



Agenda Date: 8/17/22  
Agenda Item: 8C

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 1<sup>st</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

CLEAN ENERGY

IN THE MATTER OF THE ESTABLISHMENT OF THE	)	ORDER APPROVING
SCHOOL AND SMALL BUSINESS ENERGY	)	ALLOCATION OF ENERGY
EFFICIENCY STIMULUS PROGRAM	)	SAVINGS RESULTING
	)	FROM THE VENTILATION
	)	AND ENERGY EFFICIENCY
	)	AND VERIFICATION REPAIR
	)	PROGRAM
	)	
	)	DOCKET NO. QO21081073

**Party of Record:**

**Brian O. Lipman, Esq., Director**, New Jersey Division of Rate Counsel

BY THE BOARD:<sup>1</sup>

**I. BACKGROUND**

On August 24, 2021, Government Murphy signed L. 2021, c. 200 into law (“Law”), creating the School and Small Business Energy Efficiency Stimulus Program Fund (“Fund”) within the New Jersey Board of Public Utilities (“Board”) to effectuate the following: 1) the School and Small Business Ventilation and Energy Efficiency Verification and Repair (“SSB-VEEVR”) Program; and 2) the School and Small Business Noncompliant Plumbing Fixture and Appliance (“SSB-NPFA”) Program (collectively, “Programs”). The Programs provide grants to boards of education and certified women- and minority-owned small businesses for the installation of certain heating, ventilation, and air conditioning (“HVAC”) systems, and energy efficient and water-conserving appliances and fixtures, to improve air quality and energy efficiency in school districts under the jurisdiction of a board of education and small businesses, including those in underserved communities.<sup>2</sup> Additionally, the Law mandated that the Board open an application window for the Programs on or before October 1, 2021 and begin to approve applications for grants no later than

<sup>1</sup> Commissioner Zenon Christodoulou abstained from voting on this matter.

<sup>2</sup> N.J.S.A. 48:3-106.2(a). N.J.S.A. 48:3-106.1 defines an “underserved community” as a school district in which at least 75% of public school students are eligible to receive free or reduced-price meals under the National School Lunch Program established pursuant to the “Richard B. Russell National School Lunch Act,” Pub.L.79-396 (42 U.S.C. 1751 et seq.).

December 1, 2021.<sup>3</sup>

On October 6, 2021, the Board approved a Memorandum of Understanding (“MOU”) with the New Jersey Department of Community Affairs (“DCA”) to provide the Board with the \$180 million necessary to fund the Programs.<sup>4</sup> Pursuant to the MOU, the DCA will also provide the Board with additional monies from Federal funds for administrative expenses for the Programs, with a cap of 2.5% of the total budgets for the Programs, or \$4.5 million. Per Federal Government guidelines, funding received under the MOU must be obligated by December 31, 2024 and expended by December 31, 2026.

On October 6, 2021, the Board also approved the Programs as proposed by Board Staff (“Staff”).<sup>5</sup> The Board Order noted that Section 4(b)(2) of the Law provides that “[t]he board shall adjust energy efficiency savings targets, as necessary, to ensure that energy savings created through the expenditures made pursuant to [this Law] are not double counted in any public utility energy efficiency program.” The Board directed Staff to present their recommendations on energy efficiency savings treatment to the Board prior to February 2022. On January 26, 2022, the Board extended Staff’s deadline to present their recommendations on energy efficiency savings treatment to September 2022.<sup>6</sup>

## II. STAFF RECOMMENDATION

The issue of energy savings under the Programs is limited to the replacement path of the SSB-VEEVR Program, which incentivizes the purchase of new HVAC equipment for schools and small businesses. The SSB-VEEVR Program pays up to 75% of total project costs, and the school or small business can further apply for an incentive from its electric utility company to apply towards the applicant’s 25% cost share of the project. If the utility incentive comprises an amount greater than 25% of the project’s costs, then the cost share provided by the SSB-VEEVR Program is reduced proportionately.<sup>7</sup>

In the Board Order issued on June 10, 2020<sup>8</sup> that established the framework for transition of administration of many energy efficiency programs from the Board to the utilities as part of implementation of the Clean Energy Act of 2018,<sup>9</sup> the Board determined that the utilities should count toward their energy reduction targets all energy savings achieved through their energy efficiency and peak demand reduction programs. The Board directed the utilities to base their energy use reduction quantitative performance indicators on the “Utility Program Annual Energy

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<sup>3</sup> N.J.S.A. 48:3-106.2(c).

<sup>4</sup> In re the Establishment of the School and Small Business Energy Efficiency Stimulus Program, BPU Docket No. QO21081073, Order dated October 6, 2021 (Agenda Item 8C).

<sup>5</sup> Id.

<sup>6</sup> In re the Establishment of the School and Small Business Energy Efficiency Stimulus Program, BPU Docket No. QO21081073, Order dated January 26, 2022 (Agenda Item 8F).

<sup>7</sup> In the initial proposal for the Programs, utility incentives would have been deducted from the Program’s 75% cost share; this was changed based upon stakeholder comments so that the participating school or small business can apply the utility incentive to its 25% cost share.

<sup>8</sup> In re the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs, BPU Docket No. QO19010040, Order dated June 10, 2020 (“June 2020 Order”).

<sup>9</sup> L. 2018, c. 17, N.J.S.A. 48:3-87.8 et al.

Savings Targets,” which encompass savings anticipated to come from the utility-administered and co-managed programs, but exclude savings that come from programs administered, led, or sponsored by the State, so that the utilities do not receive incentives or penalties based on those programs.<sup>10</sup> Comfort Partners, the low-income residential energy efficiency program, is currently the sole energy efficiency program that is co-managed by the utilities and the State. The Programs are, therefore, in a category of programs not specifically addressed in the June 10, 2020 Order in that they are State-administered and overlap with utility programs that offer EE incentives.

Based on historical program results from New Jersey’s Clean Energy Program (“NJCEP”) prior to the transition of energy efficiency programs from the State to the utilities, Staff estimates that the SSB-VEEVR Program will generate energy savings of approximately 1,479 megawatt-hours (“MWh”), which represents about 0.18% of average annual NJCEP savings statewide.<sup>11</sup> Staff further notes that it is possible for an HVAC installation in a school or small business to increase energy consumption – for example, if it increases air flow or installs filters that require more energy to push air through the filters. Lastly, Staff notes that, given the relatively small size of expected energy savings, efforts to apportion the savings between the State and the utilities would likely be time-consuming, cumbersome, and cost-ineffective. In conclusion, Staff recommends that the Board allow the utilities to retain 100% of energy savings associated with any equipment that receives an incentive from both the SSB-VEEVR Program and a utility program.

### III. DISCUSSION AND FINDINGS

The Board has reviewed Staff’s recommendation and carefully considered the facts and considerations presented, including the overlap between State administration of the SSB-VEEVR Program and utility incentives that applicants may receive as part of participation in the Program; the small size of anticipated energy savings generated from the SSB-VEEVR Program relative to energy savings that may be generated statewide; and the logistical complications and lack of cost-effectiveness of apportioning savings between the State and the utilities. The Board **FINDS** that attribution of energy savings generated by the SSB-VEEVR Program to the utilities will ultimately advance the statewide energy efficiency goals established by the Board in the June 2020 Order. The Board **HEREBY APPROVES** Staff’s recommendation that the utilities count 100% of energy savings associated with any equipment that receives an incentive from both the SSB-VEEVR Program and a utility program toward the utilities’ energy savings goals.

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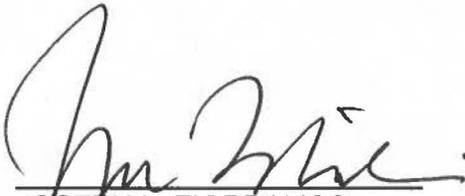
<sup>10</sup> Id.

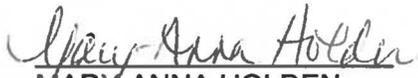
<sup>11</sup> Estimated energy savings are based the following assumptions. The SSB-VEEVR Program has an incentive budget of \$135 million, and \$100 million may be used to fund 100 HVAC replacement projects (which may be a high estimate) at a cost of \$1 million per project. Based on average annual savings per HVAC project over the past three (3) years of 14,797 kWh, 100 HVAC projects would generate 1,479 MWh of annual energy savings. NJCEP programs resulted in 786,000 MWh annual energy savings in Fiscal Year 2020 and 678,000 MWh annual energy savings in Fiscal Year 2021 (which had three (3) quarters) for an annual average of 845,000 MWh in energy savings. 1,479 MWh = 0.18% of 845,000 MWh.

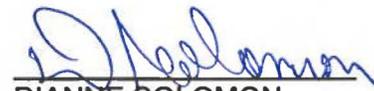
This Order shall be effective on August 24, 2022.

DATED: August 17, 2022

BOARD OF PUBLIC UTILITIES  
BY:

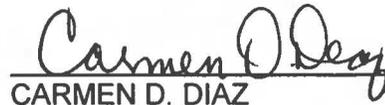
  
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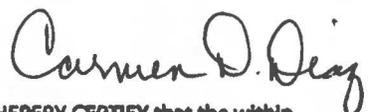
  
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ROBERT M. GORDON  
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ATTEST:

  
\_\_\_\_\_  
CARMEN D. DIAZ  
ACTING 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 THE ESTABLISHMENT OF THE SCHOOL AND SMALL BUSINESS  
ENERGY EFFICIENCY STIMULUS PROGRAM

DOCKET NO. QO21081073

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