**	**Administration**	**Sales, Marketing, Website**	**Training**	**Rebates, Grants and Other Direct Incentives**	**Rebate Processing, and QA**	**Evaluation**
Total NJCEP	**$0.00**	**$763,603.99**	**($2,965,118.16)**	**$234,000.00**	**$2,739,143.32**	**$1,442,061.97**	**($2,213,691.12)**
EE Programs	**($0.00)**	**$90,756.77**	**$34,881.84**	**$234,000.00**	**($818,265.04)**	**$458,626.43**	**$0.00**
Res EE Programs	***($0.00)***	***($3,499.94)***	***($4,060.00)***	***$164,500.00***	***($155,500.00)***	***($1,440.06)***	***$0.00***
HVAC	($0.00)	($3,499.94)	($4,060.00)	$164,500.00	($155,500.00)	($1,440.06)	
RNC	$0.00						
EE Products	$0.00						
HPwES	$0.00						
Res Low Income	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***
Comfort Partners	$0.00						
C&I EE Programs	***($0.00)***	***$94,256.71***	***$38,941.84***	***$69,500.00***	***($662,765.04)***	***$460,066.49***	***$0.00***
C&I NC	$100,906.65			$0.00		$100,906.65	
C&I EB	($1,731,446.73)			$0.00	($1,731,446.73)		
P4P NC	$6,096,683.78			$29,500.00	$6,000,000.00	$67,183.78	
P4P EB	($4,849,256.28)		$0.00	$12,500.00	($4,861,756.28)		
LGEA	$1,449,103.10			$12,500.00	$1,230,437.97	$206,165.13	
DI	$91,321.00		$0.00	$7,000.00		$84,321.00	
LEUP	($1,098,510.07)			$0.00	($1,100,000.00)	$1,489.93	
Custom C&I Pilot	($58,801.45)	$94,256.71	$38,941.84	$8,000.00	($200,000.00)		
State Facilities Initiative	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***
State Facilities Initiative	$0.00						
Distributed Energy Resources	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**
CHP/Fuel Cell	$0.00						
RE Storage	$0.00						
Microgrids	$0.00						
RE Programs	**$800,000.00**	**$0.00**	**$0.00**	**$0.00**	**($240,270.94)**	**$983,435.54**	**$56,835.40**
Offshore Wind	$0.00						
SREC Registration	$800,000.00				($240,270.94)	$983,435.54	$56,835.40
EDA Programs	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**
CEMF	$0.00						
GGF	$0.00						
LSCHP Solicitation	$0.00						
Planning and Administration	**($4,091,331.26)**	**$672,847.22**	**($3,000,000.00)**	**$0.00**	**$506,348.04**	**$0.00**	**($2,270,526.52)**
BPU Program Administration	***$672,847.22***	***$672,847.22***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***
BPU Program Administration	$0.00						
Program Transition	$672,847.22	$672,847.22					
Marketing (w/CEP website)	***($3,000,000.00)***	***$0.00***	***($3,000,000.00)***	***$0.00***	***$0.00***	***$0.00***	***$0.00***
New Marketing Contract	($3,000,000.00)		($3,000,000.00)				
Interim Marketing	$0.00						
Program Evaluation/Analysis	***($2,270,526.52)***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***($2,270,526.52)***
Program Evaluation	($2,270,526.52)						($2,270,526.52)
CEEEP	$0.00						
Outreach and Education	***$506,348.04***	***$0.00***	***$0.00***	***$0.00***	***$506,348.04***	***$0.00***	***$0.00***
Sustainable Jersey	$175,065.89				$175,065.89		
NJIT Learning Center	$212,409.20				$212,409.20		
Rutgers LESS	$63,894.04				$63,894.04		
NJCERN	$54,978.91				$54,978.91		
PA Outreach	$0.00						
Sponsorships	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***
Sponsorships	$0.00						
TRUE Grant	**$3,291,331.26**	**$0.00**	**$0.00**	**$0.00**	**$3,291,331.26**	**$0.00**	**$0.00**
TRUE Grant	$3,291,331.26				$3,291,331.26		

1st Revised FY17 Budget

FY 2017		Proposed 1st Revised FY17 Cost Category Budgets					
Program/Budget Line	Total Budget	Administration	Sales, Marketing, Website	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing, and QA	Evaluation
Total NJCEP	**$374,850,366.89**	**$20,088,840.92**	**$5,077,542.39**	**$1,419,490.56**	**$330,859,275.13**	**$14,518,909.01**	**$2,886,308.88**
EE Programs	**$288,856,162.25**	**$15,238,632.49**	**$1,271,775.27**	**$1,285,490.56**	**$258,651,662.21**	**$12,258,601.72**	**$150,000.00**
Res EE Programs	***$89,108,990.91***	***$5,641,733.58***	***$159,827.00***	***$696,000.00***	***$76,074,969.38***	***$6,536,460.95***	***$0.00***
HVAC	$13,947,000.00	$1,537,727.79	$38,941.84	$268,000.00	$11,404,896.63	$697,433.74	$0.00
RNC	$19,428,037.50	$1,551,670.50	$43,001.72	$245,500.00	$16,981,914.90	$605,950.38	$0.00
EE Products	$24,532,000.00	$1,186,329.12	$38,941.72	$25,000.00	$19,925,659.14	$3,356,070.02	$0.00
HPwES	$31,201,953.41	$1,366,006.17	$38,941.72	$157,500.00	$27,762,498.71	$1,877,006.81	$0.00
Res Low Income	***$30,000,000.00***	***$2,020,748.01***	***$765,325.60***	***$355,490.56***	***$25,161,050.90***	***$1,597,384.93***	***$100,000.00***
Comfort Partners	$30,000,000.00	$2,020,748.01	$765,325.60	$355,490.56	$25,161,050.90	$1,597,384.93	$100,000.00
C&I EE Programs	***$162,247,171.34***	***$7,576,150.90***	***$346,622.67***	***$234,000.00***	***$149,915,641.93***	***$4,124,755.84***	***$50,000.00***
C&I NC	$4,003,150.72	$946,240.17	$38,941.72	$29,500.00	$2,843,736.78	$144,732.05	$0.00
C&I EB	$49,446,891.65	$1,537,883.91	$38,941.84	$29,500.00	$45,584,696.10	$2,255,869.80	$0.00
P4P NC	$21,449,752.16	$968,652.43	$38,941.72	$50,000.00	$20,213,907.51	$178,250.50	$0.00
P4P EB	$32,836,276.42	$1,115,645.62	$43,631.14	$25,000.00	$31,035,502.86	$616,496.80	$0.00
LGEA	$4,578,905.10	$872,884.75	$38,941.72	$25,000.00	$3,169,239.21	$472,839.42	$0.00
DI	$28,748,400.41	$945,713.46	$69,340.97	$50,000.00	$27,286,903.38	$396,442.60	$0.00
LEUP	$19,042,596.33	$944,873.85	$38,941.72	$17,000.00	$17,981,656.09	$60,124.67	$0.00
Custom C&I Pilot	$2,141,198.55	$244,256.71	$38,941.84	$8,000.00	$1,800,000.00	$0.00	$50,000.00
State Facilities Initiative	***$7,500,000.00***	***$0.00***	***$0.00***	***$0.00***	***$7,500,000.00***	***$0.00***	***$0.00***
State Facilities Initiative	$7,500,000.00	$0.00	$0.00	$0.00	$7,500,000.00	$0.00	$0.00
Distributed Energy Resources	**$58,628,288.84**	**$821,097.64**	**$116,825.28**	**$100,000.00**	**$57,204,017.82**	**$386,348.10**	**$0.00**
CHP/Fuel Cell	$49,802,806.80	$526,490.45	$77,883.56	$75,000.00	$48,854,526.52	$268,906.27	$0.00
RE Storage	$7,825,482.04	$294,607.19	$38,941.72	$25,000.00	$7,349,491.30	$117,441.83	$0.00
Microgrids	$1,000,000.00	$0.00	$0.00	$0.00	$1,000,000.00	$0.00	$0.00
RE Programs	**$3,250,000.00**	**$796,263.57**	**$38,941.84**	**$34,000.00**	**$0.00**	**$1,873,959.19**	**$506,835.40**
Offshore Wind	$450,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$450,000.00
SREC Registration	$2,800,000.00	$796,263.57	$38,941.84	$34,000.00	$0.00	$1,873,959.19	$56,835.40
EDA Programs	**$10,294,671.80**	**$160,000.00**	**$0.00**	**$0.00**	**$10,134,671.80**	**$0.00**	**$0.00**
CEMF	$4,404,359.54	$94,000.00	$0.00	$0.00	$4,310,359.54	$0.00	$0.00
GGF	$2,028,395.46	$28,000.00	$0.00	$0.00	$2,000,395.46	$0.00	$0.00
LSCHP Solicitation	$3,861,916.80	$38,000.00	$0.00	$0.00	$3,823,916.80	$0.00	$0.00
Planning and Administration	**$10,529,912.74**	**$3,072,847.22**	**$3,650,000.00**	**$0.00**	**$1,577,592.04**	**$0.00**	**$2,229,473.48**
BPU Program Administration	***$3,072,847.22***	***$3,072,847.22***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***
BPU Program Administration	$2,400,000.00	$2,400,000.00	$0.00	$0.00	$0.00	$0.00	$0.00
Program Transition	$672,847.22	$672,847.22	$0.00	$0.00	$0.00	$0.00	$0.00
Marketing (w/CEP website)	***$750,000.00***	***$0.00***	***$750,000.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***
New Marketing Contract	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Interim Marketing	$750,000.00	$0.00	$750,000.00	$0.00	$0.00	$0.00	$0.00
Program Evaluation/Analysis	***$2,229,473.48***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$0.00***	***$2,229,473.48***
Program Evaluation	$929,473.48	$0.00	$0.00	$0.00	$0.00	$0.00	$929,473.48
CEEEP	$1,300,000.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,300,000.00
Outreach and Education	***$4,427,592.04***	***$0.00***	***$2,900,000.00***	***$0.00***	***$1,527,592.04***	***$0.00***	***$0.00***
Sustainable Jersey	$675,065.89	$0.00	$0.00	$0.00	$675,065.89	$0.00	$0.00
NJIT Learning Center	$512,409.20	$0.00	$0.00	$0.00	$512,409.20	$0.00	$0.00
Rutgers LESS	$238,894.04	$0.00	$0.00	$0.00	$238,894.04	$0.00	$0.00
NJCERN	$101,222.91	$0.00	$0.00	$0.00	$101,222.91	$0.00	$0.00
PA Outreach	$2,900,000.00	$0.00	$2,900,000.00	$0.00	$0.00	$0.00	$0.00
Sponsorships	***$50,000.00***	***$0.00***	***$0.00***	***$0.00***	***$50,000.00***	***$0.00***	***$0.00***
Sponsorships	$50,000.00	$0.00	$0.00	$0.00	$50,000.00	$0.00	$0.00
TRUE Grant	**$3,291,331.26**	**$0.00**	**$0.00**	**$0.00**	**$3,291,331.26**	**$0.00**	**$0.00**
TRUE Grant	$3,291,331.26	$0.00	$0.00	$0.00	$3,291,331.26	$0.00	$0.00

COMFORT PARTNERS TABLES

July 1st 2016 - June 30th 2017 CP Budget (Approved 6/30/2016)								
		Admin and Program Development	Sales, Marketing, Call Centers, Web Site	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other QC	Evaluation & Research	Contractor Perf. Incentives
ACE	**$1,413,917.71**	$145,124.49	$14,154.56	$13,915.94	$1,161,126.68	$79,596.04	$0.00	$0.00
JCP&L	**$3,369,179.70**	$337,588.06	$69,460.18	$30,236.73	$2,589,855.95	$242,038.78	$100,000.00	$0.00
PSE&G- Elec	**$6,519,015.81**	$395,685.31	$168,320.44	$68,665.03	$5,588,939.51	$297,405.52	$0.00	$0.00
RECO	**$0.00**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NJNG	**$4,422,503.05**	$211,234.58	$163,984.58	$51,484.58	$3,736,409.14	$259,390.17	$0.00	$0.00
Elizabethtown	**$2,490,422.14**	$135,270.63	$44,736.66	$35,753.70	$2,166,106.72	$108,554.43	$0.00	$0.00
PSE&G-Gas	**$9,778,523.69**	$593,527.96	$252,480.66	$102,997.54	$8,383,409.25	$446,108.28	$0.00	$0.00
SJG	**$2,006,437.90**	$202,316.98	$52,188.52	$52,437.04	$1,535,203.65	$164,291.71	$0.00	$0.00
TOTAL	$30,000,000.00	$2,020,748.01	$765,325.60	$355,490.56	$25,161,050.90	$1,597,384.93	$100,000.00	$0.00
PSE&G - Combined	$16,297,539.50	$989,213.27	$420,801.10	$171,662.57	$13,972,348.76	$743,513.80	$0.00	$0.00

($) Difference Between Current & Proposed								
		Admin and Program Development	Sales, Marketing, Call Centers, Web Site	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other QC	Evaluation & Research	Contractor Perf. Incentives
ACE	**($71,000.00)**	$9,281.48	$2,681.48	$2,981.48	($83,425.92)	($2,518.52)	$0.00	$0.00
JCP&L	**$76,400.00**	($43,768.52)	$1,031.48	$1,431.48	$111,574.08	$25,831.48	($19,700.00)	$0.00
PSE&G- Elec	**$43,199.99**	$17,359.99	($13,080.00)	$2,280.00	$40,000.00	($3,360.00)	$0.00	$0.00
RECO	**$0.00**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NJNG	**($108,000.00)**	$30,200.00	$14,029.79	($1,000.00)	($100,000.00)	($51,229.79)	$0.00	$0.00
Elizabethtown	**($108,000.00)**	($7,800.00)	($6,600.00)	($6,400.00)	($85,000.00)	($2,200.00)	$0.00	$0.00
PSE&G-Gas	**$64,800.00**	$26,040.00	($19,620.00)	$3,420.00	$60,000.00	($5,040.00)	$0.00	$0.00
SJG	**$102,600.01**	$2,246.30	$2,246.30	$2,246.30	$159,814.82	($63,953.71)	$0.00	$0.00
TOTAL		$33,559.25	($19,316.95)	$4,959.26	$102,962.98	($102,470.54)	($19,700.00)	$0.00
PSE&G - Combined	$107,999.99	$43,399.99	($32,700.00)	$5,700.00	$100,000.00	($8,400.00)	$0.00	$0.00

Proposed New July 1st 2016 - June 30th 2017 CP Budget								
		Admin and Program Development	Sales, Marketing, Call Centers, Web Site	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing, Inspections, Other QC	Evaluation & Research	Contractor Perf. Incentives
ACE	**$1,342,917.71**	$154,405.97	$16,836.04	$16,897.42	$1,077,700.76	$77,077.52	$0.00	$0.00
JCP&L	**$3,445,579.70**	$293,819.54	$70,491.66	$31,668.21	$2,701,430.03	$267,870.26	$80,300.00	$0.00
PSE&G- Elec	**$6,562,215.80**	$413,045.30	$155,240.44	$70,945.03	$5,628,939.51	$294,045.52	$0.00	$0.00
RECO	**$0.00**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NJNG	**$4,314,503.05**	$241,434.58	$178,014.37	$50,484.58	$3,636,409.14	$208,160.38	$0.00	$0.00
Elizabethtown	**$2,382,422.14**	$127,470.63	$38,136.66	$29,353.70	$2,081,106.72	$106,354.43	$0.00	$0.00
PSE&G-Gas	**$9,843,323.69**	$619,567.96	$232,860.66	$106,417.54	$8,443,409.25	$441,068.28	$0.00	$0.00
SJG	**$2,109,037.91**	$204,563.28	$54,434.82	$54,683.34	$1,695,018.47	$100,338.00	$0.00	$0.00
TOTAL	$30,000,000.00	$2,054,307.26	$746,014.65	$360,449.82	$25,264,013.88	$1,494,914.39	$80,300.00	$0.00
PSE&G - Combined	$16,405,539.49	$1,032,613.26	$388,101.10	$177,362.57	$14,072,348.76	$735,113.80	$0.00	$0.00

SUMMARY OF COMMENTS FROM PUBLIC STAKEHOLDERS & STAFF RESPONSES

In response to the requests for comments, written responses were submitted by Anheuser Busch Inbev (Anheuser Busch), the Picatinny Arsenal, DSM Nutritional Products, LLC (DSM), Atlantic LED Solutions (Atlantic), the Division of Rate Counsel (Rate Counsel), and Fox Rothschild on behalf of the New Jersey Large Energy Users Coalition (LEUC). The following summarizes the comments and provides Staff's responses to them:

LEUP Revisions

Comment: Rate Counsel comments that it supports the proposed LEUP revisions.

Response: Staff appreciates the support.

Comment: LEUC submits that LEUP was developed in part because many large users were struggling to meet the Pay for Performance Program's requirement for 15% energy reductions in that they had already implemented other measures that rendered them highly efficient (i.e., they had already harvested their low-hanging energy efficiency fruit). It claims that over the years LEUC members' early energy efficiency projects, coupled with the redirection of manufacturing volume away from New Jersey in part because of the high cost of energy in the state, have rendered its members unable to meet the current $300,000 annual contribution Threshold. It therefore supports lowering that Threshold but urges the Board to go even further, as follows:

- Drop the annual contribution Threshold to $100,000, instead of the Staff-proposed $200,000, or allow potential participants to "bank" up to two years of contributions towards meeting the $200,000 annual contribution Threshold.
- Also allow customers to bank up to four consecutive years of total NJCEP fund contributions for the purpose of calculating the maximum incentive that could be paid in the last of those years (not for calculating whether the applicant meets the annual contribution Threshold).
    - If this were allowed, LEUC suggests that an appropriate annual entity cap be set to help to manage NJCEP budgetary planning.

Anheuser Busch comments that as a result of energy reduction projects it implemented at its Newark brewery, coupled with a reduction in the brewery's internally assigned volume driven by its comparatively high energy costs, it contributed only approximately $250,000 to NJCEP in 2016 and therefore would have been ineligible for LEUP in the absence of the proposed LEUP revisions. It therefore supports the adjustment downward, and its comments otherwise are generally similar to LEUC's, as are the comments of DSM on this issue.

Picatinny Arsenal supports the proposed lowering of the contribution Threshold and notes that it will now be eligible for LEUP and is developing projects to submit to the Program.

Response: There is potential merit in the commenters' suggested adjustments, especially those regarding the potential increase in the number of years for which the maximum incentive (not the contributions that count towards the annual contribution Threshold) could be banked. Accordingly, Staff intends to further explore them, including with the commenters and other stakeholders, as part of the process for developing potential changes to be implemented for FY18.

Staff continues to believe the proposed 33% reduction in the contribution Threshold, rather than the 67% percent reduction requested by the commenters, is more appropriate. (It notes that allowing a potential participant to combine 2 years of contributions to reach a $200,000 threshold will in most cases produce results similar to dropping the annual Threshold to $100,000.) The 33% reduction is significant, and is sufficient to bring large users like Anheuser Busch and the Picatinny Arsenal into LEUP. As was mentioned above in this Order, Staff has less than comprehensive data as to where the state's users fall with relation to the Threshold. Thus, unless and until Staff obtains such data, which neither LEUC nor any of the commenters have provided in response to the Request for Comments, or is otherwise presented with compelling arguments or data, Staff believes it more appropriate to make a more modest adjustment, monitor its effects, and then determine whether any further adjustments would be appropriate.

As to allowing more than two years of banking, Staff similarly continues to believe it would be more appropriate to implement its originally proposed two years as part of the current proceeding, to monitor results for at least the remainder of FY17, and to more broadly consider the issue as part of the process of developing potential program changes for FY18. Staff also notes that companies that do not meet LEUP's eligibility requirements remain eligible for other NJCEP programs, such as Pay for Performance and the C&I New Construction and Retrofit (SmartStart) Programs.

Comment: DSM comments that backup equipment, like its backup boilers, should be eligible for incentives even though they generally cannot generate the Measure & Verification (M&V) data LEUP currently requires.

Response: Staff suggests the commenter consider other NJCEP programs, such as SmartStart for its backup boilers. In addition, Staff's position is that it is appropriate to include a requirement for M&V data for projects as substantial as those in LEUP, and reminds the commenter that the LEUP M&V requirements have substantial flexibility that likely could accommodate a backup boiler that was used for a significant amount of time each year, e.g., not an emergency backup. It also believes that in general it would be inappropriate to provide LEUP incentives for an emergency backup that would be expected to operate only a few hours a year and thus to produce little in the way of energy savings.

Comment: LEUC comments that LEUP was created in part upon the premise that large users were sufficiently sophisticated to merit lighter regulation than other potential NJCEP participants. It accordingly suggests the LEUP application process should be simplified and streamlined, including by allowing the Program's participants to use internally-generated documents, rather than the current NJCEP-generated forms, for items such as M&V and engineering. Anheuser Busch also suggests NJCEP should simplify the application process and offered to work with Staff and/or others to explore ways of doing so. Picatinny Arsenal suggests the Board should consider relaxing some application requirements for smaller projects.

Response: The LEUP Program Requirements are sufficiently flexible such that customer-generated documents may be acceptable, provided the applicant and the Program Manager discuss and agree to the alternate forms early in the application process. Further, beginning with the development of LEUP and continuing through to the present, Staff has worked closely with LEUC to keep the application process simple and efficient. It has incorporated many of LEUC's suggestions, and it continues to be open to considering and discussing other ideas for FY18. Staff appreciates the commenters' offer to continue to provide such input.

CTEEP

Comment: Rate Counsel does not object to the proposed CTEEP but suggests the focus of the pilot should go beyond lighting and include other control technologies such as HVAC.

Response: CTEEP's focus will not be limited to lighting and could include other control technologies.

Comment: Atlantic supports the CTEEP and comments that it should include the following features:

1. More two-way discussion, including the use of Account Managers.
2. Base incentives on a project-by-project, item-by-item calculation of kWhs saved rather than on the prescriptive, fixed amount per item approach used by the prescriptive programs.
3. Refrain from requiring the use of specific contractors.
4. Allow the project "implementer" to also supply equipment and labor.
5. Encourage the "packaging" of multiple measures or items of equipment into a single application.
6. A mechanism for funding soft costs such as surveys, specification development, etc.

Response: Staff appreciates the support and responds to Atlantic's more specific suggestions as follows:

1. Agreed. The Program Manager already has Account Managers on staff and their scope will include the CTEEP.
2. Staff respectfully disagrees. The administrative cost of the proposed approach would be too high given the relatively small amount of the incentive associated with each measure and the relatively high volume of such measures.
3. Agreed.
4. Although Staff agrees that an applicant is free to have its designer or general contractor also provide equipment and labor, it respectfully disagrees that the special incentive available for the costs of design/technical assistance should be available to a contractor who is also supplying equipment and/or labor because such a contractor is too likely to be incentivized to design a project in a manner that will incorporate the contractor's more profitable equipment and/or labor rather than what provides the greatest energy savings or otherwise best serves the participant's needs.
5. Agreed, this is a primary objective of the CTEEP.
6. Agreed, subject to response #4 above.

Comment: Atlantic comments that nine different technical and specific revisions should be made to the C&I prescriptive programs, such as that A21 lamps should receive a higher incentive amount than A19.

Response: These comments are outside the scope of the current Request for Comments and are not addressed in this Order.

ICP

Comment: Rate Counsel does not object to the extension of the ICP pilot.

Response: Staff acknowledges Rate Counsel's comment.

STAFF RECOMMENDATIONS

Having reviewed and considered the comments, Staff recommends the Board approve the Proposed Program Actions and Proposed Budget Revisions (Proposals).

The Program Administrator has submitted a revised FY17 Compliance Filing, dated February 22, 2017 (Revised FY17 Compliance Filing) incorporating the Proposals. Staff recommends the Board approve the Revised FY17 Compliance Filing.

DISCUSSION AND FINDINGS

Consistent with the contract with the Program Administrator, Staff has coordinated with the Program Administrator regarding the Proposals. Staff, in conjunction with Program Administrator, discussed the Proposals at public meetings of the EE and RE Committees to receive comments and input. The Proposals were circulated to the EE and RE Committee listservs and posted on the NJCEP and NJBPU web sites and written comments were accepted from stakeholders and the public. Accordingly, the Board **HEREBY FINDS** the process utilized in developing the Proposals was appropriate and provided stakeholders and interested members of the public adequate notice and the opportunity to comment on them.

The Board has reviewed the Proposals and Staff's recommendations regarding same, and **HEREBY FINDS** that the Proposals will, among other things, provide appropriate and cost-effective funding for NJCEP's programs, promote the development of large, cost-effective EE projects, assist New Jersey's large businesses in becoming more energy efficient and cost-competitive, facilitate a flexible approach to assisting New Jersey's medium-sized businesses to implement EE projects, and facilitate private sector financing of EE projects. For those and other reasons discussed above, the Proposals are consistent with the State's goals of reducing energy usage and associated emissions. Therefore, the Board **HEREBY APPROVES** the Proposals.

The Board has also reviewed Staff's recommendation that the Board approve the Revised FY17 Compliance Filing and **HEREBY FINDS** that recommendation to be reasonable and appropriate. Therefore, the Board **HEREBY APPROVES** Staff's recommendation to approve the Revised FY17 Compliance Filing.

This Order shall be effective on March 4, 2017.

DATED: 2/22/17

BOARD OF PUBLIC UTILITIES
BY:

RICHARD S. MROZ
PRESIDENT

JOSEPH L. FIORDALISO
COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

DIANNE SOLOMON
COMMISSIONER

UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:

IRENE KIM ASBURY
SECRETARY

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

EXHIBIT A

Customer Tailored Energy Efficiency Pilot (CTEEP)

Program Purpose and Strategy Overview

The Program Administrator proposed to launch a pilot program in FY17 to better serve the needs of specific commercial and industrial customers whose usage is too large for them to qualify for the Direct Install program but too low for the Large Energy Users Program and whose projects are too complex for participation in just one New Jersey Clean Energy Program. In the present document, the Program Administrator proposes additional details of the pilot program.

The Program Administrator recognizes that there are gaps in the current offering of Commercial and Industrial Programs as well as situations where a customer may need to utilize multiple programs and therefore submit multiple applications for what seems to them like a single project. Indeed, customers are thought in some cases to make improvement decisions by comparing the incentives that are available through the custom, prescriptive, LEUP, and P4P programs to assess which program and which combination of potential measures will yield the greatest incentive, rather than by which projects maximize their energy savings. The customer tailored pilot program will facilitate easier and more effective participation by reducing the amount of effort that customers must put into analyzing and understanding program participation needs so that they can focus on installing the efficiency projects that will deliver the best results for their facilities and operations.

The pilot will allow customers to receive financial incentives for multiple prescriptive and/or custom energy saving upgrades as well as unique energy savings measures via a single application when implemented in a single facility or, potentially, in a group of related facilities. This is in contrast to current protocols that require customers submitting multiple interactive measures to choose one or the other of two incentive paths (SSB and P4P). SmartStart requires customers to submit each technology in an a la carte method, which, because it is administratively burdensome, can be a barrier to participation. Alternatively, if a proposed scope of work will save a minimum 15% of total energy use in the first year after installation, customers may consolidate their multiple measure scope into a single P4P submission.

The P4P program is best suited for single-facility whole building projects which may not align with the customers planning process, project scope or available capitol. It also has an extended approval/payment process which may not align with some customers' implementation schedules, and has a minimum overall savings requirement which can preclude some multi-measure projects of value. Moreover, some customers have needs – potentially including specialized technical expertise, financial analysis, assistance in "selling" investments to senior management, etc. – that neither the SmartStart nor the P4P programs are designed to provide. By providing more flexibility in combining existing financial incentive offerings and addressing customers' other non-financial needs by suggesting simple ROI calculations and other reference resources for developing successful projects, we anticipate the pilot program will help participating customers implement more energy efficiency measures and save more energy and money.

Connection to the Strategic Plan

The Strategic Plan Operating Principals under consideration include utilizing pilot programs to focus on emerging technologies or innovative program implementation approaches. This pilot will help promote the use of Advanced Lighting Control Systems (ALCS) while also responding to customer concerns regarding the application process for projects that involve completing and submitting multiple smart start applications.

This pilot will allow us to collect information and data that can inform program changes or new program designs in the future including:

- Evaluating if customers implemented more measures and, therefore achieved more energy savings because the application process was simplified.
- Identifying the types of customers and projects that would require multiple applications.
- Identifying opportunities to simplify the application process when coupled with additional up-front customer assistance.

Target Markets and Eligibility
The pilot funding for FY17 could serve approximately 30 to 40 C&I customers with usage levels that are relatively high, but not high enough to be eligible for LEUP. This could mean that usage at a specific site is high enough for a project to qualify for the pilot, or that the aggregate usage across multiple sites, when combined, is high enough to qualify for the pilot. Relatively high usage levels increase the likelihood that savings opportunities will be sufficient to justify the program investment in direct customer engagement by Account Managers that is envisioned for the program. Based on the anticipated program launch in early 2017, the program may not fully expend the available budget within the fiscal year. The program expects to target customer facilities whose annual energy costs fall in between $150,000 and $350,000, though customers outside of this range will not be denied the opportunity to participate solely on that basis. Among the additional criteria that will be considered for inclusion are:

- Customers with complex operations and/or unique energy usage profiles that would most benefit from custom assessments of efficiency opportunities;
- Customers whose efficiency opportunities, barriers to investment and/or business needs suggest they may benefit from support beyond just financial incentives (e.g. technical analysis, financial analysis, etc.);
- Customers with projects that would require multiple applications under existing program offerings; and
- Customers that are good candidates for installation of new, innovative or advanced efficiency technologies.

There are likely significant opportunities for participation within specific sectors including commercial real estate, large retail and industrial.

Eligible Efficiency Measures
The program will promote the types of efficiency measures that are most appropriate for the specific pilot participants. However, as a "door-opener" for engaging these customers, the pilot will explore a focus on encouraging the installation of technologies that don't fit well into the current custom and prescriptive programs, and where applicable the program will work with customers and vendors/suppliers to bundle these technologies with other energy-savings measures. One example of such a technology is ALCS installed in combination with high efficiency LED luminaires. While incentives are available for these technologies through the prescriptive and custom programs, the current structure does not support the kind of integrated approach that is likely to produce the greatest savings. This developing technology solution is expected to yield significant future savings for the NJCEP and the pilot will provide an opportunity to develop streamlined approaches that can be offered more broadly in the future and applied to other technology categories. Other technology areas likely to receive attention include Energy Management Systems (EMS/BMS), user-specific industrial process upgrades and complex HVAC improvements.

Financial Incentives
For this pilot, the financial incentives offered to customers will be the same as those available through the existing prescriptive and custom program offerings. However, for ease of customer participation, they will be bundled into a single "package" application. The total incentive available for any project will be equal to the sum of the incentives that would be available through the existing prescriptive and custom program offerings for the measures installed. Similarly, the incentive caps that apply to CTEEP projects will be the same caps that would have applied to the projects if they had been the subject of applications handled through other existing NJCEP programs (e.g., P4P).

In addition to measure incentives the customer-tailored pilot may, where initial design costs are a barrier to the pursuit of projects that appear to be promising, offer customers an additional incentive towards design assistance or technical support provided by an independent[6] third party design professional. Incentives will be available for up to fifty-percent (50%) of the cost of the design/technical assistance up to a maximum of $10,000 upon approval of the NJCEP program manager, with half of the incentive payable upon completion of the design and half upon installation of the recommended measures.

Program Implementation Description
The program will be promoted via the traditional methods including the NJCEP website and Energy Efficiency Committee meetings. In addition, the C&I Account Managers, who will utilize existing contacts with customers to generate program participants, will present the program within the targeted sectors mentioned above. They will work with customers to better understand the specific energy efficiency opportunities and barriers they face. The goal of this pilot is to use a personalized approach to assisting customers in overcoming barriers and simplifying their application process for projects by offering technical assistance, financial analysis, design incentives, and measure incentives, depending on the customers' unique needs. Recognizing that both efficiency opportunities and the barriers to addressing them can vary dramatically from customer to customer, the Account Manager will work closely with decision makers at participating customer facilities to identify a range of energy efficiency projects that can be incorporated into capital planning, along with a package of support that will result in the desired efficiency improvements being installed.

In addition to utilizing the Account Manager Outreach strategy, we will also encourage participation from customers considering ALCS upgrades by working with qualified advanced lighting control vendors using Design Lighting Consortium (DLC) approved ALCS equipment. Educating vendors about this pilot will allow them to share the benefits of the program with their customer and promote greater participation in the NJCEP. Vendors can work with an Account Manager to identify projects that include ALCS along with other energy efficiency measures.

Data Tracking and Pilot Evaluation
The purpose of offering this program on a pilot basis is to gain information about the motivations and needs of customers in the target group and to test the following hypotheses:

[6] Independent in this case means that the design professional does not sell or represent products that are being considered for installation.

- Current program participation processes are too burdensome for some customers. Current processes may force customers into program paths that provide the greatest incentives rather than the most energy savings. They may also simply require more effort than customers think the results are worth and this results in reduced program participation;
- Measure incentives matter, but may not be the only support that some customers need in order to pursue efficiency projects;
- Incentives available through the current program offerings are not optimized to promote the installation of advanced lighting controls in conjunction with high efficiency LED luminaires.

Therefore, the goals of the pilot are:

- To increase participation among mid-large customers;
- To increase the amount of energy saved per project for participating customers;
- To understand from participating customers whether assistance other than measure incentives will facilitate the installation of energy efficiency projects;
- To promote the installation of advanced lighting controls in conjunction with high efficiency LED luminaires.

In order to assess the veracity of these hypotheses and the effectiveness of the pilot program in advancing the stated goals Program Administrator will work with CEEEP to ensure that participation data are tracked as needed to support evaluation efforts. Evaluation findings and recommendations will inform future planning efforts to assure program optimization and the best use of NJCEP funds in this market. At the conclusion of the pilot, we will assess the results to determine if the program approach should be expanded in subsequent program years.

Quality Control Provisions
All applications are reviewed upon receipt to verify adherence to eligibility requirements. Applicant eligibility information is verified, along with all technical information in support of energy efficient measure qualification and incentive calculation. Applicant supplied information and program administrator performed incentive calculations are entered into the database, and files are created for all documents and ongoing project correspondence. Inspection protocols for custom measure projects in FY 2017 will require 100% pre- and post-inspections.

DOCKET NO. QO16040353 – IN THE MATTER OF THE CLEAN ENERGY PROGRAMS AND BUDGET FOR FISCAL YEAR 2017 (FY17) – LARGE ENERGY USERS PROGRAM (LEUP) CHANGES; NEW CUSTOMER-TAILORED PILOT PROGRAM; INVESTOR CONFIDENCE PROJECT (ICP) EXTENSION; AND IN THE MATTER OF THE CLEAN ENERGY PROGRAMS AND BUDGET FOR FY17 – BUDGET MODIFICATIONS

SERVICE LIST

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

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

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

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

Alexander C. Stern, Esq.
Associate General Regulatory Counsel
PSEG Services Corporation
80 Park Plaza - T5G
Newark, New Jersey 07102

Scott Carter
AGL Resources
Ten Peachtree Place
Atlanta, GA 30309

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

Stefanie A. Brand, Esq., Director
New Jersey Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Andrew M. Kuntz, Esq.
Deputy Attorney General
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029
Andrew.kuntz@dol.lps.state.nj.us

Irene Kim Asbury, Esq.
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Irene.asbury@bpu.nj.gov

Marisa Slaten, Esq., Director
Office of Clean Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Marisa.slaten@bpu.nj.gov

Elizabeth Teng
Office of Clean Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Elizabeth.teng@bpu.nj.gov

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

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

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

Anthony Pugliese
Elizabethtown Gas
148 Edison Road
Stewartsville, NJ 08886

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

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

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

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

Sherri Jones
Office of Clean Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Sherri.jones@bpu.nj.gov

Allison E. Mitchell
Office of Clean Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Allison.mitchell@bpu.nj.gov

Benjamin S. Hunter
Office of Clean Energy
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Benjamin.hunter@bpu.nj.gov

Rachel Boylan, Esq.
Counsel's office
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Rachel.boylan@bpu.nj.gov

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

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

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

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

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