



Agenda Date: 8/12/20
Agenda Item: 8A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF CITY OF NEWARK - PAY FOR)
PERFORMANCE AND COMBINED HEAT AND POWER) ORDER
APPLICATIONS - REQUEST RELIEF AND)
EXTENSION) DOCKET NO. QO19060447

Parties of Record:

Robert Letso, Honeywell Energy Services Group, on behalf of the City of Newark
Stefanie Brand, Director, Division of Rate Counsel

BY THE BOARD:

By letter received March 31, 2020, Honeywell Energy Services Group (“Honeywell”) filed a petition (“Petition”) in the above-captioned matter on behalf of the City of Newark (“Newark”). Petitioner seeks additional time to submit final paperwork for thirteen Pay for Performance (“P4P”) energy efficiency projects and a combined heat and power (“CHP”) project. Petitioner undertook the energy efficiency projects through the New Jersey Clean Energy Program’s (“NJCEP”) P4P program and the CHP project through NJCEP’s Combined Heat and Power/Fuel Cell (“CHP/FC”) program. For the reasons set out below, the New Jersey Board of Public Utilities (“Board”) grants Petitioner’s extension request to submit the required paperwork for the P4P projects. The Board will not rule upon Petitioner’s request for additional time to submit the required paperwork for its CHP project at this time, directing Petitioner to submit additional documentation within forty-five (45) days to substantiate the grounds for the relief requested.

BACKGROUND

The Board administers NJCEP pursuant to its authority under the Electric Discount and Energy Competition Act (“EDECA”), N.J.S.A. 48:3-49 to -109. NJCEP’s energy efficiency (“EE”) and renewable energy (“RE”) programs are open to all customers paying into the Societal Benefits Fund.¹ The Board’s Program Administrator, TRC Environmental Corporation (“TRC”), administers NJCEP. NJCEP’s P4P Program for Existing Buildings, available to commercial, industrial and institutional buildings with a peak demand over 200 kW for any of the preceding twelve months,

¹ The Fund is comprised of the monies collected through the societal benefits charge (“SBC”) paid by ratepayers. See N.J.S.A. 48:3-60.

provides incentives for a package of energy efficiency measures capable of reducing energy consumption by fifteen percent or more in existing facilities.

Pay for Performance incentives are awarded in three parts, with each portion tied to the satisfactory completion of a project milestone. Incentive Number One is provided upon the submittal of a complete energy reduction plan prepared by an approved program partner. Incentive Number Two is paid upon the installation of the recommended measures. The third and final incentive is paid upon completion of a post-construction benchmarking report verifying energy reductions and based on one year of post-implementation results.

The CHP/FC program allows a project eighteen months from the date of approval to purchase and install the new unit. An applicant may submit for a percentage of the total incentive at the time of purchase and a second portion upon installation. As with the P4P program, the third and final incentive is paid following twelve months of system performance and is based upon the ratio of actual generation to that proposed in the application. If a project expires, the applicant will receive an expiration letter, which requires the applicant to respond with a full submission or extension request within thirty (30) days. If the applicant fails to timely respond, the expired project will be cancelled. Applicants may appeal to reopen the cancelled projects and receive an additional extension to submit the required documentation.

PROCEDURAL HISTORY

Petitioner submitted the initial Energy Reduction Plans (“ERP”) for the thirteen P4P projects to NJCEP in March 2016. The ERPs contained improvements to be made to twelve city-owned buildings and included boiler plant replacements, premium efficiency motors, cooling tower replacements, LED lighting upgrades, and building envelope improvements. TRC approved them on various dates between August and December 2016, with initial expiration dates ranging from August 2017 to December 2017. The first incentive installment was paid in late 2016. Honeywell was subsequently granted four (4) extensions for each project; the fourth extension for all thirteen applications expired on November 30, 2019.

Petitioner submitted the initial application for its 100 kilowatt CHP project on May 7, 2015. TRC approved the application on December 11, 2015, with an initial expiration date of June 10, 2017. This project was subsequently granted two (2) one-year extensions, the second of which expired on June 10, 2019. Honeywell submitted proof of payment for its system on March 13, 2020, and received the first installment of its incentive. However, on May 26, 2020, the project was cancelled because of the failure to timely complete installation. Project cancellation means that funding for all remaining incentives is no longer reserved, and any incentives already given must be repaid. Thus, the incentive received in March would need to be returned if the requested petition were denied.

On March 31, 2020, Honeywell submitted the instant Petition to the Board, seeking additional time to submit the required program documentation for the second incentive installment for the P4P projects. Petitioner represents that it could satisfy these requirements within a month. Honeywell sought the same additional time to complete the documentation requirements for its CHP project.

STAFF RECOMMENDATION

Pay for Performance Projects

Staff has reviewed Honeywell's application and has sought and received additional information upon the thirteen P4P projects. On the basis of its review, Staff recommends that the Board grant Petitioner's request. Petitioner attributes much of the delay resulting in the previous extensions to the complexity of Newark's public contracting process, and the record reflects that labor disputes also contributed to delay. NJCEP's Program Administrator granted the previous extensions after reviewing the explanations and documentation provided. TRC found that the circumstances were unusual and extenuating: the project was unusually complex, it was under active construction, and it had encountered a number of unexpected and unavoidable delays.

Petitioner now advises that at the time the fifth extension was requested, construction was complete. Thus, the extension sought is not necessary for project completion but only to enable Honeywell to complete program requirements in order to receive the second incentive installments for these projects. Accordingly, Staff recommends that the Board grant Honeywell 60 days to complete P4P requirements in order to qualify for the second stage incentive payments.

Combined Heat and Power

Petitioner has indicated that it seeks a similar extension for its CHP project as it does for its P4P projects. However, Petitioner has not provided the same documentation of the CHP project's history as it has for the other projects. Only a cursory and insufficient explanation has been provided of the reasons for Petitioner's failure to complete installation within the original eighteen months or within the two one-year extensions, and program records not been provided. As a result, Staff cannot recommend an extension at this time. Staff recommends that the Board decline to rule upon this request because of the absence of a record and direct Petitioner to submit additional documentation within forty-five (45) days to substantiate the grounds for the relief requested.

DISCUSSION AND FINDINGS

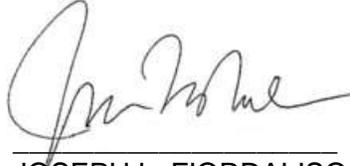
After thorough review of the record and of Staff's recommendation, the Board **FINDS** that Petitioner faced extensive and unforeseen challenges in completing its Pay for Performance installations and merited the extensions previously granted. The Board **FURTHER FINDS** that the thirteen P4P projects have now been completed and that a final extension to complete the program requirements for the second incentive installment is merited. The Board **HEREBY APPROVES** Petitioner's request for additional time to complete the program requirements for the second Pay for Performance incentive payment and **GRANTS** Petitioner forty-five (45) days to do so.

With respect to Petitioner's request that the cancellation of its CHP application be reversed and an additional extension be granted to allow it to submit the required program documentation for the second installment of this incentive, the Board **FINDS** that the record does not contain a sufficient basis for the requested relief at this time. Thus, the Board declines to rule upon this part of the petition at this time. The Board **DIRECTS** Petitioner to provide Staff with information and documentation sufficient for the Board to make a decision within forty-five (45) days.

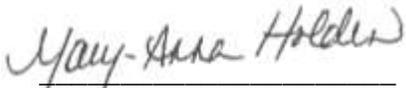
The effective date of this Order is August 22, 2020.

DATED: August 12, 2020

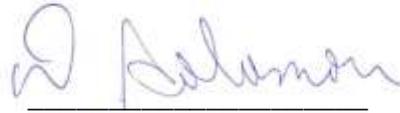
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AIDA CAMACHO-WELCH
SECRETARY

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HEAT AND POWER APPLICATIONS - REQUEST RELIEF AND EXTENSION**

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