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## Energy Efficiency Technical Meeting II Request for Comments

On December 13, as part of the continued stakeholder outreach on energy efficiency, NJBPU Staff led a [second technical meeting](#) on cost recovery. At that meeting, Staff introduced [hypothetical cost recovery scenarios](#) intended to further engaged and robust discussion by stakeholders. Stakeholders asked for additional time to respond to these hypothetical cost recovery scenarios. To that end, Staff seeks feedback from stakeholders on the two hypothetical cost recovery scenarios provided at Technical Meeting II as well as two new scenarios. Staff is inviting stakeholders to provide feedback through comments by January 3, 2020.

These scenarios are hypothetical and fictional in nature. These scenarios do not represent real filings, the position of the NJBPU, or its Staff in relation to any Energy Efficiency Transition decisions. No stakeholders will be bound by any suggestions or solutions provided in response to the scenarios. Comments may be made publicly available.

The scenarios focus on cost-recovery for utility run programs.

### Cost Recovery Stakeholder Hypothetical Scenarios

#### **Background: Clean Energy Act**

The Clean Energy Act at N.J.S.A. 48:3-87.9(e)(1) states that each electric public utility and gas public utility shall file an annual petition with the Board to recover on a full and current basis through a surcharge all reasonable and prudent costs incurred as a result of energy efficiency and peak demand reduction programs required by the Clean Energy Act, pursuant to N.J.S.A. 48:3-98.1, including but not limited to (1) recovery of and on capital investment and (2) recovery of the revenue impact of sales losses resulting from implementation of these programs. This cost recovery should also include any performance incentives or penalties as determined by the Board through an accounting mechanism established pursuant to N.J.S.A. 48:3-98.1. N.J.S.A. 48:3-87.9(e)(2).

N.J.S.A. 48:3-87.9(e)(2) specifies that if an electric public utility or gas public utility achieves or fails to achieve reductions in the performance targets established in the quantitative performance indicators, the public utility shall receive an incentive or be assessed a penalty as determined by the Board, and the incentives and penalties shall scale in a linear fashion.

N.J.S.A. 48:3-87.9(e)(4) provides that adjustments related to incentives or penalties determined by the Board may be made through either (1) adjustments of the electric public utility's or gas public utility's return on equity related to energy efficiency or peak demand reduction programs or (2) a specified dollar amount reflecting the incentive structure.

### **Scenarios for Stakeholder Comment**

#### **Previously-discussed Scenario 1**

Asset / Investment Treatment	Expense
Recovery Period	Annual
Lost Revenues	No Decoupling
Incentives/Penalties	% of Savings (Weighted by QPI Performance) / \$ for Negative Benefits <sup>1</sup> (Weighted by QPI Performance)
Carrying Cost on Over/Under Recovery	T-Bill
WACC	None
Rate Cap	2% annual increase of total customer bill

#### **Previously-discussed Scenario 2**

Asset / Investment Treatment	Amortization
Recovery Period	Weighted-Life
Lost Revenues	Full Decoupling
Incentives/Penalties	Fixed Dollar Incentive/ Fixed Dollar Penalty (Thresholds related to QPI performance)
Carrying Cost on Over/Under Recovery	2 Year T-Bill + 60bps
WACC	Base Rate Case
Rate Cap	No Cap

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<sup>1</sup> \$ for Negative Benefits represents a dollar for dollar penalty for net negative benefits. Under this scenario, if after Measurement and Verification a utility's energy efficiency programs fail the benefit-cost test developed by the BPU, a utility would be subject to a penalty equal to the amount by which the utility fails the test. This penalty would be weighted by QPI performance.

### New Scenario 3

Asset / Investment Treatment	Amortization
Recovery Period	Weighted-Life
Lost Revenues	Limited Decoupling
Incentives/Penalties	% of return (Weighted by QPI performance)
Carrying Cost on Over/Under Recovery	2 Year T-Bill
WACC	Base Rate Case
Rate Cap	No Cap

### New Scenario 4

Asset / Investment Treatment	Amortization
Recovery Period	10 Years
Lost Revenues	No Decoupling
Incentives/Penalties	% of return (Weighted by QPI performance)
Carrying Cost on Over/Under Recovery	2 Year T-Bill + 60bps
WACC	Base Rate Case less 200BP
Rate Cap	3% annual increase of total customer bill

Stakeholders interested in submitting comments, regardless of whether they attend the public meetings, may file written comments with the Secretary of the Board of Public Utilities at 44 South Clinton Avenue, 9th Floor, Post Office Box 350, Trenton, New Jersey 08625-0350, Attn: Aida Camacho-Welch or electronically to [EnergyEfficiency@bpu.nj.gov](mailto:EnergyEfficiency@bpu.nj.gov) in PDF or Word format. Written comments must be received on or before January 3, 2020 and should reference "Cost Recovery Scenarios" in the subject line and may be made available on New Jersey's Clean Energy Program website.

All questions should be directed to [EnergyEfficiency@bpu.nj.gov](mailto:EnergyEfficiency@bpu.nj.gov).

Thank you for your interest in New Jersey's Energy Efficiency Transition. We look forward to hearing your feedback.