STATE ENERGY PROGRAM FOR NON-INVESTOR-OWNED UTILITY CUSTOMERS

COMPLIANCE FILING

Non-IOU Energy Efficiency Program

Program Cycle 2022-2027

________ ___, 2024

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 Home Performance with Energy Star ("HPwES") 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 HPwES, 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 (HPwES & 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 HPwES and DI Programs that are components of this Program are as follows:

For residential customers, the HPwES 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 HPwES program. C&I customers will be eligible for their GDC's DI Program.

Program Offerings

As mentioned above at GDC-Managed Component (HPwES & DI)

Program Description, the HPwES 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:

HPwES

- 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.

DI

- 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 HPwES, 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 HPwES 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 HPwES 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 HPwES 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.
- Providing TRC with the initial project information relevant to this Program, including customer/facility information, initially or conditionally approved incentives, and the date of initial or conditional approval.
- Using the existing GDC's DI and HPwES 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							