Agenda Date: 12/18/24
Agenda Item: 8F

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF PROPOSED UPDATES TO NEW JERSEY'S CLEAN ENERGY PROGRAM STATE ENERGY PROGRAM FOR NON-INVESTOR-OWNED UTILITIES	))))	ORDER DOCKET NO. QO24020127

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Michael Ambrosio, Director, Policy and Planning, TRC Environmental Corporation

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers the recommendation of Board Staff ("Staff") to update the State Energy Program ("SEP") Non-IOU Program ("SEP Non-IOU Program" or "Program").

BACKGROUND

The SEP was established in 1996 by consolidating two (2) existing programs: 1) the State Energy Conservation Program ("SECP"); and 2) the Institutional Conservation Program ("ICP").[1] Both the SECP and ICP were established during the energy crisis of the early 1970s when energy prices increased due to the United States' dependence on foreign oil. Congress responded with legislation establishing a broad range of conservation programs, supporting the development of new and more efficient sources of energy, and requiring the USDOE to lead and administer the conservation effort. The SECP was established under the Energy Policy and Conservation Act of 1975, which provided funding to states for a variety of energy efficiency ("EE") and renewable energy activities.[2] The ICP provided schools and hospitals with technical analyses of their buildings and identified the potential savings from proposed energy conservation measures.[3] In creating the SEP, the USDOE combined the SECP and ICP to make it easier for states to apply for grants and to enable both the USDOE and the states to more efficiently manage the grants.[4] Thus, the USDOE currently provides federal financial assistance and technical support to the

---

[1] 61 Fed. Reg. 35,890 (July 8, 1996).

[2] Ibid.

[3] Ibid.

[4] Id. at 35,891.

states for energy programs by means of the SEP.[5] The SEP seeks to promote the efficient use of energy and reduce the rate of growth of energy demand through the development and implementation of specific state energy programs. States must comply with USDOE rules governing these financial awards.

The Infrastructure Investment and Jobs Act of 2021, also known as the Bipartisan Infrastructure Law ("BIL"), authorized the United States Congress to appropriate $500,000,000 for SEP formula awards.[6] The USDOE has allocated $9,847,540 to the State of New Jersey for the five (5) years spanning 2022–2027.[7]

Historically, the funding for New Jersey's Clean Energy Program ("NJCEP") has been derived primarily through collection of a Societal Benefits Charge ("SBC") from the customers of the State's investor-owned utilities ("IOUs"). Accordingly, NJCEP's financial incentives have been made available only to IOU customers that contributed to the NJCEP fund, i.e., those electric incentives were not available to the customers of the State's non-investor-owned, including the State's municipally-owned, electric utilities.

To address that gap, the Board has in the past utilized SEP grant funds to pay financial incentives to non-IOU customers who implemented EE measures through a program operated on a basis virtually identical to specified parallel NJCEP programs. However, as those parallel NJCEP programs transitioned to the State's IOUs beginning in Fiscal Year 2022, the program expired.

PROCEDURAL HISTORY

On December 7, 2022, the Board approved Staff's plan to utilize the $9,847,540 in SEP funding allocated to New Jersey under BIL for the SEP Non-IOU Program, the Multi-Unit Dwelling ("MUD") Electric Vehicle ("EV") Charger Incentive Program for Non-IOU Customers, and the Municipal Light-Emitting Diode ("LED") Streetlights Program for Non-IOU Customers.[8] The Board also directed Staff to submit the 2022–2027 SEP-BIL Plan application to the USDOE on behalf of the Board as proposed and to take appropriate measures to implement such programs subject to and consistent with the USDOE's approval of the plan, as well as to make adjustments to market title budgets if determined appropriate.[9]

On April 30, 2024, the Board approved Staff's proposed changes to NJCEP's New Construction Program ("NCP") and directed Staff to take all necessary and appropriate steps to implement these changes.[10] These included the consolidation of the Residential New Construction, the SmartStart New Construction, the Pay for Performance New Construction, and the Customer Tailored Energy Efficiency Pilot New Construction programs into the single NCP; three (3) pathways to earn incentives (Bundled, Streamlined, and High-Performance); a workforce development component; and a building design competition, the Garden State Challenge.

[5] 10 C.F.R. § 420.3.

[6] See Pub. L. 117-58.

[7] See State Energy Program Guidance: https://www.energy.gov/scep/state-energy-program-guidance.

[8] In re the United States Department of Energy – State Energy Program – Bipartisan Infrastructure Law – July 1, 2022 – June 30, 2027, BPU Docket No. QO22100660, Order dated December 7, 2022.

[9] Ibid.

[10] In re New Jersey's Clean Energy Program: New Construction Program, BPU Docket No. QO22050327, Order dated April 30, 2024.

On May 15, 2024, Staff proposed updates to the SEP Non-IOU Program which included renewing the use of SEP funds to make incentives payable to Non-IOU customers implementing certain EE measures in coordination with the State's gas distribution companies ("GDCs")[11] and gave notice and invited comments regarding these proposed updates.[12] Comments were accepted through June 7, 2024.[13]

On August 14, 2024, the Board approved Staff's revision of the plan to utilize the $9,847,540 in SEP funding allocated to New Jersey under BIL which removed the MUD EV Charger Incentive Program for Non-IOU Customers and the Municipal LED Streetlights Program for Non-IOU Customers and reallocated those funds to the SEP Non-IOU Program.[14] On August 20, 2024, Staff submitted the revised plan to the USDOE through the online Performance and Accountability for Grants in Energy system. The revised plan is currently pending approval.

In response to its proposed updates to the SEP Non-IOU Program described in the notice given on May 15, 2024, Staff received comments suggesting the expansion of the program to include NJCEP's recently-approved NCP. Staff agreed with this proposed change and, on September 11, 2024, gave notice and invited interested parties and members of the public to provide written comments on additional proposed updates to the SEP Non-IOU Program.[15] Comments were accepted through September 30, 2024.[16]

Attachment A and Attachment B to this Order include summaries of stakeholder comments from the May 2024 and September 2024 comment periods, respectively, regarding the proposed updates to the Program, as well as Staff's responses.

[11] The State's GDCs include Elizabethtown Gas Company, New Jersey Natural Gas Company, Public Service Electric and Gas Company ("PSE&G"), and South Jersey Gas Company.

[12] Notice of Request for Comments, In re Proposed Updates to New Jersey's Clean Energy Program State Energy Program for Non-investor-owned Utilities, BPU Docket No. QO24020127 (May 15, 2024; revised and re-posted May 31, 2024).

[13] Ibid.

[14] In re the United States Department of Energy – State Energy Program – Bipartisan Infrastructure Law – July 1, 2022 – June 30, 2027, BPU Docket No. QO22100660, Order dated August 14, 2024.

[15] Notice of Request for Comments, In re Proposed Updates to New Jersey's Clean Energy Program State Energy Program for Non-investor-owned Utilities, BPU Docket No. QO24020127 (September 11, 2024).

[16] Ibid.

STAFF RECOMMENDATIONS

Staff recommends updating the SEP Non-IOU Program to offer the utility-run Whole Home Program, formerly Home Performance with Energy Star ("HPwES"), and Direct Install ("DI") programs and the NJCEP-run NCP, in accordance with the Program's compliance filing which is contained in Attachment C. These changes will not affect the Program's budget.

In coordination with the State's GDCs, the Program will utilize SEP funds to make incentives payable to non-IOU customers implementing certain electric EE measures, with the following goals:

1. Simplify participation by allowing non-IOU electric utility customers to apply to the existing programs;
2. Capture additional energy savings opportunities in facilities that currently are not eligible for electric incentives;
3. Improve access to EE financial incentives for non-IOU electric utility ratepayers;
4. Increase participation in Whole Home, DI, and NCP; and
5. Streamline program administration and provide expedient payment processes.

The Program will support many of the strategies and goals of New Jersey's 2019 Energy Master Plan, including increasing New Jersey's overall EE.[17]

Under the Program, eligible participants are GDC customers whose electric service is provided by a non-IOU electric utility with the exception of Butler Electric, whose customers can currently access PSE&G's EE programs.[18] Residential customers will be eligible for their GDC's Whole Home Program. Commercial and industrial customers will be eligible for their GDC's DI Program. In addition, new construction buildings in the residential, commercial, and industrial sectors will be eligible for the NCP, which is offered by NJCEP.

Whole Home is designed to take a whole-home approach to make existing one- to four-family homes and low-rise multi-family buildings more energy efficient. Participating contractors will

[17] See 2019 New Jersey Energy Master Plan: Pathway to 2050 ("EMP"), Goal 3.1: Increase New Jersey's Overall Energy Efficiency, at 138-146, https://www.nj.gov/emp/docs/pdf/2020_NJBPU_EMP.pdf.

[18] In re the Implementation Of P.L. 2018, C. 17, the New Jersey Clean Energy Act of 2018, Regarding the Second Triennium of Energy Efficiency and Peak Demand Reduction Programs; the Petition of Atlantic City Electric Company for Approval of a Portfolio of Energy Efficiency, Building Decarbonization and Demand Response Programs, a Cost Recovery Mechanism, and Other Related Relief Pursuant to the Clean Energy Act for the Period January 2025 through June 2027 (Triennium 2); the Petition of Elizabethtown Gas Company for Approval of Triennium 2 Clean Energy Programs and Associated Cost Recovery Pursuant to the Clean Energy Act; the Verified Petition of Jersey Central Power & Light Company for Approval of JCP&L's Energy Efficiency and Conservation Plan Including Energy and Peak Demand Reduction Programs ("JCP&L EE&C Plan II Filing"); the Petition of New Jersey Natural Gas Company for Approval of New Energy Efficiency, Building Decarbonization Start-up, and Demand Response Programs and the Associated Cost Recovery Mechanism Pursuant to the Clean Energy Act, N.J.S.A. 48:3-87.8 et seq. And 48:3-98.1 et seq. Second Triennium; the Petition of Public Service Electric and Gas Company for Approval of its Clean Energy Future-Energy Efficiency II (CEF-EE II) Program on a Regulated Basis; the Petition of Rockland Electric Company for Approval of its Energy Efficiency and Peak Demand Reduction Programs; the Petition of South Jersey Gas Company for Approval of Triennium 2 Clean Energy Programs and Associated Cost Recovery Pursuant to the Clean Energy Act, BPU Docket Nos. QO23030150, QO23120871, QO23120869, QO23120872, QO23120868, QO23120874, QO23120875, QO23120870, Order dated January 10, 2024.

perform a home energy assessment using, among other things, advanced diagnostic equipment to test each home and identify available EE improvements. The assessments may include, among other things: tests for air leakage; a series of combustion-related tests; and the identification of opportunities to improve each home's insulation, heating and cooling system, appliances, and lighting. The contractor will then prepare and provide the customer with a report identifying the EE opportunities, their costs, and the financial incentives available to offset those costs.

DI is designed to deliver comprehensive, cost-effective, EE equipment for relatively small commercial customers, as small customers tend to have a greater reluctance and/or inability to implement EE measures than larger customers. This comprehensive program takes a whole building approach and offers businesses a free detailed assessment to identify cost effective EE improvements, as well as equipment retrofit and replacement options including electric and natural gas equipment, lighting, controls, refrigeration, heating, cooling and ventilation, motors, and variable frequency drives ("VFDs").

The NCP is designed to increase energy efficiency and environmental performance, as well as simplify the customer experience and application process for all new construction buildings in New Jersey, including single family homes, townhomes, multifamily dwellings, commercial buildings, and industrial buildings. The NCP offers three (3) pathways to earn incentives, each with a different set of requirements:

1. The **Bundled Pathway** requires the implementation of a bundle of relatively typical above-code energy conservation measures ("ECMs"). Eligible ECMs under this pathway consist primarily of electric efficiency equipment, as well as efficient building envelope and insulation measures.[19]

2. The **Streamlined Pathway** encourages deeper energy savings than the Bundled Pathway but requires less time and expense than the High-Performance Pathway described below. Although it requires some modeling of ECMs, the modeling is performed in a web-based user interface that requires minimal inputs and generates quick and accurate projected savings.

3. The **High-Performance Pathway** encourages the deepest energy savings by requiring that applicants take a whole-building approach and either exceed code requirements by a certain percentage or meet one of several sets of stringent technical standards set by Proxies for new construction. This pathway largely replaces the Legacy Residential New Construction ("RNC") and Pay for Performance Programs.

DISCUSSION AND FINDINGS

Between May and September 2024, Staff distributed the proposed Program updates to the EE and RE listservs and solicited written comments from the public. Staff considered and responded to those comments. Accordingly, the Board **HEREBY FINDS** that the processes utilized in developing these proposed Program updates were appropriate and provided stakeholders and interested members of the public with adequate notice and opportunity to comment.

[19] "Building envelope" is the part of a building that separates conditioned from unconditioned spaces; it includes doors, windows, walls, and siding.

The Board has reviewed the proposed updates for the Program and **HEREBY FINDS** that the updates will enable the Program to benefit customers residing in non-IOU territories who do not have access to NJCEP and utility electric EE programs. The Board also **HEREBY FINDS** that the updates are consistent with New Jersey's goals of reducing energy usage as stated in the EMP. The Board **HEREBY APPROVES** the proposed updates to the SEP Non-IOU Program and **HEREBY DIRECTS** Staff to take all necessary and appropriate steps to implement such updates and to make adjustments to the SEP Non-IOU Program consistent with this Order.

The effective date of this Order is December 26, 2024.

DATED: December 18, 2024

BOARD OF PUBLIC UTILITIES
BY:

CHRISTINE GUHL-SADOVY
PRESIDENT

DR. ZENON CHRISTODOULOU
COMMISSIONER

MARIAN ABDOU
COMMISSIONER

MICHAEL BANGE
COMMISSIONER

ATTEST:

SHERRI L. GOLDEN
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 PROPOSED UPDATES TO NEW JERSEY'S CLEAN ENERGY PROGRAM STATE ENERGY PROGRAM FOR NON-INVESTOR-OWNED UTILITIES

DOCKET NO. QO24020127

SERVICE LIST

New Jersey Division of Rate Counsel

Brian O. Lipman, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Trenton, NJ 08625-0003
blipman@rpa.nj.gov

TRC Environmental Corporation

317 George Street, Suite 520
New Brunswick, NJ 08901

Marybeth Brenner, Associate Vice President
mbrenner@trccompanies.com

Michael Ambrosio, Director, Policy and Planning
mambrosio@trccompanies.com

Geoff Horvath, Associate Director, Efficiency
ghorvath@trccompanies.com

Thomas Kowalczyk, Manager, Regulatory Compliance
tkowalczyk@trccompanies.com

New Jersey Board of Public Utilities

44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, NJ 08625-0350

Sherri L. Golden, Secretary
board.secretary@bpu.nj.gov

Bob Brabston, Esq., Executive Director
robert.brabston@bpu.nj.gov

Stacy Peterson, Deputy Executive Director
stacy.peterson@bpu.nj.gov

Taryn Boland, Chief of Staff
taryn.boland@bpu.nj.gov

Henry Gajda, Deputy Chief of Staff
henry.gajda@bpu.nj.gov

General Counsel's Office

Colin Emerle, Deputy General Counsel
colin.emerle@bpu.nj.gov

Elspeth Faiman Hans, Deputy General Counsel
elspeth.hans@bpu.nj.gov

NJBPU, cont'd.

Alexander Cary, Regulatory Officer
alexander.cary@bpu.nj.gov

Division of Clean Energy

Véronique Oomen, Director
veronique.oomen@bpu.nj.gov

Stacy Ho Richardson, Deputy Director
stacy.richardson@bpu.nj.gov

Kevin Monte de Ramos, Bureau Chief, Energy Efficiency and Building Decarbonization
kevin.montederamos@bpu.nj.gov

Rupa Deshmukh, Energy Efficiency Manager
rupa.deshmukh@bpu.nj.gov

Matthew Rossi, Bureau Chief, New Technology & Budget
matthew.rossi@bpu.nj.gov

Dustin Wang, Program Specialist I
dustin.wang@bpu.nj.gov

Earl Thomas Pierce, Administrative Analyst
earl.pierce@bpu.nj.gov

New Jersey Division of Law

Public Utilities Section
R.J. Hughes Justice Complex
25 Market Street, P.O. Box 112
Trenton, NJ 08625

Daren Eppley, Section Chief, DAG
daren.eppley@law.njoag.gov

Pamela Owen, Assistant Section Chief, DAG
pamela.owen@law.njoag.gov

Matko Ilic, DAG
matko.ilic@law.njoag.gov

Attachment A

In response to Staff's request for public comment in May 2024, MaGrann Associates, EAM Associates, and ReVireo ("Raters"); the Energy Efficiency Alliance of New Jersey ("EEA-NJ"); and the New Jersey Division of Rate Counsel ("Rate Counsel") submitted written comments.

Expanding the Scope of the Non-IOU SEP

Comment: The Raters and EEA-NJ commented that the Board should expand the number of programs whose non-IOU customers could be eligible to participate in the Non-IOU SEP Program.

First, the Raters recommended that the Board should expand the program's eligibility criteria to include non-IOU customers who would otherwise participate through the RNC and the new comprehensive NCP. The Raters argued that it is at best incongruous for the State to be promoting electrification and decarbonization and at the same time fail to provide incentives for a new home simply because it is not using any IOU fossil fuels and is in a territory served by a non-IOU electric utility. The Raters stated they currently are working with at least one (1) all-electric residential development in an area served by a Non-IOU electric utility that apparently falls into this programmatic crevice and will not be eligible for any NJCEP incentives even though it will meet the Passive House standards and achieve the highest levels of energy performance through the adoption of fully electric technologies.

Second, EEA-NJ commented that the Non-IOU SEP Program's eligibility should also be expanded to include rebate incentives for customers who convert from delivered fossil fuels (e.g., home heating oil or propane) to all electric heat pumps but who reside in a territory served by a non-IOU electric utility.

Response: Staff agrees with the comments regarding NCP. Staff notes, among other things, that the implementation of a Non-IOU SEP that includes NCP could follow closely along the lines of the current proposal for implementing the Non-IOU SEP by simply incorporating the standards and incentives of the NCP, i.e., that the Non-IOU SEP would simply pay incentives awarded through existing programs already managed by TRC. Thus, the administrative costs of an expansion of the Non-IOU SEP to include NCP would be minimal.

Staff also notes that it is not necessary to expand the Non-IOU SEP to include RNC because RNC is in the process of being replaced with NCP. Staff expects the Non-IOU SEP and the new NCP to launch at approximately the same time, and it submits that any value in including the expiring RNC in the Non-IOU SEP for what would be at most a few months is outweighed by the cost and complexity of doing so.

As to the proposed expansion to include customers converting from delivered fossil fuels, Staff submits that such an expansion could be more complicated and expensive to administer in that no programs currently exist to serve customers converting to heat pumps in non-IOU electric service territories since these customers are not, and will not be, served by an IOU electric utility. In other words, Staff believes the cost of setting up a new self-standing program would be prohibitive relative to the level of funds available through the SEP grant. In conclusion, Staff proposes expanding the Non-IOU SEP to include NCP but, at least for now, not expanding it to include Heating, Ventilation, and Air Conditioning ("HVAC") equipment rebate incentives for converting customers. That said, Staff remains open to reconsidering the latter expansion as the Non-IOU SEP matures. Staff has also determined not to propose EEA-NJ's suggestion to expand the Non-IOU SEP to include the expiring RNC Program.

Participant Loans

Comment: Rate Counsel commented that 0% financing should not be available through a program like the Non-IOU SEP that does not have income eligibility caps. Rate Counsel also commented that the Board should align the terms of the participant loans for this program with the Triennium 2 Energy Efficiency ("Tri-2") programs currently under review before the Board.

Response: Any financing provided by the GDCs will be consistent with the income and other requirements approved by the Board for the existing GDC-sponsored Whole Home and DI programs. Staff further notes that the proposed Non-IOU SEP includes a provision that would automatically modify the Non-IOU SEP to be consistent with any changes to the Whole Home and DI Programs approved by the Board. Thus, any changes to the financing components of the Whole Home and DI Programs approved for Tri-2 would automatically flow through to the Non-IOU SEP.

Administrative Costs

Comment: Rate Counsel commented that the nine percent (9%) of the total budget allocated to administrative costs could potentially be lowered.

Response: Staff strives to keep administrative costs as low as possible, and respectfully submits that the proposed administrative costs are reasonable and low compared to most other clean energy programs in New Jersey and in the U.S. Staff also notes that the final budget allocation reduces the percentage allocated to administration to less than eight percent (8%) [768,521 / 9,847,540 = 0.078].

Attachment B

In response to the September 11, 2024 Notice for Comment, written comments were received from the Raters, RPM Contracting ("RPM"), NJNG, EEA-NJ, and Rate Counsel.

Expressions of Support

Comment: All commenters expressed support for the Non-IOU SEP generally, and the Raters, RPM, and EEA-NJ expressed support specifically for the expansion of the Non-IOU SEP to include the new NCP.

Response: Staff appreciates the support.

Upgrade to Administrative Efficiency

Comment: NJNG commented that Staff should remove the requirement that the GDCs provide TRC with the initial project information from the Compliance Filing because NJNG and TRC have agreed, subject to Board approval, that it will be sufficient if the GDCs provide TRC with only final project information.

Response: Staff agrees with NJNG and has proposed the subject removal.

Specific Passive House Project

Comment: The Raters commented Staff should consider a mechanism to allow the specific Passive House project mentioned in Attachment A to the September 11, 2024 Notice of Request for Comments to participate in the Non-IOU SEP even though the project's timing may require it to initially register in the RNC rather than the NCP and/or to have its early inspections conducted before the Non-IOU SEP and/or NCP launch.

Response: This issue has been resolved through a separate process.

Administrative Costs

Comment: Rate Counsel reiterated its previous comment regarding the level of administrative costs associated with the Non-IOU SEP [i.e., eight percent (8%)], and expressed concern that it is unclear whether and how the administration budget will be split between TRC and the utilities and because the "synergies" between work on the Non-IOU SEP and the underlying utility and NJCEP EE Programs should reduce any administrative costs related to the Non-IOU SEP.

Response: As Staff indicated in its original response to Rate Counsel's original comment, Staff strives to keep administrative costs as low as possible, and it respectfully submits that the proposed administrative costs are reasonable and low compared to most other clean energy programs in New Jersey and in the U.S. By way of clarification addressing Rate Counsel's specific concern/question, the $808,522 budgeted for Administration is expected to cover only TRC's, not the utilities', cost of administration. The budget was able to be kept so low in part because of the synergies Rate Counsel mentioned.

Attachment C

STATE ENERGY PROGRAM FOR NON-INVESTOR-OWNED UTILITY CUSTOMERS

COMPLIANCE FILING

Non-IOU Energy Efficiency Program

Program Cycle 2022-2027

________ ___, 202_

REVISED DRAFT

State Energy Program ("SEP") for Non-Investor-Owned Utility Customers

Program Background, Purpose, and Strategy Overview

Historically, New Jersey's Clean Energy Program's ("NJCEP's") funding has been derived primarily through collection of a Societal Benefits Charge ("SBC") from the customers of the state's investor-owned utilities ("IOUs"). Accordingly, NJCEP's financial incentives have been made available only to those IOU customers that contributed to the NJCEP fund, i.e., those electric incentives were not available to the customers of the state's non-investor-owned, including the state's municipally-owned, electric utilities ("Non-IOUs").

To address that gap, the Board has in the past utilized U.S. Department of Energy State Energy Program ("SEP") grant funds to pay financial incentives to Non-IOU customers who implemented energy efficiency ("EE") measures through a program operated on a basis virtually identical to specified parallel NJCEP programs ("Legacy SEP Program"). However, as those parallel NJCEP programs transitioned to the state's IOUs beginning in fiscal year 2022, the Legacy SEP Program expired.

NJCEP now proposes to renew the use of SEP funds to make incentives payable to Non-IOU customers implementing certain electric EE measures:

- Through a component operated in coordination with the state's gas distribution companies ("GDCs") which are already managing two programs that incentivize both electric and gas EE measures, i.e., the Whole Home Program for residential customers and the Direct Install ("DI") Program for commercial and industrial ("C&I") customers; and

- Through a component operated through NJCEP's New Construction Energy Efficiency Program ("NCP").

The new SEP Program, including its two new components, are hereinafter referred to as the "SEP Non-IOU Program" or "Program."

The goals of the new SEP Non-IOU Program are to:

- Simplify participation by allowing Non-IOU electric utility customers to apply to the existing programs;

- Capture additional energy savings opportunities in facilities that currently are not eligible for electric incentives;

- Improve access to EE financial incentives for Non-IOU electric utility ratepayers;

- Increase participation in the Whole Home, DI, and NCP Programs; and

- Streamline program administration and provide expedient payment processes.

Support for Energy Master Plan ("EMP") Goals

The SEP Non-IOU Program will support many of the EMP's strategies and goals, including, among others, the following:

- Primary Goal 3.1 (Increase New Jersey's overall energy efficiency).
- Primary Goal 4.1 (Start the transition for new construction to be net zero carbon).

In addition, the SEP Non-IOU Program will support Executive Order 316's target of installing zero-carbon emission space heating and cooling systems in an additional 400,000 homes and 20,000 commercial properties, and making an additional 10% of all low- to moderate-income properties electrification-ready by 2030.

GDC-Managed Component (Whole Home & DI)

Program Description

Interested Non-IOU electric utility customers will apply through the program, available through the customer's GDC. The GDC will review, qualify, and approve each project based on existing GDC program requirements. Each GDC's existing trade ally and contractor network will install each approved project. As set forth in more detail below at Program Delivery and Management Responsibilities, TRC's role will be limited to managing Program funding levels, verifying installed Program project data, issuing payments for Non-IOU electric (i.e., Program) measures to GDCs, and reporting.

Summary descriptions of the Whole Home and DI Programs that are components of this Program are as follows:

For residential customers, the Whole Home Program is designed to take a "whole-home" approach to make existing one- to four-family homes and low-rise multi-family buildings more energy efficient. Participating contractors will perform a home energy assessment using, among other things, advanced diagnostic equipment to test each home and identify available EE improvements. The assessments may include, among other things: tests for air leakage; a series of combustion-related tests; and the identification of any opportunities to improve each home's insulation, heating and cooling system, appliances, and lighting. The contractor will then prepare and provide the customer with a report identifying the EE opportunities, their costs, and the financial incentives available to offset those costs.

For commercial customers, the DI Program is designed to deliver comprehensive, cost-effective, EE equipment for relatively small commercial customers, as small customers tend to have a greater reluctance and/or inability to implement EE measures than larger customers. This comprehensive program takes a "whole building approach" and offers businesses a free detailed assessment to identify cost effective EE improvements, as well as equipment retrofit and replacement options including electric and natural gas equipment, lighting, controls, refrigeration, heating, cooling and ventilation, motors, and variable frequency drives ("VFDs").

Financial incentives are available to reduce the cost of installing the recommended EE measures. In addition, qualifying customers can apply for repayment of the project costs, less the amount of the incentive, with no interest through the GDC existing financing process. When the work is complete, customers repay as little as 20% of the total project cost. Given that the DI Program can cut a participant's energy costs by as much as 30%, these financial incentives can be very attractive and effective.

Target Market and Eligibility

Eligible customers are customers of a GDC whose electric service is provided by a Non-IOU electric utility (other than Butler Electric, whose customers currently can access PSE&G's electric EE programs). Residential customers will be eligible for their GDC's Whole Home program. C&I customers will be eligible for their GDC's DI Program.

Program Offerings

As mentioned above at Program Description, the Whole Home and DI Programs provide "whole building" comprehensive services by offering customers a consistent source of technical assistance, installation services, and financial incentives. The programs will be delivered across the state by the participating GDCs in association with existing contractor networks to deliver installation and related services.

Potential eligible measures of each program include, for example:

<u>Whole Home</u>

- Comprehensive home energy audit;
- Health and safety check (carbon monoxide levels, moisture, indoor air quality);
- Overall comfort level (cold/hot spots, indoor air quality, stuffiness, stale odors);
- Air leakage;
- Insulation levels;
- Heating and cooling system efficiency; and
- Water heating systems.

<u>DI</u>

- Comprehensive energy assessment;
- Lighting retrofits and new fixtures;
- Controls;
- High efficiency HVAC systems;
- Programmable thermostats;
- VFDs;
- Motors; and
- Refrigeration measures.

Incentives

The new SEP Non-IOU Program will follow the then-applicable GDC's rules and guidelines regarding available incentive levels and entity caps.

By way of example only, under current GDC rules, residential customers are eligible for incentives up to $5,000 through Whole Home, for combined electric and gas EE measures. By way of further example, C&I customers are eligible for an incentive of up to 80% of the total project cost through DI. Actual DI project incentives will differ depending on the project's energy savings, cost effectiveness, customer type, and customer size; typical project incentives range from 60-80% of total project cost. DI applications are also eligible for a no-cost on-site energy assessment by a program trade ally to determine eligible measures and project incentives. If the GDC program designs or incentive levels change through BPU order or BPU-approved mechanisms, the SEP incentive levels will also change.

Program Financing

Qualified applicants are currently eligible for 0% interest financing for Whole Home or DI projects through their GDC. The GDC will finance all project measures for both electric and gas measures for the applicants who meet the GDC's financing requirements.

Program Changes

Any changes to program requirements or incentives that the GDCs implement to the DI Program, the Whole Home Program, or both, over the course of the SEP grant will automatically be incorporated by reference into this Non-IOU SEP Program.

Program Delivery and Management Responsibilities

TRC

TRC is responsible for the following program components:

- Receiving from the Board, holding, and disbursing to the GDCs Program funds as described elsewhere in this Compliance Filing.

Allocating a Program budget and related funds to each GDC. Each GDC may not exceed its allocated budget without prior authorization by TRC. TRC may reallocate Program budget funding among the GDCs to maximize participation and energy savings. Written notice will be given to the GDCs prior to reallocation, and no such reallocation will disrupt any project that TRC is already aware of and has provided a commitment to fund. TRC and the GDCs will also communicate regarding proposed changes to prevent disruption of projects in progress that may not have yet been committed.

- Tracking progress against each GDC's Program budget based upon the Program documents each GDC provides to TRC.
- Reviewing and, as appropriate, authorizing applications for Program funding for electric measures that have already been reviewed and approved by the GDC.

- Performing random post-inspections of electric measures funded by the Program, if and in the number TRC determines to be appropriate.
- Authorizing payment to each GDC of Program funds for electric measures properly paid by the GDC to its customers pursuant to the Program.
- Reporting to the Board, and, as requested or otherwise appropriate, any other funding entities, on the number of completed projects, Program funding spent, electric energy savings, and any other reasonably requested metrics. TRC will also provide such case studies as may reasonably be requested.
- Coordinating marketing efforts with BPU and the GDCs, including the creation of program collateral, graphics, website language, and general marketing language.

GDCs

The GDCs are responsible for the following program components:

- Receiving, filing, and managing the Program information on customer applications to Whole Home or DI program.
- Performing site visits, collecting existing equipment inventory and energy usage data, analyzing information, identifying opportunities for efficiency improvements, and making recommendations regarding the same.
- Qualifying and approving eligible projects with existing program processes.
- Using the existing GDC's DI and Whole Home trade ally network to promote and offer Program incentives to Non-IOU customers.
- Finalizing completed Program projects with participating Trade Allies per existing GDC program guidelines.
- Performing Quality Control ("QC") and evaluation, measurement, and verification ("EM&V") per existing GDC program guidelines and sharing results with TRC.
- Providing TRC final project information at project completion, including:
    - Electric measure-level data, including measure name, quantity, manufacturer, and model number, and
    - Incentive approval date, and
    - Electric Program incentive amount and payee entity, and
    - Total project incentive, and
    - Annual and lifetime installed energy and demand savings, including the amount of savings that are electric savings.

  Any and all Program-related hard copy files will be kept by the GDC.

Each GDC is subject to audit of its Program-related files by TRC and/or the Board and its staff.

Customer Engagement / Program Outreach

This Program will be promoted to eligible customers, at least in part, in coordination with the New Jersey Public Power Authority, the organization that represents the nine Non-IOUs. Additionally, the GDCs and their trade allies will market this new offering to the relevant portions of their existing customer base. TRC will also provide marketing through website messaging and program collateral.

Quality Control Provisions

Documented policies and procedures will provide proper guidelines to ensure consistency in the processing and quality control for all projects. Existing utility program rules, guidelines, and procedures will be used to determine applicant eligibility and incentive amounts. GDCs will make QC results and project approval results available to TRC. TRC will review the Program components of customer applications to ensure all Program requirements are met prior to payment for those components. As indicated in Program Delivery and Management Responsibilities, TRC will, if and as it deems appropriate, perform random post-inspections on completed projects to ensure program compliance.

TRC will utilize the Contractor Remediation Procedures ("CRP") and/or the GDCs will utilize their own procedures similar to the CRP, in each case as necessary or appropriate to address significant performance or other problems.

NJCEP Component (NCP)

This component's incentives, eligibility, operations, outreach, and quality control will be identical to the then-current NCP other than that:

- All-electric buildings located in Non-IOU electric utility service territories will be eligible; and
- The funding source will be SEP funds, not SBC.

Any changes to NCP program requirements or incentives over the course of the SEP grant will automatically be incorporated by reference into this Non-IOU SEP Program.

Non-IOU SEP Program-wide Budget

The total SEP Non-IOU Program budget is $9,847,540 for the entire grant period, a maximum of 5 years beginning from the date this Compliance Filing is approved by the Board. The SEP grant is expected to be spent across multiple fiscal years. The cost category breakdown below assumes a 3-year timeframe to spend all program funds.

SEP Program		***FY24 Cost Category Budgets****					
Program/Budget Line	***Total Budget***	***Administration***	***Sales, Marketing, Website***	***Training***	***Rebates, Grants and Other Direct Incentives***	***Rebate Processing and QA***	***Evaluation***
SEP Non-IOU Program	$9,847,540.00	$808,521.80	$0	$0	$8,913,721.00	$125,298.00	$0
*cost categories assume a 3-year time period to spend all funding							