



Agenda Date: 10/20/17
Agenda Item: 8D

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/

DIVISION OF ENERGY AND
OFFICE OF CLEAN ENERGY

IN THE MATTER OF ELECTRIC PUBLIC UTILITIES)
AND GAS PUBLIC UTILITIES OFFERING ENERGY)
EFFICIENCY AND CONSERVATION PROGRAMS,)
INVESTING IN CLASS I RENEWABLE ENERGY)
RESOURCES, AND OFFERING CLASS I RENEWABLE)
ENERGY PROGRAMS IN THEIR RESPECTIVE)
SERVICE TERRITORIES ON A REGULATED BASIS)
PURSUANT TO N.J.S.A. 48:3-98.1 – MINIMUM FILING)
REQUIREMENTS)

ORDER PURSUANT TO
N.J.S.A. 48:3-98.1(c)

DOCKET NO. QO17091004

Parties of Record:

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Susan Buck, Elizabethtown Gas
Tom Donadio, Jersey Central Power and Light
Anne-Marie Peracchio, New Jersey Natural Gas
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Kenneth Esser, Jr., Public Service Electric & Gas
Maureen Minkel, South Jersey Gas Company
Andrew Hendry, New Jersey Utilities Association
Mike Ambrosio, TRC

BY THE BOARD:

As will be discussed in more detail below, the New Jersey Board of Public Utilities (“Board”) has determined that its Order issued May 12, 2008¹ (“May 2008 Order”) establishing minimum filing requirements (“MFRs”) for energy efficiency, renewable energy, and conservation programs should be amended. The MFRs approved in this Order shall supersede the May 2008 Order.

¹ In the Matter of Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in Their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. EO08030164 (May 12, 2008).

BACKGROUND AND PROCEDURAL HISTORY

On January 13, 2008, L. 2007, c. 340 ("Act") set forth the Legislature's findings that "energy efficiency and conservation measures and increased use of renewable energy resources must be essential elements of the State's energy future and that greater reliance on energy efficiency, conservation, and renewable energy resources will provide significant benefits to the citizens of this State." The Legislature also found and declared "that public utility involvement in and competition in the renewable energy, conservation, and energy efficiency industries are essential to maximize efficiencies and the use of renewable energy and that provisions of [the Act] should be implemented to further competition." N.J.S.A. 26:2C-45. Consistent with the Legislature's findings, the Act provides that notwithstanding the provisions of any other law or rule or regulation to the contrary, an electric or gas public utility may: (1) provide and invest in energy efficiency and conservation programs in its service territory on a regulated basis pursuant to section 13; and (2) invest in Class I renewable energy resources or offer Class I renewable energy programs on a regulated basis pursuant to section 13. L. 2007, c. 340, §13(a)(1) and (2), codified at N.J.S.A. 48:3-98.1(a)(1) and (2). The facilities or resources involved in these programs and investments may be located on the customer side or utility side of the point of interconnection. Ibid. The Act also provides that the Board may direct electric and gas public utilities "to undertake energy efficiency, conservation, and renewable energy improvements, and shall allow the recovery of program costs and incentive rate treatment pursuant to subsection b of . . . section [13]." N.J.S.A. 48:3-98.1(a)(3).

The Act provides that electric and gas "public utility investment in energy efficiency and conservation programs or Class I renewable energy programs may be eligible for rate treatment approved by the board, including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas." N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include "placing appropriate technology and program cost investments in the respective utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the board." Ibid. The Act further states that "the board may provide funding for energy efficiency, conservation, and renewable energy improvements through the societal benefits charge established pursuant to section 12 of P.L. 1999, c. 23 (C.48:3-60), the retail margin on certain hourly-priced and larger non-residential customers pursuant to the board's continuing regulation of basic generation service pursuant to sections 3 and 9 of P.L. 1999, c. 23 (C.48:3-51 and 48:3-5), or other monies appropriated for such purposes." N.J.S.A. 48:3-98.1(a)(3).

An electric or gas public utility seeking cost recovery for any program pursuant to N.J.S.A. 48:3-98.1 is required to file a petition with the Board. N.J.S.A. 48:3-98.1(b). In determining the recovery of program costs for any program implemented pursuant to N.J.S.A. 48:3-98.1, the Board "may take into account the potential for job creation from such programs, the effect on competition for such programs, existing market barriers, environmental benefits, and the availability of such programs in the marketplace." N.J.S.A. 48:3-98.1(b).

The Act further provides that "[u]nless the board issues a written order within 180 days after the filing of the petition approving, modifying or denying the requested recovery, the recovery requested by the utility shall be granted effective on the 181st day after the filing without further order by the board." Ibid.

Within 120 days after the Act's enactment, the Board "shall issue an order that allows electric public utilities and gas public utilities to offer energy efficiency and conservation programs, to invest in Class I renewable energy resources, and to offer Class I renewable energy programs in their respective service territories on a regulated basis." N.J.S.A. 48:3-98.1(c). In accordance with the Act, the Board issued its May 2008 Order, in which it ordered that:

At least 30 days prior to the filing of a petition pursuant to the Act, the petitioning electric or gas public utility shall meet with Board Staff and Rate Counsel to discuss the nature of the program and program cost recovery mechanism to be proposed in the forthcoming petition and the Appendix A minimum filing requirements to be submitted;

With any petition filed pursuant to the Act and this Order, an electric or gas public utility shall submit such information as is required for the petition by the minimum filing requirements set forth in Appendix A hereto, as may be modified by Board Staff in accordance with this Order; and

Board Staff shall, within 30 days after the filing of a petition pursuant to the Act, (i) determine whether the petition is administratively complete and (ii) advise the petitioner in writing that the petition is administratively complete or that the petition is not administratively complete, and set forth the deficiencies, and the items required to remedy the deficiencies. If the petition is deemed administratively complete by Board Staff, the 180 day time period under N.J.S.A. 48:3-98.1 for issuance of a written order will commence at the time of the petition's filing. If Board Staff has notified the utility that the petition is not administratively complete, the 180 day period will not commence until the deficiencies are corrected and the filing is deemed administratively complete by Board Staff. In that event, the 180 day period will commence on the date that the petition is deemed administratively complete, that is, on the last filing date of the remediation of all deficiencies.

[May 2008 Order at 6.]

Board Staff developed the MFRs through a process that solicited review and comments from the utilities and the Division of Rate Counsel ("Rate Counsel"). As set forth in Appendix A of the May 2008 Order, the MFRs were designed to enable interested parties and the Board to review proposed programs on a timely basis and for the Board to issue an order in accordance with the Act's time frame.

The MFRs approved by the May 2008 Order required that a petition under the Act shall include, at a minimum:

- I) Applicable information required by the Board's regulations regarding petitions for an increase in rates, N.J.A.C. 14:1-5.11 and N.J.A.C. 14:1-5.12, and supporting testimony;
- II) A description of the proposed program, including how the program comports with State energy policy, and an explanation of the manner in which the program will complement and/or differ from or duplicate existing or prior programs being offered by the utility or by the New Jersey Clean Energy Program ("NJCEP"), and the effect, if any, upon such existing programs;

- III) Information pertaining to the factors that N.J.S.A. 48:3-98.1(b) provides the Board may take into account: the potential for job creation, the effect on competition, existing market barriers, environmental benefits, and the availability of such program in the marketplace;
- IV) Information relating to the proposed cost recovery mechanism; and
- V) Cost/benefit analysis or other information.

Ibid. at 3–4.

Small and pilot programs were generally exempted from the requirement that an up-front cost/benefit analysis be submitted, given the more limited nature of such programs, to allow for a more accelerated review and approval process. Ibid. at 4. A small program was defined as one that would result in either a rate increase of less than one half of one percent to the average residential customer or an additional annual total revenue requirement of less than \$5 million. A pilot program was defined as one that was three years or less in duration. Ibid. at Appendix A, Section I(e).

DISCUSSION

In February 2017, Staff convened a meeting of the Utility Working Group (“UWG”) – comprising the electric and gas utilities,² Rate Counsel, and Board Staff – to discuss issues of mutual concern. Since then, the UWG has met on a monthly basis to discuss the MFRs, the potential for a joint utility filing, standardized reporting processes, and other topics.

Concerning the MFRs, Staff undertook a process with the UWG to refine and strengthen the requirements. The UWG has reached consensus on the revised MFRs. A redline reflecting changes from the 2008 Order is attached hereto as Appendix A. Attached to this Order as Appendix B are the newly revised Minimum Filing Requirements (“2017 MFRs”). These changes will facilitate a streamlined review process for future filings pursuant to N.J.S.A. 48:3-98.1.

In general, Staff proposes amendments to improve clarity and organization and to remove duplicative requirements. A summary of the revisions is provided below.

I: General Filing Requirements

Amendments remove references to small scale and pilot programs. As proposed, the requirements state more generally that if compliance with the upfront cost/benefit analysis requirement would not be feasible for a particular program or sub-program, the utility may request an exemption but must demonstrate why such exemption should be granted.

II: Program Description

This section requires the utility to provide a detailed program description. This section has combined or reorganized various requirements from the 2008 MFRs. Certain duplicative requirements were also deleted. In addition, the amendments improve clarity

² Atlantic City Electric, Public Service Electric & Gas (for both gas and electric), Jersey Central Power and Light, Rockland Electric, New Jersey Natural Gas, South Jersey Gas, and Elizabethtown Gas.

between sections II(b) and (c) by differentiating between in-state programs and out-of-state programs.

III: Additional Filing Information

Sections III(b)–(d) are proposed to be addressed by sections II(h), V(a), and II(b)–(c), respectively.

IV: Cost Recovery Mechanism

This Part includes revisions to improve clarity and add definitions.

V: Cost/Benefit Analysis

In section V(a), amendments enhance the description of the utility's estimate of net benefits and avoided costs.

Section V(b) adds four cost/benefit analysis tests, for a total of five tests. The prior version of the MFRs only required the Total Resource Cost test.

Section V(c) requires that a utility explain why the results of its cost/benefit analyses support its petition for program approval.

VI: Evaluation, Measurement, and Verification ("EM&V")

The proposed amendments include a new evaluation, measurement, and verification section.

The utilities are required to comply with each provision of the MFRs. If compliance with any part of MFRs is not feasible, the utility may indicate "Not Applicable" or request an exemption. Requests for exemptions must be made with supporting justification to demonstrate why such exemption should be granted.

CONCLUSION

The Board has determined that the recommendation of Staff to revise the 2008 MFRs, based on its collaboration with the UWG is reasonable. The revisions clarify and improve the filing requirements for filings made pursuant to N.J.S.A. 48:3-98.1. Such filings are the basis of hundreds of millions of dollars in utility investment in energy efficiency and renewable energy. Accordingly, it is important to ensure that the utility filings satisfy a minimum level of completeness prior to the Board initiating its review.

The Board **FINDS** that the 2017 MFRs improve upon the current requirements and will facilitate Board review of future utility filings, including a potential joint utility filing. Therefore, the Board **HEREBY APPROVES** the MFRs attached to this Order as Appendix B. This Order shall supersede the requirements set forth in the May 2008 Order.

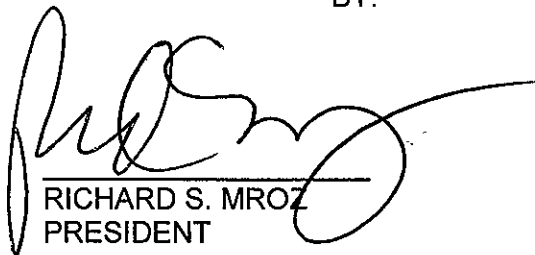
Pursuant to N.J.S.A. 48:3-98.1(c), the provisions of this Order will be reflected in regulations hereafter to be adopted pursuant to the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq. As such, the Board **DIRECTS** staff to prepare a formal rulemaking proposal, consistent with Appendix B to this Order, for review and consideration by the Board

The Board reserves the right to amend or modify this Order at any time if so warranted prior to the adoption of such regulations.

This Order shall be effective on October 30, 2017.

DATED: 10/20/17

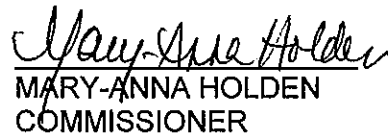
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BY:



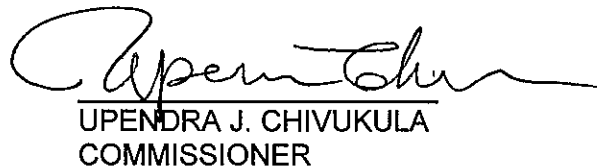
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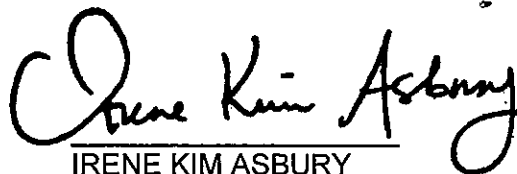
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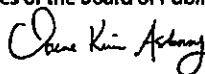
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ATTEST: 
IRENE KIM ASBURY
SECRETARY

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



IN THE MATTER OF ELECTRIC PUBLIC UTILITIES AND GAS PUBLIC UTILITIES OFFERING
ENERGY EFFICIENCY AND CONSERVATION PROGRAMS, INVESTING IN CLASS I
RENEWABLE ENERGY RESOURCES, AND OFFERING CLASS I RENEWABLE ENERGY
PROGRAMS IN THEIR RESPECTIVE SERVICE TERRITORIES ON A REGULATED BASIS
PURSUANT TO N.J.S.A. 48:3-98.1 – MINIMUM FILING REQUIREMENTS
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APPENDIX A TO BOARD ORDER:
IN THE MATTER OF ELECTRIC PUBLIC UTILITIES AND GAS PUBLIC UTILITIES OFFERING
ENERGY EFFICIENCY AND CONSERVATION PROGRAMS, INVESTING IN CLASS I
RENEWABLE ENERGY RESOURCES, AND OFFERING CLASS I RENEWABLE ENERGY
PROGRAMS IN THEIR RESPECTIVE SERVICE TERRITORIES ON A REGULATED BASIS
PURSUANT TO N.J.S.A. 48:3-98.1 – MINIMUM FILING REQUIREMENTS
DOCKET NO. QO17091004

MINIMUM FILING REQUIREMENTS FOR PETITIONS UNDER
N.J.S.A. 48:3-98.1

I. General Filing Requirements

- a. The utility shall provide with all filings, information and data pertaining to the specific program proposed, as set forth in applicable sections of N.J.A.C. 14:1-5.11 and N.J.A.C. 14:1-5.12.
- b. All filings shall contain information and financial statements for the proposed program(s) in accordance with the applicable Uniform System of Accounts that is set forth in N.J.A.C. 14:1-5.12. The utility shall provide the Accounts and Account numbers that will be utilized in booking the revenues, costs, expenses, and assets pertaining to each proposed program so that they can be properly separated and allocated from other regulated and/or other programs.
- c. The utility shall provide supporting explanations, assumptions, calculations, and work papers for each proposed program and cost recovery mechanism petition filed under N.J.S.A. 48:3-98.1, including the rationale for selecting the approach included in its proposed program, and for all qualitative and quantitative analyses therein. The utility shall provide electronic copies of all materials and supporting schedules, with all inputs and formulae intact.
- d. The filing utility shall file include testimony supporting its the petition.
- e. ~~For any small scale or pilot program, the utility shall only be subject to the requirements in this Section and Sections II, III, and IV. The utility shall, however, provide its estimate of costs and a list of data it intends to collect in a subsequent review of the benefits of the program. Information in Section V may be required for pilot and small programs if such programs are particularly large or complex. A "small scale" project is defined as one that would result in either a rate increase of less than a half of one percent of the average residential customer's bill or an additional annual total revenue requirement of less than \$5 million. A pilot program shall be no longer than three years, but can be extended under appropriate circumstances. For any proposed program, the utility shall be subject to the requirements in this and all subsequent Sections. If compliance with Part V of these requirements would not be feasible for a particular program or sub-program, the utility may request an exemption but must demonstrate why such exemption should be granted. Examples of historical situations that have qualified for exemption include programs that had an educational rather than equipment-based focus and programs that introduced novel ideas where documentation supporting estimated costs/benefits may not be easily produced.~~

- f. If the utility is filing for an increase in rates, charges, etc. or for approval of a program that may increase rates/changes to ratepayers in the future, the utility shall include a draft public notice with the petition and proposed publication dates.

II. Program Description

- a. The utility shall provide a detailed description of each proposed program for which the utility seeks approval, including, if applicable:
 - 1. Description of program
 - 2. Market segment/efficiency targeted
 - 3. Delivery method
 - 4. Estimated program participants
 - 5. Total projected annual kWh/therms and peak reduction
 - 6. Relationship to existing programs
 - 7. Existing incentives
 - 8. Proposed incentives
 - 9. Anticipated job creation
 - 10. Environmental emissions savings
 - 11. Budget information
 - 12. Marketing approach (as defined in section II(g))
 - 13. Contractor role (as defined in section II(e))
 - 14. Market barriers (as defined in section II(h))
 - 15. Program costs, broken down into the following categories: administration; marketing and sales; contractor training; incentives (including rebates and low- or no-interest loans); inspections and quality control; and evaluation. To the extent that the Board directs the New Jersey Clean Energy Program ("NJCEP") to report additional categories, the utility shall provide additional categories, as applicable.
- b. Comparison to in-state programs: The utility shall provide a detailed explanation of the differences and similarities between each proposed program and existing and/or prior programs offered by the New Jersey Clean Energy Program, or the utility. The utility shall provide a detailed explanation of how the proposed program(s) are consistent with and/or different from existing or proposed New Jersey Clean Energy Program or utility programs (to the extent proposed program descriptions are available) targeting the same market segment, including how the proposed program(s) will complement, supplement, compete with, and/or impact existing programs being offered in-state.
- c. Comparison to out-of-state programs: The utility shall provide a description of how the proposed program will complement, and impact existing programs being offered by the utility and the New Jersey Clean Energy Program with all supporting documentation. The utility shall provide a detailed description of how the proposed program(s) are similar to and/or different from a sampling of/examples of existing or proposed utility programs or pilots in other states that were used to form the basis of the proposed program(s), with all supporting documentation.
- d. ~~The utility shall provide a detailed description of how the proposed program is consistent with and/or different from other utility programs or pilots in place or proposed with all supporting documentation.~~

- d. The utility shall provide a detailed description of how the proposed program(s) comport with New Jersey State energy policy as reflected in reports, including but not limited to the prevailing New Jersey Energy Master Plan, or pending issuance of the final Energy Master Plan, the draft Energy Master Plan, and the greenhouse gas emissions reports issued by the New Jersey Department of Environmental Protection pursuant to N.J.S.A. 26:2C- 42(b) and (c) and N.J.S.A. 26:2C-43 of the New Jersey Global Warming Response Act, N.J.S.A. 26:2C-37 et seq.
- f. ~~The utility shall provide the features and benefits for each proposed program including the following:~~
 - a. ~~The target market and customer eligibility if incentives are to be offered;~~
 - b. ~~The program offering and customer incentives;~~
 - c. ~~The quality control method including inspection;~~
 - d. ~~Program administration; and~~
 - e. ~~Program delivery mechanisms~~
- g. ~~The utility shall provide the criteria upon which it chose the program.~~
- h. ~~The utility shall provide the estimated program costs by the following categories: administrative (all utility costs), marketing/sales, training, rebates/incentives including inspections and quality control, program implementation (all contract costs and evaluation and other.~~
- i.
- e. The utility shall provide the extent to which the utility intends to utilize employees, contractors, or both to deliver the program(s) and, to the extent applicable, the criteria the utility will use for contractor selection.
- j. ~~In the event the program contemplates an agreement between the utility and its contractors and/or the utility and its ratepayers, copies of the proposed standard contract or agreement between the ratepayer and the utility, the contractor and the utility, and/or the contractor and the ratepayer shall be provided.~~
- k.
- l. ~~The program goals including number of participants on an annual basis and the energy savings, renewable energy generation and resource savings both projected annually and over the life of the measures.~~
- m.
- f. The utility shall provide a detailed description of the process for resolving any customer complaints related to these program(s).
- g. Marketing: The utility shall provide the following: a description of where and how the proposed program(s)/project(s) will be marketed or promoted throughout the demographic segments of the utility's customer base, including This shall include an explanation of how the specific service, along with prices and the service, incentives, and energy bill savings for

each proposed program/project, will be conveyed to customers, where available and applicable.

- h. The utility shall provide a description of any known market barriers that may impact the program(s) and address the potential impact on such known market barriers for each proposed program with all supporting documentation. This analysis shall include barriers across the various markets including residential (both single and multi-family), commercial and industrial (both privately owned and leased buildings), as well as between small, medium and large commercial and industrial markets.

III. Additional Filing Required Information

- a. The utility shall describe whether the proposed program(s) will generate incremental activity in the energy efficiency/ conservation/ renewable energy marketplace and what, if any, impact on competition may be created, including any impact on employment, economic development, and the development of new business, with all supporting documentation. This shall include a breakdown of the impact on the employment within this marketplace as follows: marketing/sales, training, program implementation, installation, equipment, manufacturing, and evaluation, and other applicable markets. With respect to the impact on competition the analysis should include the competition between utilities and other entities already currently delivering the service in the market or new markets that may be created, where applicable. The analysis should also address competition with other entities already currently delivering the service in the market and new markets that may be created, where applicable.
- ~~b. The utility shall provide a description of any known market barriers that may impact the program and address the potential impact on such known market barriers for each proposed program with all supporting documentation. This analysis shall include barriers across the various markets including residential (both single and multi-family), commercial and industrial (both privately owned and leased buildings), as well as between small, medium and large commercial and industrial markets. This should include both new development and retrofit or replacement upgrades across the market sectors.~~
- ~~c. The utility shall provide a qualitative/quantitative description of any anticipated environmental benefits associated with the proposed program and a quantitative estimate of such benefits for the program overall and for each participant in the program with all supporting documentation. This shall include an estimate of the energy saved in kWh and/or therms and the avoided air emissions, wastewater discharges, waste generation and water use or other saved or avoided resources.~~
- ~~d. To the extent known, the utility shall identify whether there are similar programs available in the existing marketplace and provide supporting documentation if applicable. This shall include those programs that provide other societal benefits to other under served markets. This should include an analysis of the services already provided in the market place, and the level of competition.~~
- b. The utility shall propose the method for treatment of Renewable Energy Certificates ("RECs"), including solar RECs ("SRECs") or any other certificate developed by the Board of Public Utilities ("BPU" or "Board"), including Greenhouse Gas Emissions Portfolio and Energy Efficiency Portfolio Standards including ownership, and use of the certificate revenue stream(s).

The utility shall also propose the method for treatment of any air emission credits and offsets, including Regional Greenhouse Gas Initiative carbon dioxide allowances and offsets, including ownership and use of the certificate revenue stream(s). ~~The utility shall analyze the proposed quantity and expected prices for any REC, solar-REC, air emission credits, offsets or allowances or other certificates to the extent possible.~~ For programs that are anticipated to reduce electricity sales in its service territory, the utility shall quantify the expected associated annual savings in REC and SREC costs.

IV. Cost Recovery Mechanism

- a. The utility shall provide appropriate financial data for the proposed program(s), including estimated revenues, expenses, and capitalized investments for each of the first three years of operations and at the beginning and end of each year of said the three-year period. The utility shall include pro forma income statements for the proposed program(s) for each of the first three years of operations and actual or estimated balance sheets at the beginning and end of each year of said the three year period.
- b. The utility shall provide detailed spreadsheets of the accounting treatment of the proposed cost recovery, including describing how costs will be amortized, which accounts will be debited or credited each month, and how the costs will flow through the proposed method of recovery of program costs.
- c. The utility shall provide a detailed explanation, with all supporting documentation, of the recovery mechanism it proposes to utilize for cost recovery of the proposed program(s), including proposed recovery through the Societal Benefits Charge, a separate clause established for these programs, base rate revenue requirements, government funding reimbursement, retail margin, and/or other mechanisms.
- d. The utility's petition for approval, including proposed tariff sheets and other required information, shall be verified as to its accuracy and shall be accompanied by a certification of service demonstrating that the petition was served on the Department of the Public Advocate, Division of Rate Counsel simultaneous to its submission to the Board.
- e. The utility shall provide ~~an annual rate impact summary by year for the proposed program(s) and a cumulative rate impact summary by year for all approved and proposed programs showing the impact of individual programs as well as the cumulative impact of all programs upon each customer class of implementing each program and all approved and proposed programs based upon a revenue requirement analysis that identifies all estimated program costs and revenues for each proposed program on an annual basis.~~ based upon a revenue requirement analysis that identifies all estimated program costs and revenues for each proposed program on an annual basis. Such rate impacts shall be calculated for each customer class. The utility shall also provide an annual bill impact summary by year for each program, and an annual cumulative bill impact summary by year for all approved and proposed programs showing ~~average customer bill impacts for each of that utility's customer classes~~ on a typical customer for each class.
- f. The utility shall provide, with supporting documentation, a detailed breakdown of the total costs for the proposed program(s), identified by cost segment (capitalized costs, operating expenses, administrative expenses, etc.). This shall also include a detailed analysis and breakdown and separation of the embedded and incremental costs that will be incurred to

provide the services under the proposed program(s), with all supporting documentation. Embedded costs are costs that are provided for in the utility's base rates or through another rate mechanism. Incremental costs are costs associated with or created by the proposed program that are not provided for in base rates or another rate mechanism.

- g. The utility shall provide a detailed revenue requirement analysis that clearly identifies all estimated annual program costs and revenues for the proposed program(s) ~~on an annual basis~~, including effects upon rate base and pro forma income calculations.
- h. The utility shall provide, with supporting documentation: (i) a calculation of its current capital structure, as well as its calculation of the capital structure approved by the Board in its most recent electric and/or gas base rate cases, and (ii) a statement as to its allowed overall rate of return approved by the Board in its most recent electric and/or gas base rate cases.
- i. If the utility is seeking carrying costs for a proposed program, the filing shall include a description of the methodology, capital structure, and capital cost rates used by the utility.
- j. A utility seeking incentives ~~or rate mechanism that decouples utility revenues from sales~~, shall provide all supporting justifications and rationales for incentives, along with supporting documentation, assumptions, and calculations. Utilities that have approved rate mechanisms or incentive treatment from previous cases and are not seeking a modification of such treatment through the current filing are not subject to this requirement.

V. Cost/Benefit Analysis

- a. The utility shall provide a detailed analysis with supporting documentation of the net benefits associated with the proposed program(s), including, if appropriate, ~~a comprehensive and detailed an estimate of its projected avoided costs savings study with supporting documentation and work papers.~~ This estimate shall include avoided costs associated with, at a minimum, avoided fuel use, generation, losses, capacity requirements, transmission and distribution costs, emissions allowances, RECs and SRECs, and any savings associated with energy and capacity market impacts (i.e., DRIPE) of the program. This cost-benefit analysis should include consideration of seasonal savings and energy prices, and shall be performed on a Net Present Value ("NPV") basis specifying all financial assumptions, including inflation rate and discount rate. The value of the avoided environmental impacts and the environmental benefits and the value of any avoided or deferred energy infrastructure should be stated separately.
- b. The utility shall calculate a cost/benefit analysis using the Participant Cost Test, Program Administrator Cost Test, Ratepayer Impact Measure Test, Total Resource Cost Test, and Societal Cost Test that assesses all program costs and benefits from a societal perspective i.e., that includes the combined financial costs and benefits realized by the utility and the customer. The utility may also provide any cost benefit analysis that it believes appropriate with supporting rationales and documentation.
- ~~c. The utility shall quantify all direct and indirect benefits as well as provide projected costs resulting from a proposed program that is subject to a cost/benefit test.~~
- ~~c. The utility must demonstrate for the proposed program that it results in a positive benefit/cost ratio, or, if the utility cannot make such a demonstration, it must provide the rationale for why the proposed program should be approved. The utility must demonstrate~~

how the results of the tests in section V(b) support Board approval of the proposed program(s).

- d. Renewable energy programs shall not be subject to a cost/benefit test but the utility must quantify all direct and indirect benefits resulting from such a proposed program as well as provide the projected costs. The utility must also demonstrate how such a proposed program will support energy and environmental statewide planning objectives, such as attainment of the Renewable Portfolio Standard and any emission requirements.
- e. The level of energy and capacity savings utilized in these calculations shall be based upon the most recent protocols approved by the Board to measure energy savings for the NJCEP. In the event no such protocol exists, or to the extent that a protocol does not exist To the extent that a protocol does not exist or an alternative protocol is proposed for a filed program, the utility must submit a measurement protocol methodology for the program/ or contemplated measure for approval by the Board.
- f. ~~The utility shall also quantify and deduct from the energy and capacity savings any free rider effects and the business as usual benefits from homeowners and businesses installing Energy Efficiency or Renewable Energy without the~~ For cost effectiveness calculations, the utility shall also estimate and reflect in the energy and capacity savings any free rider and free driver effects, i.e., savings associated with participating customers who would have implemented energy efficiency or renewable energy measures without N.J.S.A. 48:3-98.1 benefits or incentives.

VI. Evaluation, Measurement, and Verification ("EM&V")

- a. The utility shall provide a quantitative analysis and projections of both the total and percentage reduction in its annual kWh and/or therm sales as a result of the proposed programs, as well as of the projected total in peak load reduction expected from the proposed program(s), over the lifetime of the measures included in the program(s). The utility shall also provide this information expressed as a percentage reduction relative to its current annual peak load.
- b. For renewable energy programs, the utility shall provide the anticipated contribution to annual kWh and peak load on an annual basis and for the service life of the renewable energy measure.
- c. An EM&V Plan for each program will include:
 - 1. Methodology for monitoring program progress on program areas 4–15 as described in Section II(a)
 - 2. Program progress results for each of the 12 program areas as compared to projections
 - 3. Lessons learned in implementing the program with a focus on those related to exceeding or not reaching anticipated goals
 - 4. Recommended program enhancements.

APPENDIX B TO BOARD ORDER:
IN THE MATTER OF ELECTRIC PUBLIC UTILITIES AND GAS PUBLIC UTILITIES OFFERING
ENERGY EFFICIENCY AND CONSERVATION PROGRAMS, INVESTING IN CLASS I
RENEWABLE ENERGY RESOURCES, AND OFFERING CLASS I RENEWABLE ENERGY
PROGRAMS IN THEIR RESPECTIVE SERVICE TERRITORIES ON A REGULATED BASIS
PURSUANT TO N.J.S.A. 48:3-98.1 – MINIMUM FILING REQUIREMENTS
DOCKET NO. QO17091004

MINIMUM FILING REQUIREMENTS FOR PETITIONS UNDER
N.J.S.A. 48:3-98.1

I. General Filing Requirements

- a. The utility shall provide with all filings, information and data pertaining to the specific program proposed, as set forth in applicable sections of N.J.A.C. 14:1-5.11 and N.J.A.C. 14:1-5.12.
- b. All filings shall contain information and financial statements for the proposed program(s) in accordance with the applicable Uniform System of Accounts that is set forth in N.J.A.C. 14:1-5.12. The utility shall provide the Accounts and Account numbers that will be utilized in booking the revenues, costs, expenses, and assets pertaining to each proposed program so that they can be properly separated and allocated from other regulated and/or other programs.
- c. The utility shall provide supporting explanations, assumptions, calculations, and work papers for each proposed program and cost recovery mechanism petition filed under N.J.S.A. 48:3-98.1, including the rationale for selecting the approach included in its proposed program(s), and for all qualitative and quantitative analyses therein. The utility shall provide electronic copies of all materials and supporting schedules, with all inputs and formulae intact.
- d. The filing shall include testimony supporting the petition.
- e. For any proposed program, the utility shall be subject to the requirements in this and all subsequent Sections. If compliance with Part V of these requirements would not be feasible for a particular program or sub-program, the utility may request an exemption but must demonstrate why such exemption should be granted. Examples of historical situations that have qualified for exemption include programs that had an educational rather than equipment-based focus and programs that introduced novel ideas where documentation supporting estimated costs/benefits may not be easily produced.
- f. If the utility is filing for an increase in rates, charges, etc. or for approval of a program that may increase rates/changes to ratepayers in the future, the utility shall include a draft public notice with the petition and proposed publication dates.

II. Program Description

- a. The utility shall provide a detailed description of each proposed program for which the utility seeks approval, including, if applicable:

1. Description of program
 2. Market segment/efficiency targeted
 3. Delivery method
 4. Estimated program participants
 5. Total projected annual kWh/therms and peak reduction
 6. Relationship to existing programs
 7. Existing incentives
 8. Proposed incentives
 9. Anticipated job creation
 10. Environmental emissions savings
 11. Budget information
 12. Marketing approach (as defined in section II(g))
 13. Contractor role (as defined in section II(e))
 14. Market barriers (as defined in section II(h))
 15. Program costs, broken down into the following categories: administration; marketing and sales; contractor training; incentives (including rebates and low- or no-interest loans); inspections and quality control; and evaluation. To the extent that the Board directs the New Jersey Clean Energy Program ("NJCEP") to report additional categories, the utility shall provide additional categories, as applicable.
- b. Comparison to in-state programs: The utility shall provide a detailed explanation of how the proposed program(s) are consistent with and/or different from existing or proposed New Jersey Clean Energy Program or utility programs (to the extent proposed program descriptions are available) targeting the same market segment, including how the proposed program(s) will complement, supplement, compete with, and/or impact existing programs being offered in-state.
- c. Comparison to out-of-state programs: The utility shall provide a detailed description of how the proposed program(s) are similar to and/or different from a sampling of/examples of existing or proposed utility programs or pilots in other states that were used to form the basis of the proposed program(s), with all supporting documentation.
- d. The utility shall provide a detailed description of how the proposed program(s) comport with New Jersey State energy policy as reflected in reports, including but not limited to the prevailing New Jersey Energy Master Plan and the greenhouse gas emissions reports issued by the New Jersey Department of Environmental Protection pursuant to N.J.S.A. 26:2C- 42(b) and (c) and N.J.S.A. 26:2C-43 of the New Jersey Global Warming Response Act, N.J.S.A. 26:2C-37 et seq.
- e. The utility shall provide the extent to which the utility intends to utilize employees, contractors, or both to deliver the program(s) and, to the extent applicable, the criteria the utility will use for contractor selection.
- f. The utility shall provide a detailed description of the process for resolving any customer complaints related to the program(s).
- g. Marketing: The utility shall provide a description of where and how the proposed program(s)/project(s) will be marketed or promoted throughout the demographic segments of the utility's customer base. This shall include an explanation of how the specific service, along with prices, incentives, and energy bill savings for each proposed program/project, will be conveyed to customers, where available and applicable.

- h. The utility shall provide a description of any known market barriers that may impact the program(s) and address the potential impact on such known market barriers for each proposed program with all supporting documentation. This analysis shall include barriers across the various markets, including residential (both single and multi-family), commercial and industrial (both privately owned and leased buildings), as well as between small, medium, and large commercial and industrial markets.

III. Additional Filing Information

- a. The utility shall describe whether the proposed program(s) will generate incremental activity in the energy efficiency/ conservation/ renewable energy marketplace and what, if any, impact on competition may be created, including any impact on employment, economic development, and the development of new business, with all supporting documentation. This shall include a breakdown of the impact on the employment within this marketplace as follows: marketing/sales, training, program implementation, installation, equipment, manufacturing, evaluation, and other applicable markets. With respect to the impact on competition the analysis should include the competition between utilities and other entities already currently delivering the service in the market or new markets that may be created, where applicable. The analysis should also address competition with other entities already currently delivering the service in the market and new markets that may be created, where applicable.
- b. The utility shall propose the method for treatment of Renewable Energy Certificates ("RECs"), including solar RECs ("SRECs") or any other certificate developed by the Board of Public Utilities ("BPU" or "Board"), including Greenhouse Gas Emissions Portfolio and Energy Efficiency Portfolio Standards including ownership and use of the certificate revenue stream(s).

The utility shall also propose the method for treatment of any air emission credits and offsets, including Regional Greenhouse Gas Initiative carbon dioxide allowances and offsets, including ownership and use of the certificate revenue stream(s). For programs that are anticipated to reduce electricity sales in its service territory, the utility shall quantify the expected associated annual savings in REC and SREC costs.

IV. Cost Recovery Mechanism

- a. The utility shall provide appropriate financial data for the proposed program(s), including estimated revenues, expenses, and capitalized investments for each of the first three years of operations and at the beginning and end of each year of the three-year period. The utility shall include pro forma income statements for the proposed program(s) for each of the first three years of operations and actual or estimated balance sheets at the beginning and end of each year of the three year period.
- b. The utility shall provide detailed spreadsheets of the accounting treatment of the proposed cost recovery, including describing how costs will be amortized, which accounts will be debited or credited each month, and how the costs will flow through the proposed method of recovery of program costs.
- c. The utility shall provide a detailed explanation, with all supporting documentation, of the recovery mechanism it proposes to utilize for cost recovery of the proposed program(s),

including proposed recovery through the Societal Benefits Charge, a separate clause established for these programs, base rate revenue requirements, government funding reimbursement, retail margin, and/or other mechanisms.

- d. The utility's petition for approval, including proposed tariff sheets and other required information, shall be verified as to its accuracy and shall be accompanied by a certification of service demonstrating that the petition was served on the Department of the Public Advocate, Division of Rate Counsel simultaneous to its submission to the Board.
- e. The utility shall provide a-rate impact summary by year for the proposed program(s) and a cumulative rate impact summary by year for all approved and proposed programs showing the impact of individual programs, based upon a revenue requirement analysis that identifies all estimated program costs and revenues for each proposed program on an annual basis. Such rate impacts shall be calculated for each customer class. The utility shall also provide an annual bill impact summary by year for each program, and an annual cumulative bill impact summary by year for all approved and proposed programs showing bill impacts on a typical customer for each class.
- f. The utility shall provide, with supporting documentation, a detailed breakdown of the total costs for the proposed program(s), identified by cost segment (capitalized costs, operating expenses, administrative expenses, etc.). This shall also include a detailed analysis and breakdown and separation of the embedded and incremental costs that will be incurred to provide the services under the proposed program(s), with all supporting documentation. Embedded costs are costs that are provided for in the utility's base rates or through another rate mechanism. Incremental costs are costs associated with or created by the proposed program that are not provided for in base rates or another rate mechanism.
- g. The utility shall provide a detailed revenue requirement analysis that clearly identifies all estimated annual program costs and revenues for the proposed program(s), including effects upon rate base and pro forma income calculations.
- h. The utility shall provide, with supporting documentation: (i) a calculation of its current capital structure, as well as its calculation of the capital structure approved by the Board in its most recent electric and/or gas base rate cases, and (ii) a statement as to its allowed overall rate of return approved by the Board in its most recent electric and/or gas base rate cases.
- i. If the utility is seeking carrying costs for a proposed program, the filing shall include a description of the methodology, capital structure, and capital cost rates used by the utility.
- j. A utility seeking incentives shall provide all supporting justifications and rationales for incentives, along with supporting documentation, assumptions, and calculations. Utilities that have approved rate mechanisms or incentive treatment from previous cases and are not seeking a modification of such treatment through the current filing are not subject to this requirement.

V. Cost/Benefit Analysis

- a. The utility shall provide a detailed analysis with supporting documentation of the net benefits associated with the proposed program(s), including, if appropriate, an estimate of its projected avoided costs study, with supporting documentation and work papers. This estimate shall include avoided costs associated with, at a minimum, avoided fuel use,

generation, losses, capacity requirements, transmission and distribution costs, emissions allowances, RECs and SRECs, and any savings associated with energy and capacity market impacts (i.e., DRIPE) of the program. This cost-benefit analysis should include consideration of seasonal savings and energy prices, and shall be performed on a Net Present Value ("NPV") basis specifying all financial assumptions, including inflation rate and discount rate. The value of the avoided environmental impacts and the environmental benefits and the value of any avoided or deferred energy infrastructure should be stated separately.

- b. The utility shall calculate a cost/benefit analysis using the Participant Cost Test, Program Administrator Cost Test, Ratepayer Impact Measure Test, Total Resource Cost Test, and Societal Cost Test that assesses all program costs and benefits from a societal perspective i.e., that includes the combined financial costs and benefits realized by the utility and the customer. The utility may also provide any cost benefit analysis that it believes appropriate with supporting rationales and documentation.
 - c. The utility must demonstrate how the results of the tests in section V(b) support Board approval of the proposed program(s).
 - d. Renewable energy programs shall not be subject to a cost/benefit test but the utility must quantify all direct and indirect benefits resulting from such a proposed program as well as provide the projected costs. The utility must also demonstrate how such a proposed program will support energy and environmental statewide planning objectives, such as attainment of the Renewable Portfolio Standard and any emission requirements.
 - e. The level of energy and capacity savings utilized in these calculations shall be based upon the most recent protocols approved by the Board to measure energy savings for the NJCEP. To the extent that a protocol does not exist or an alternative protocol is proposed for a filed program, the utility must submit a measurement methodology for the program or contemplated measure for approval by the Board.
 - f. For cost effectiveness calculations, the utility shall also estimate and reflect in the energy and capacity savings any free rider and free driver effects, i.e., savings associated with participating customers who would have implemented energy efficiency or renewable energy measures without N.J.S.A. 48:3-98.1 benefits or incentives.
- VI. Evaluation, Measurement, and Verification ("EM&V")
- a. The utility shall provide a quantitative analysis and projections of both the total and percentage reduction in its annual kWh and/or therm sales as a result of the proposed programs, as well as of the projected total in peak load reduction expected from the proposed program(s), over the lifetime of the measures included in the program(s). The utility shall also provide this information expressed as a percentage reduction relative to its current annual peak load.
 - b. For renewable energy programs, the utility shall provide the anticipated contribution to annual kWh and peak load on an annual basis and for the service life of the renewable energy measure.

- c. An EM&V Plan for each program will include:
1. Methodology for monitoring program progress on program areas 4–15 as described in Section II(a)
 2. Program progress results for each of the 12 program areas as compared to projections
 3. Lessons learned in implementing the program with a focus on those related to exceeding or not reaching anticipated goals
 4. Recommended program enhancements