



Philip D. Murphy  
Governor

Sheila Y. Oliver  
Lt. Governor

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
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Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

Aida Camacho-Welch  
Secretary of the Board

## NOTICE<sup>1</sup>

### New Jersey Energy Efficiency Transition

#### Staff Stakeholder Notice ("Stakeholder Notice"): Energy Efficiency Technical Meeting – Cost Recovery

The New Jersey Board of Public Utilities ("NJBPU") hereby gives notice of a Public Technical Meeting to discuss the New Jersey Energy Efficiency Transition.

NJBPU Staff is continuing its efforts to engage with stakeholders. As previously noticed, Staff intends to hold several issue-specific public stakeholder sessions related to energy efficiency.

Staff also intends to hold several issue-specific technical meetings. This is the first technical meeting in this series and will focus on comments concerning energy efficiency cost recovery. Topics for discussion may include: energy efficiency program asset / investment treatment; potential for recovery of lost revenues associated with energy savings; return on equity considerations and adjustments; and performance incentives and penalties.

Additional information will be provided in advance of the meeting to facilitate robust engagement.

The meeting will be held at the following date, time, and place:

**Date:** Thursday, October 31, 2019  
**Time:** 10:00 a.m. to 1:00 p.m.  
**Location:** Trenton War Memorial  
Delaware River Room  
1 Memorial Drive  
Trenton, NJ 08608

### **Background**

On May 23, 2018, Governor Phil Murphy signed into law P.L. 2018, c. 16 (C.48:3-87.3-87.7) ("Act"). N.J.S.A. 48:3-87.9 requires public utilities in the state to reduce the use of electricity and natural gas in their service territories. Specifically, the Act states that, by May 23, 2019, the Board shall require (a) each electric public utility to achieve, within its territory by its customers,

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annual reductions of two (2) percent of the average annual electricity usage in the prior three (3) years within five (5) years of implementation of its electric energy efficiency program; and (b) each natural gas public utility to achieve, within its territory by its customers, annual reductions in the use of natural gas of 0.75 percent of the average annual natural gas usage in the prior years within five (5) years of implementation of its gas energy efficiency program. N.J.S.A. 48:3-87.9(a).

In addition, the law requires that:

f. (1) The Board shall establish a stakeholder process to evaluate the economically achievable energy efficiency and peak demand reduction requirements, rate adjustments, quantitative performance indicators, and the process for evaluating, measuring, and verifying energy usage reductions and peak demand reductions by the public utilities.

[N.J.S.A. 48:3-87.9(f)]

The Board solicited input related to energy efficiency and peak demand program administration at a Public Meeting on September 25, 2019 and invited stakeholders to provide written comments on that topic by Friday, October 4, 2019. The Board will be soliciting input related to energy efficiency and peak demand programs at a Public Meeting on October 30, 2019.

### **Next Steps**

NJBPU Staff hereby announces this October 31 public technical meeting, which continues stakeholder engagement on the energy efficiency transition. Members of the public are invited to attend and present their views. Please note that this technical meeting is limited to comments concerning cost recovery related to implementation of New Jersey's next generation of energy efficiency and peak demand programs.

In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations for disabled citizens to the Office of the Secretary of the Board at (609) 777-3300 at least 48 hours prior to the scheduled meeting so that appropriate arrangements can be made.

Members of the public 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, regardless of whether they attend the public meetings. Written comments may also be submitted electronically to [EnergyEfficiency@bpu.nj.gov](mailto:EnergyEfficiency@bpu.nj.gov) in PDF or Word format. Please include a subject line of "Cost Recovery." **All comments must be received on or before Thursday, November 14, 2019.**



Aida Camacho-Welch  
Secretary of the Board

Dated: October 21, 2019



**PHIL MURPHY**  
**GOVERNOR**

**SHEILA OLIVER**  
**LT. GOVERNOR**

**JOSEPH L FIORDALISO**  
**PRESIDENT**

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**BOB GORDON**  
**COMMISSIONER**

**SARA BLUHM GIBSON**  
**DIRECTOR**  
**DIVISION OF CLEAN ENERGY**

## **Energy Efficiency Technical Meeting** **October 31, 2019**

**Trenton War Memorial**  
**Delaware Room**  
**Trenton, NJ 08608**  
**10:00 a.m – 1:00 pm.**

Staff of the New Jersey Board of Public Utilities (NJBPU) is holding a technical meeting regarding Energy Efficiency Cost Recovery, as part of the New Jersey Energy Efficiency Transition. The Public Notice for this meeting is available at:

<https://nj.gov/bpu/pdf/publicnotice/EE%20Technical%20Meeting%20Public%20Notice%20-%20Cost%20Recovery%20-%2010-31-19.pdf>

### **AGENDA**

- 1. Welcome (10:00 a.m.)**
- 2. Overview and Clean Energy Act (10:05 a.m.)**
- 3. Stakeholder Comments**
  - Topic 1: Recovery of Program Costs (10:15 a.m.)
  - Topic 2: Potential for Recovery of Lost Revenues (11:00 a.m.)
  - Topic 3: Performance Incentives and Penalties (12:00 p.m.)
- 4. NJBPU Closing Remarks and Next Steps (12:50 p.m.)**

# Cost Recovery Stakeholder Questions

## 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.

## Questions

1. Should recovery mechanisms be the same or different for programs administered or implemented by utilities versus non-utility parties?
2. **Topic 1: Recovery of Program Costs**
  - a. Should costs associated with efficiency program investments be expensed or amortized? If amortized, what is the appropriate amortization period, and what should the rate for the carrying costs be?
  - b. Should costs be allocated by sector (e.g., residential, commercial, industrial)? If yes, how would you recommend doing the allocation?
3. **Topic 2: Potential for Recovery of Lost Revenues**
  - a. Should there be a mechanism to recover lost revenues?
  - b. If the Board allows for recovery of lost revenues, what should the lost revenue recovery mechanism be?
  - c. If the Board allows for recovery of lost revenues:
    - i. What methods should the Board employ to calculate lost revenues associated with energy savings?
    - ii. Should other factors (e.g., weather, nonprogram-related reductions) be taken into account?
  - d. If the Board allows for recovery of lost revenues, should authorized return on equity be subject to adjustment based on reduced risk?

4. **Topic 3: Performance Incentives and Penalties**

As noted above, the Clean Energy Act at N.J.S.A. 48:3-87.9(e)(2) provides that cost recovery should include performance incentives or penalties as determined by the Board through an accounting mechanism established pursuant to N.J.S.A. 48:3-98.1.

- a. How should performance incentives be structured? How should performance penalties be structured?
  - i. Should incentives and penalties be handled as a percentage adjustment to earnings or as specific dollar amounts? Why? How?
  - ii. Should incentives and penalties be scalable based on performance? If so, in what manner?
  - iii. How should incentives and penalties be reconciled? Should incentives and penalties be “refunded” to ratepayers through rate reduction?
- b. If the Board establishes performance incentives and penalties, what level of total incentives and penalties is reasonable?