



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

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 THE IMPLEMENTATION OF)	ORDER ADOPTING AN
P.L. 2018, C. 17, THE NEW JERSEY CLEAN)	UPDATED TECHNICAL
ENERGY ACT OF 2018, REGARDING THE)	REFERENCE MANUAL
SECOND TRIENNIUM OF ENERGY EFFICIENCY)	PROCESS FOR THE ENERGY
AND PEAK DEMAND REDUCTION PROGRAMS)	EFFICIENCY PROGRAMS
)	
)	DOCKET NO. QO23030150

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Clark M. Stalker, Esq., Associate General Counsel, Atlantic City Electric Company
Robert H. Oostdyk, Jr., Esq., Murphy McKeon P.C., on behalf of Butler Power and Light Company
Michael Martelo, Esq., on behalf of Jersey Central Power & Light Company
Andrew K. Dembia, Esq., Regulatory Affairs Counsel, New Jersey Natural Gas Company
Stacey Mickles, Esq., Associate Counsel, Public Service Electric and Gas Company
Margaret Comes, Esq., Associate Counsel, Rockland Electric Company
Sheree Kelly, Esq., Regulatory Affairs Counsel, SJI Utilities, Inc.

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers Board Staff's ("Staff") recommendation to amend the update cadence for the Technical Reference Manual ("TRM"), a compendium of equations and guidelines to calculate energy savings, from triennial to annual to ensure that deemed energy savings attributed to energy efficiency ("EE") programs implemented throughout the second three (3)-year cycle of programs ("Triennium 2") established pursuant to the New Jersey Clean Energy Act of 2018 ("CEA") accurately reflect achieved impacts.¹

¹ N.J.S.A. 48:3-87.8 *et seq.*

BACKGROUND

By Order dated June 10, 2020, the Board established the Evaluation, Measurement, and Verification Working Group (“EM&V WG”).² Facilitated by the Statewide Evaluator (“SWE”), the EM&V WG brings together Staff, the New Jersey Division of Rate Counsel, and electric public utilities and gas public utilities (“Utilities”) – with support from program evaluation contractors, implementation contractors, and representatives from the other EE working groups established by the Board, as appropriate – to develop a standard, transparent, and replicable approach for evaluating, measuring, and verifying the results of EE and peak demand reduction (“PDR”) programs implemented pursuant to the CEA.

Following the start of the first three (3)-year cycle of programs established pursuant to the CEA (“Triennium 1”) on July 1, 2021, the EM&V WG created the TRM Committee, New Jersey Cost Test (“NJCT”) Committee, and Guidelines Committee to focus on targeted EM&V issues.

By Order dated October 12, 2022, the Board approved Staff’s recommendation for the SWE, EM&V WG, and TRM Committee to support the development of a comprehensive update of the TRM, including input and feedback through a public stakeholder process, for the Board’s consideration ahead of the commencement of Triennium 2 EE programs.³

² In re the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs, BPU Docket Nos. QO19010040, QO19060748, and QO17091004, Order dated June 10, 2020.

³ In re the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs, BPU Docket Nos. QO19010040, QO19060748, and QO17091004, Order dated October 12, 2022.

By Order dated May 24, 2023, the Board directed each electric and gas public utility to propose, for Board approval, EE programs for Triennium 2 on or before October 2, 2023, and addressed certain aspects of the Triennium 2 framework.⁴ The May 2023 Order also includes the attachment the “New Jersey Energy Efficiency Triennium 2 Evaluation Framework (“Evaluation Framework”)”, whereby the Board clarified the necessity of the TRM and directed that a triennial TRM be established prior to the start of each Triennium period and that an annual TRM update be completed in the intervening years.⁵ By Order dated July 26, 2023, the Board approved the remaining aspects of the Triennium 2 framework.⁶

By Order dated October 25, 2023, the Board updated the energy savings targets for the Triennium 2 EE programs and extended the Triennium 1 period through December 31, 2024.⁷ By the October 2023 Order, the Board also delayed the start of Triennium 2 by six (6) months, from July 1, 2024 to January 1, 2025, and ordered that Triennium 2 would be a thirty (30)-month period from January 1, 2025 through June 30, 2027.

The Evaluation Framework sets forth the mechanisms of “Category 1” and “Category 2” changes for the purposes of determining when savings equations should be revised in the Triennial TRM versus the Annual TRM. Category 1 changes include, but are not limited to: in-service rates, algorithm errors, nonconformance with the TRM, codes and standards, new measures, and deleted measures. Category 2 changes include: algorithmic, baseline or industry standard practice, measure performance, usage characteristics, realization rates, estimation methods, addition of appendices, and all other changes expected as part of a comprehensive TRM update.

If a Category 1 change occurs, then any impacted savings calculations are revised accordingly and updated in the Triennial TRM. If a Category 2 change occurs, then any impacted savings calculations are revised accordingly, and updated in the Annual TRM.

⁴ In re the Implementation of P.L. 2018, c. 17, the New Jersey Clean Energy Act of 2018, Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs; 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; In re 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 and N.J.S.A. 48:3-87.9 - Minimum Filing Requirements, BPU Docket Nos. QO19010040, QO23030150, and QO17091004, Order dated May 24, 2023 (“May 2023 Order”).

⁵ The “New Jersey Energy Efficiency Triennium 2 Evaluation Framework” is available at <https://www.njcleanenergy.com/main/public-reports-and-library/market-analysis-protocols/market-analysis-baseline-studies/market-an>.

⁶ In re the Implementation of P.L. 2018, c. 17, the New Jersey Clean Energy Act of 2018, Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs; 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; In re 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 and N.J.S.A. 48:3-87.9 - Minimum Filing Requirements, BPU Docket Nos. QO19010040, QO23030150, and QO17091004, Order dated July 26, 2023 (“July 2023 Order”).

⁷ 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, BPU Docket No. QO23030150, Order dated October 25, 2023 (“October 2023 Order”).

Table 1 shows how the savings are used for the various performance metrics.

Table 1 – Definition of Category 1 and 2 changes

	Triennium 2 – Yr 1 Triennial TRM	Triennium 2 – Yr 2 Annual TRM Update		Triennium 2 – Yr 3 Annual TRM Update	
		Category 1 Changes	Category 2 Changes	Category 1 Changes	Category 2 Changes
CEA savings compliance	✓	✓		✓	
QPI and PIM	✓	✓		✓	
NJCT	✓	✓	✓	✓	✓
Tracking reports	✓	✓	✓	✓	✓

The Category 1 changes tend to be exogenous market events, which need to be reflected in the TRM in a timely manner for accurate estimation of savings for the purpose of CEA compliance and Utility performance incentives. On the other hand, the Category 2 changes generally arise at the conclusion of an evaluation study. The EM&V Working Group concluded that Category 2 changes, given their arbitrary timing, would be limited to savings metrics, NJCT and reporting, used for planning purposes.

STAFF'S PROPOSED MODIFICATION TO THE TRM UPDATE PROCESS

Staff proposes annual revisions to the TRM, referred to as the “Program Year TRM” (“PY TRM”). The PY TRM would be used in all energy savings performance metrics, including for CEA compliance savings, quantitative performance indicators (“QPIs”), the NJCT, and quarterly performance tracking reports. This modification obviates the need for Category 1 and Category 2 as defined in the Evaluation Framework.⁸

As established in the Evaluation Framework, the Triennial TRM is not updated through the duration of Triennium 2, which may result in dated savings calculations. A variety of events may affect the savings calculations, including changes in baselines as industry standard practice evolves or as energy efficiency standards rise. Realization rates, defined as the difference in calculated gross savings from the TRM versus actual measurements of energy consumption before and after the installation of an energy saving measure, change depending on the quality of installation and how the owner operates the equipment. Net to gross ratios, which represents the ratio of savings attributable to the EE program divided by the savings from all customers who install the measure, may also change over time. Further, evaluation studies or program

⁸ The “New Jersey Energy Efficiency Triennium 2 Evaluation Framework” is available on the “Program Evaluations, Market Analysis and TRMs” page in the “Evaluation Plans” section at <https://www.njcleanenergy.com/main/public-reports-and-library/market-analysis-protocols/market-analysis-baseline-studies/market-an->.

implementers may reveal that the TRM equations contain errors that must be corrected before the close of the triennial period.

Staff therefore recommends that the TRM be revised annually, rather than triennially, by the TRM Committee for consideration by the Board at a time agreed to by the EM&V Working Group prior each Program Year. Each annual update would be used to calculate savings for the subsequent program year of Triennium 2 and subsequent Triennia.

Staff further recommends that the Annual TRM should now be referred to as the “PY TRM” to align the TRM with the program year to which it is applied. The PY TRM would be used for all performance tracking purposes, including CEA compliance savings, QPIs, NJCT, and quarterly performance tracking reports. By replacing the Triennial TRM with annual TRM updates, the distinction between Category 1 and 2 savings would no longer be needed, and Staff therefore recommends the distinction between Category 1 and Category 2 be removed from future TRM update processes.

Staff recommends that, because the PY4 TRM has not yet been approved and finalized, EE program administrators be permitted to use either the current Triennial TRM or the draft PY4 TRM until the Board approves the PY4 TRM. Program implementers need two (2) to three (3) months to incorporate the new equations into their performance tracking databases prior to the start of a Program Year. The EM&V Working Group sought to approve the PY4 TRM in a timely manner, but ultimately approved the PY4 TRM on October 2, 2024, and Staff will seek Board approval following a public comment period.

DISCUSSION AND FINDINGS

Following Staff’s consideration of the TRM Committee and EM&V WG’s discussion and evaluation of potential changes to the TRM update process, Staff recommended that the Board approve an annual TRM update framework to simplify the TRM update process while ensuring the savings calculations accurately reflect market conditions in a timely manner. Following review of Staff’s recommendation, the Board **HEREBY FINDS** that the processes utilized in developing Staff’s recommendations were appropriate and provided stakeholders in the EM&V Working Group adequate opportunity to comment. The Board **FURTHER FINDS** that the proposed changes will ensure the most reliable energy savings calculations are in place for the start of Triennium 2 and the continuation of Triennium 2 and future Triennia.

As such, the Board **HEREBY ADOPTS** Staff’s recommendation that the TRM Committee of the EM&V WG revise the TRM annually to be presented to the Board for consideration at a time agreed to by the EM&V WG prior to the start of each Program Year. The Board **HEREBY DIRECTS** that each annual update shall be used to calculate deemed energy savings for the subsequent program year of Triennium 2 and subsequent Triennia. The Board **FURTHER ADOPTS** Staff’s recommendation that, beginning with Triennium 2, the Annual TRM be referred to as the “PY TRM,” thereby aligning the TRM with the program year to which it is applied. The Board **FURTHER ADOPTS** Staff’s recommendation that the “PY TRM” shall be used in all energy savings performance metrics, including for CEA compliance savings, QPIs, the NJCT, and quarterly performance tracking reports.

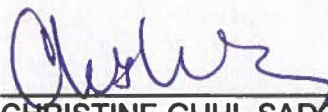
The Board **FURTHER FINDS** Staff's recommendation that EE program administrators be permitted to use either the current Triennial TRM or the draft PY4 TRM pending approval of a final PY4 TRM to be reasonable and appropriate given the circumstances. As such, the Board **HEREBY ORDERS** that all EE program administrators are permitted to use either the current Triennial TRM or the proposed draft PY4 TRM until the Board approves a final PY4 TRM.

Finally, the Board **HEREBY DIRECTS** that Category 1 and 2 savings shall no longer be used for performance tracking in Triennium 2.

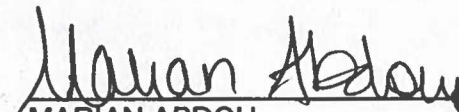
This Order shall be effective on December 26, 2024.

DATED: December 18, 2024

BOARD OF PUBLIC UTILITIES
BY:

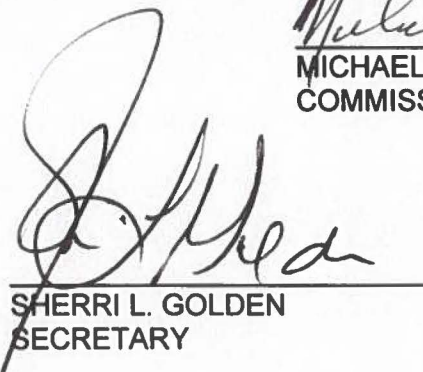

CHRISTINE GUHL-SADOVY
PRESIDENT


DR. ZENON CHRISTODOULOU
COMMISSIONER


MARIAN ABDON
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 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

DOCKET NO. QO23030150

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

Maura Caroselli, Esq., Managing Attorney
mcaroselli@rpa.nj.gov

Mamie Purnell, Esq., Deputy Rate Counsel
mpurnell@rpa.nj.gov

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

Elsbeth Faiman Hans, Deputy General Counsel
elsbeth.hans@bpu.nj.gov

Michael Hunter, Regulatory Officer
michael.hunter@bpu.nj.gov

Office of the Economist

Benjamin Witherell, Ph.D., Chief Economist
benjamin.witherell@bpu.nj.gov

NJBPU, cont'd.

Division of Clean Energy

Veronique 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

Jusleen Basra
jusleen.basra@bpu.nj.gov

Philip Chao
philip.chao@bpu.nj.gov

Indrani Pal
Indrani.pal@bpu.nj.gov

Atlantic City Electric Company

Jake Sneed, Senior Manager - Regulatory Strategy
92DC42
500 North Wakefield Drive
P.O. Box 6066
Newark, DE 19702-6066
jake.sneed@exeloncorp.com

Butler Power and Light Company

Robert H. Oostdyk, Jr., Esq.
Murphy McKeon P.C.
51 Route 23 South
P.O. Box 70
Riverdale, NJ 07456
admin@butlerborough.com

Jim Lampmann
Borough Administrator
jlampmann@butlerborough.com

Jersey Central Power & Light Company

Michael Martelo, Esq., Attorney
300 Madison Avenue
P.O. Box 1911
Morristown, NJ 07962-1911
mmartelo@firstenergycorp.com

New Jersey Natural Gas Company

Andrew K. Dembia, Esq., Regulatory Affairs Counsel
1415 Wyckoff Road
P.O. Box 1464
Wall, New Jersey 07719
adembia@njng.com

Public Service Electric and Gas Company

Stacey M. Mickles, Associate Counsel – Regulatory
Law Department
PSEG Services Corporation
80 Park Plaza – T10
Newark, New Jersey 07102-4194
stacey.mickles@pseg.com

Rockland Electric Company

Margaret Comes, Esq., Associate Counsel
4 Irving Place
New York, New York 10003
comesm@coned.com

Elizabethtown Gas Company and South Jersey Gas Company

Sheree Kelly, Esq., Regulatory Affairs Counsel
South Jersey Industries
520 Green Lane
Union, NJ 07083
skelly@sjindustries.com