



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE COMPREHENSIVE ENERGY)
EFFICIENCY AND RENEWABLE ENERGY)
RESOURCE ANALYSIS FOR THE FISCAL YEAR 2017)
)
) ORDER
)
) DOCKET NO. QO16040352

Parties of Record:

- Michael Ambrosio**, Applied Energy Group
- Mark Mader**, Jersey Central Power & Light
- Timothy White**, Atlantic City Electric
- Sandra Eason-Perez**, Orange & Rockland Utilities
- Bruce Grossman**, South Jersey Gas Company
- Alex Stern**, Public Service Electric & Gas Company
- Anne Marie Peracchio**, New Jersey Natural Gas
- Mary Patricia Keefe**, Elizabethtown Gas Company
- Stefanie A. Brand**, Division of Rate Counsel

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities (Board or BPU) at its June 29, 2016 public meeting, where the Board considered and determined the funding for New Jersey's Clean Energy Program (NJCEP) for fiscal year 2017 (FY17).¹

BACKGROUND & PROCEDURAL HISTORY

On February 9, 1999, the Electric Discount and Energy Competition Act (EDECA or the Act) was signed into law, creating the societal benefits charge (SBC) to fund programs for the advancement of energy efficiency (EE) and renewable energy (RE) in New Jersey. The Act also provided for the Board to initiate proceedings and undertake a comprehensive resource analysis (CRA) of EE and RE programs in New Jersey every four years. The CRA would then be used to determine the appropriate level of funding over the next four years for the EE and Class I RE programs, which are part of what is now known as NJCEP. Accordingly, in 1999, the Board initiated its first CRA proceeding and, in 2001, it issued an order setting funding levels, the

¹ The funding levels approved in this Order are subject to State appropriations law.

programs to be funded, and the budgets for each those programs, all for the years 2001 through 2003. Since then, the Board has issued numerous Orders setting the funding levels, related programs, and program budgets for the years 2004 – Fiscal Year 2016 (FY16).²

In 2005-2006, the Board issued RFPs to contract for the services necessary to manage NJCEP, and in 2006 Honeywell, Inc. was engaged to manage the RE and residential EE programs, and TRC Energy Solutions (TRC) was engaged to manage the C&I EE programs. In 2007, Applied Energy Group Inc. (AEG) was engaged as the NJCEP Program Coordinator. These contracts, following multiple extensions, terminated on March 31, 2016.

In June 2012, the Board issued RFP 13-X-22546 seeking proposals for a single Program Administrator to provide the services then being provided by the above-mentioned contractors and to prepare a Strategic Plan (2012 RFP). Although the 2012 RFP ultimately did not result in the award of a final contract or preparation of a Strategic Plan, the Board, in April 2015, issued RFP 16-X-23938, again seeking proposals for a single Program Administrator who would, among other things, prepare a Strategic Plan. On December 1, 2015 Treasury awarded the Program Administrator contract (Contract) to AEG. AEG has subcontracted portions of the work under the Contract to TRC, CLEAResult Consulting Inc., ICF Resources, LLC, and Energy Futures Group, Inc. Among other things, the Contract provides for a 180-day transition period and the preparation of a long-term Strategic Plan during FY17. The goals of the Strategic Plan include:

- Identifying clear NJCEP policy goals and objectives;
- Setting long term energy savings and renewable energy targets for NJCEP programs;
- Identifying the tactics for achieving the goals; and
- Determining the costs and benefits of implementing the NJCEP program.

The Strategic Plan is expected to facilitate the return to a four-year planning and budgeting cycle which will be reflected in the FY18 CRA.

On or about May 31, 2016, OCE Staff distributed to the EE and RE listservs a notice of the availability of the "Comprehensive Energy Efficiency & Renewable Energy Resource Analysis Straw Proposal," dated May 31, 2016 and attached hereto as **Appendix A** (Straw Proposal). OCE Staff also posted the document on the NJCEP and BPU web sites. The distributions and postings invited comments on the foregoing document, with a due date of June 17, 2016. Further, a public hearing regarding the Straw Proposal was held on June 10, 2016, and the Straw Proposal was also discussed at the meetings of both the EE Committee and the RE Committee, which were held on June 14, 2016. In addition, NJDEP, by email dated May 6, 2016, confirmed (a) the Board had consulted with NJDEP regarding the Straw Proposal including, without limit, the Proposed FY17 Funding Levels set forth therein (as defined below), and (b) NJDEP agreed with the Proposed FY17 Funding Levels, stating that the draft budget is a reasonable distribution of funds amongst the clean energy programs.

² In the early years, the budgets and programs were based on calendar years, but, in 2012, the Board determined to begin basing the budgets and programs on fiscal years in order to align with the overall State budget cycle.

This Order determines the funding for New Jersey's Clean Energy Program (NJCEP) for fiscal year 2017 (FY17), as previously mentioned and as set forth in detail below.

OCE STAFF STRAW PROPOSAL DATED MAY 31, 2016

The following summarizes the key components of the Straw Proposal:

While the 2011 EMP does not set specific energy savings goals for NJCEP, OCE Staff drew the following objectives from the EMP, which informed the development of the Proposed FY17 Funding Levels:

- Energy efficiency is the most cost-effective way to lower energy costs.
- Energy efficiency programs should focus on both reducing energy usage and lowering peak demand, which can further lower costs for all ratepayers.
- While energy efficiency programs are the cheapest source of energy, the Board must consider the funding impact on non-participating customers.
- Energy efficiency programs and renewable energy contribute to the State's overall economic development and create in-State jobs.
- Energy efficiency and renewable energy programs deliver environmental and health benefits and lower peak energy costs, both of which benefit all ratepayers, including non-participating customers.
- Energy efficiency and renewable energy programs must undergo regular and rigorous evaluation to confirm projected costs, energy savings, and economic benefits.
- The promotion of in-State renewable energy resources can reduce emissions while promoting economic development.
- Energy savings should be considered comprehensively. Those savings that NJCEP programs deliver should complement other non-NJCEP activities such as stricter building codes, higher appliance standards, utility programs, and EE in State-owned facilities.
- Energy efficiency and renewable energy programs should reach across sectors including residential, commercial and governmental, etc. and be accessible to distressed communities.

Proposed FY17 Funding Levels

The Straw Proposal provides a detailed discussion of how the Proposed 2017 Funding Levels are consistent with the objectives set forth in the EMP. OCE Staff is recommending that for FY17 the Board set a new SBC funding level of \$344,665,000, which is the same funding level approved by the Board for FY15 and FY16. When combined with other sources of funds – loan repayments and interest, and unspent/uncommitted funds – it results in total new FY17 funding of \$360,758,752. OCE Staff anticipates the new SBC funding and the additional resources will be sufficient to maintain a full portfolio of programs.

Proposed FY17 Funding Levels

Budget Category	New SBC Funding	Total FY17 Funding (a)
Energy Efficiency:		
Residential	\$ 71,388,274	\$ 72,213,301
Low Income	29,657,254	30,000,000
Commercial & Industrial	74,116,507	74,973,064
State Facilities	7,414,314	7,500,000
Subtotal Energy Efficiency	\$ 182,576,349	\$ 184,686,365
Distributed Energy Resources (b)	22,739,205	23,002,000
Renewable Energy	1,977,150	2,000,000
EDA Programs	-	160,143
NJCEP Administration	12,477,048	12,621,244
NJCEP Total	\$ 219,769,752	\$ 222,469,752
State Energy Initiatives	124,895,248	138,289,000
Required FY17 Funding Level	\$ 344,665,000	\$ 360,758,752

- (a) Includes new SBC FY17 funding, other FY17 resources (including loan repayments and interest), and unspent/uncommitted funds from FY16 being reallocated among all funding categories. This amount does not include committed balances in each program that will carry over to fund future incentive payments.
- (b) Distributed Energy Resources ("DER") includes CHP including biopower, fuel cells, RE energy storage, storm shelters, and microgrids.

SBC Collection Schedule

OCE Staff recommends the Board utilize the same methodology for allocating the funding to the state's electric and natural gas utilities that was approved by the Board for FY16, which results in the following allocation:

	ACE	JCAL	RE-Electric	RECO	NUN	Edison	RIE-Gas	SJG	TCM
Jul	\$3,195,840.82	\$6,561,712.68	\$12,824,004.34	\$511,008.06	\$453,194.50	\$413,173.91	\$2,263,604.11	\$760,488.23	\$26,983,026.65
Aug	\$3,426,171.68	\$6,947,803.78	\$13,194,846.49	\$537,600.37	\$446,144.45	\$392,126.33	\$2,226,020.71	\$716,222.22	\$27,886,936.03
Sep	\$3,144,645.16	\$6,290,567.58	\$12,455,262.81	\$498,164.70	\$440,408.55	\$381,843.52	\$2,036,538.84	\$634,549.11	\$25,881,980.27
Oct	\$2,490,746.67	\$5,141,879.32	\$10,227,729.63	\$402,796.49	\$792,724.77	\$486,965.14	\$2,714,220.13	\$642,000.27	\$22,899,062.42
Nov	\$2,228,421.61	\$4,720,124.33	\$9,942,577.27	\$367,860.82	\$1,463,783.22	\$849,934.99	\$4,899,561.35	\$929,166.21	\$25,401,429.80
Dec	\$2,401,752.52	\$5,175,131.38	\$10,958,954.39	\$411,491.51	\$2,485,925.42	\$1,404,717.22	\$8,252,078.93	\$1,602,169.38	\$32,692,220.75
Jan	\$2,722,436.79	\$5,434,170.68	\$11,658,006.96	\$458,483.19	\$2,949,473.70	\$1,730,095.15	\$10,890,957.78	\$2,209,290.55	\$38,052,914.80
Feb	\$2,582,671.13	\$5,488,917.54	\$10,992,570.55	\$429,317.23	\$2,493,198.11	\$1,705,010.45	\$10,742,180.71	\$2,171,638.80	\$36,605,504.52
Mar	\$2,487,937.78	\$5,267,487.15	\$10,683,604.93	\$381,843.18	\$2,006,436.20	\$1,542,963.58	\$9,451,579.09	\$1,986,281.20	\$33,808,133.11
Apr	\$2,289,757.89	\$4,968,339.99	\$10,272,673.59	\$375,065.18	\$1,118,073.08	\$1,068,948.99	\$6,292,618.03	\$1,334,134.72	\$27,719,611.47
May	\$2,230,810.65	\$4,585,777.92	\$9,700,781.74	\$380,847.33	\$613,392.07	\$652,158.38	\$3,741,593.97	\$888,934.60	\$22,794,296.66
Jun	\$2,515,930.40	\$5,445,650.96	\$11,049,940.86	\$454,415.76	\$445,285.87	\$521,493.10	\$2,784,551.49	\$722,615.08	\$23,939,883.52
Total	\$31,717,123.10	\$66,027,663.31	\$133,960,963.64	\$5,209,893.82	\$15,708,038.94	\$11,140,430.76	\$66,296,506.14	\$14,697,490.37	\$344,665,000.00

(Proposed FY17 Utility Payments).

Rate Impacts

The Total FY17 Funding recommended by OCE Staff represents a continuation of the current funding level and therefore will have no incremental impact on rates. Any adjustments to rates necessary to collect the recommended funding level will, as necessary and appropriate, be addressed in individual utility rate cases.

SUMMARY OF COMMENTS FROM PUBLIC STAKEHOLDERS

Oral testimony was provided at the June 10, 2016 public hearing by the Division of Rate Counsel (Rate Counsel), Process Innovations, Sierra Club, and New Jersey Natural Gas (NJNG). In addition, written comments were submitted by South Jersey Gas (SJG), Rate Counsel, and Assemblyman Gordon Johnson. The following summarizes the testimony and comments and also provides OCE Staff's responses to them:

Comment: Rate Counsel is concerned about the proposed carryover of \$152,000,000 from FY16 and hopes the Strategic Planning Process will help the Board to better utilize budgeted funds in the future.

Response: The proposed carryover of approximately \$152,000,000 represents funds for projects that have received an incentive commitment prior to FY17 but that are anticipated to be completed and paid in FY17 or beyond. Pursuant to Treasury accounting guidance, funds for projects that receive rebate commitment letters are encumbered and reserved for those projects at the time of the commitment even though they will not be paid until the project is completed and confirmed to have met all program requirements. Such commitments are counted against

the current year budget such that actual expenses incurred during the current year plus any outstanding commitments cannot exceed the budget.

Comment: Process Innovations, Assemblyman Johnson, Rate Counsel, and Sierra Club expressed concern the proposed Total FY17 Funding of \$138,289,000 for State Energy Initiatives was not an appropriate use of SBC funds. Sierra Club suggested the Board consider producing reports addressing the positive economic impacts of its EE and RE programs.

Response: As stated in the Straw Proposal, EE is supported not only by the Board but also by other State agencies, including, among others, NJDEP's Air Quality, Energy & Sustainability Program, including its Office of EE and RE, as well as NJ Transit, which implements many energy efficiency projects, such as the installation of energy-efficient lighting and energy-efficient switch heaters, as well as the development and implementation of a demand response pilot program. OCE Staff submits that such a multi-agency approach to supporting EE and RE is an appropriate use of SBC funds. As to Sierra Club's suggestion, the Board already releases information about the positive economic impacts of its EE and RE programs including quarterly and annual reports that include energy and demand savings, renewable energy generation, distributed generation, etc. The NJCEP will continue to make such information publically available.

Comment: Process Innovations would like more funds directed towards residential energy storage and other potentially transformative residential measures that could increase energy resiliency. Sierra Club is pleased the Board is supporting energy storage, and it encourages the Board to evaluate solar fuel cells and biomass. NJNG suggests the Board use the Strategic Planning Process to continuously identify and evaluate new, potentially transformative technologies, regularly provide funding for same, and consider involving the utilities.

Response: OCE Staff appreciates the support for its energy storage programs and agrees NJCEP should continue to evaluate various alternatives for energy storage. Consistent with the Sierra Club's recommendation, the proposed FY17 DER Program includes incentives for biomass projects. Although current costs limit the attractiveness of the recommended solar-powered fuel cells and residential energy storage, OCE Staff will continue to explore the potential for providing incentives for these technologies in the future. OCE Staff agrees it would be worthwhile to use the Strategic Planning Process to, among other things, evaluate NJNG's suggestions regarding a process regarding potentially transformative technologies.

Comment: NJNG and SJG are pleased NJCEP will be returning to a 4-year Strategic Planning and Budgeting Process and that the utilities will play a role in it.

Response: OCE Staff appreciates the support.

OCE STAFF RECOMMENDATIONS

The Straw Proposal sets out in detail the rationale utilized by OCE Staff in developing the Total FY17 Funding. OCE Staff has reviewed the comments submitted. Having reviewed and considered the comments, OCE Staff has determined to recommend the Board set, adopt, and approve the new SBC funding level and the proposed FY17 Utility Payments schedule.

DISCUSSION AND FINDINGS

The Straw Proposal recognizes the value of energy efficiency as a foundational energy resource that, when delivered cost-effectively, reduces the cost of energy for all ratepayers, while providing additional benefits. Some of those benefits include health and safety benefits associated with improved air quality, lower environmental compliance costs, increased grid reliability, and increased economic development opportunities for New Jerseyans. It will serve as the foundation for the Strategic Planning Process to help New Jersey affirm itself as a national leader in clean energy programs.

The process for soliciting public input on the proposal was reasonable. OCE Staff, in conjunction with the Program Administrator, discussed the Straw Proposal at a public hearing on June 10, 2016, and at public meetings of the EE and RE Committees on June 14, 2016, and received written comments until June 17, 2016. In addition, NJDEP has confirmed it supports the Proposed FY17 Funding Levels. Finally, the Straw Proposal was circulated to the EE and RE Committee listservs, it was posted on the NJCEP web site, and written comments were solicited from the public. Accordingly, the Board **HEREBY FINDS** the process utilized in developing the Straw Proposal, including, without limit, the new SBC FY17 Funding set forth therein, was appropriate and provided stakeholders and interested members of the public adequate notice and opportunity to comment.

The Board has reviewed the CRA Straw Proposal, and OCE Staff's recommendations regarding same, and the Board **HEREBY FINDS** the Straw Proposal will benefit customers and is consistent with the EMP goal of reducing energy usage and associated emissions, will provide environmental benefits beyond those provided by standard offer or similar programs, and is otherwise appropriate. Therefore, the Board **HEREBY APPROVES** the Straw Proposal and the New SBC FY17 Funding.

The Board has reviewed OCE Staff's recommendation that the Board utilize the same methodology for allocating the funding to the state's electric and natural gas utilities that was approved by the Board for FY16. The Board **HEREBY FINDS** that the allocation of the FY17 funding to electric and natural gas utilities using the same methodology approved for FY16 is reasonable and consistent with the methodology approved by the Board in its 2008 CRA III Order. Based on the above, the Board **HEREBY APPROVES** the Proposed FY17 Utility Payments schedule set forth above.

The FY17 Utility Payments shall be made consistent with the Board's existing policies and procedures, including, without limit, the utilities' deduction of monthly Comfort Partners Program costs from the stated FY17 Utility Payments amounts. The Board also **HEREBY AUTHORIZES** the utilities to continue utilizing deferred accounting, through the SBC, for NJCEP revenues and expenses as set out in previous Orders of the Board. The Board will, as appropriate, consider rate making issues in the context of specific utility rate filings with the Board.

The Board notes that, on or about May 31, 2016 OCE Staff, circulated its recommendations regarding proposed FY17 programs and budgets and that those programs and budgets are addressed in a separate Order. That Order also addresses the total FY17 funding allocated to each budget category.

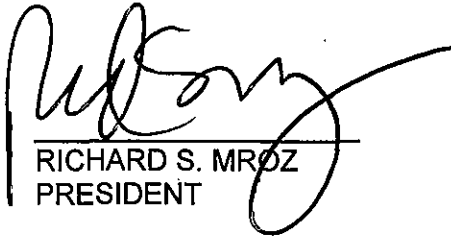
This Order shall be effective on July 1, 2016.

DATED: 6/29/16

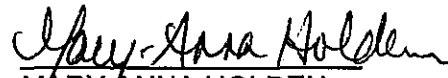
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BY:



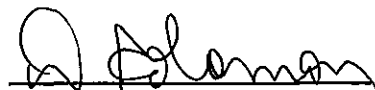
JOSEPH L. FIORDALISO
COMMISSIONER



RICHARD S. MROZ
PRESIDENT



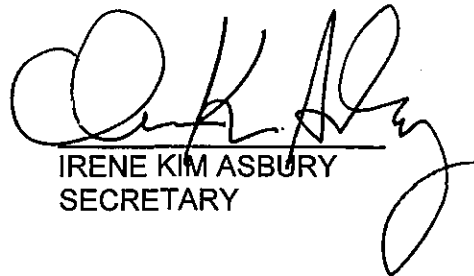
MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

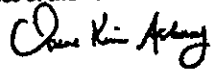


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 

IRENE KIM ASBURY
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 COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE
ENERGY RESOURCE ANALYSIS FOR THE FISCAL YEARS 2017 CLEAN ENERGY
PROGRAM

DOCKET NO. QO16040352

SERVICE LIST

Mr. Thomas A. Kowalczyk
Manager - Regulatory Review
Applied Energy Group
317 George Street, Suite 305
New Brunswick, NJ 08901
tkowalczyk@appliedenergygroup.com

Ms. Diane M. Zukas
TRC Energy Solutions
900 Route 9 North, Suite 404
Woodbridge, NJ 07095
DZukas@TRCsolutions.com

Mr. Michael Ambrosio
Applied Energy Group
317 George Street, Suite 305
New Brunswick, NJ 08901
mambrosio@appliedenergygroup.com

Mr. Bruce Grossman
Program Manager, Residential EE
South Jersey Gas Company
1 South Jersey Plaza
Folsom, NJ 08037
bgrossman@sjindustries.com

Mr. Samuel Valora
Program Manager, C&I Energy Efficiency
South Jersey Gas Company
1 South Jersey Plaza
Folsom, NJ 08037
svalora@sjindustries.com

Mr. Ken Maloney
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922
kmaloney@aglresources.com

Mr. Anthony Pugliese
Elizabethtown Gas
148 Edison Road
Stewartsville, NJ 08886
apugliese@aglresources.com

Ms. Mary Patricia Keefe
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922
mkeefe@aglresources.com

Mr. Thomas Kaufmann
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922
tkaufmann@aglresources.com

Mr. Steve Swetz
Director, Corporate Rates & Revenue
Requirements
Public Service Electric and Gas Company
T5, PO Box 570
Newark, NJ 07101
Steve.swetz@pseg.com

Ms. Stefanie A. Brand, Esq., Director
New Jersey Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
sbrand@rpa.state.nj.us

Ms. Debbie Franco
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922
dfranco@aglresources.com

Mr. Alex Stern
Assistant General Reg. Counsel
Public Service Electric and Gas Company
T5, PO Box 570
Newark, NJ 07101
Alex.stern@pseg.com

Mr. Scott Carter
AGL Resources
Ten Peachtree Place
Atlanta, GA 30309
scarter@aglresources.com

Mr. Wayne Barndt
Manager Regulatory Strategy & Policy
Pepco Holdings, New Castle Regional Office
Mailstop 79NC59, PO Box 9239
Newark, DE 19714
Wayne.barndt@pepcoholdings.com

Mr. Andrew Dembia
Regulatory Affairs Counsel
New Jersey Natural Gas Company
1415 Wyckoff Road
PO Box 1464
Wall, NJ 07719
adembia@njng.com

Ms. Anne Marie Peracchio
Director, Conservation & Clean Energy Policy
New Jersey Natural Gas Company
1415 Wyckoff Road
PO Box 1464
Wall, NJ 07719
aperacchio@njng.com

Ms. Seçil Onat
Executive Director, Office of Clean Energy
State of NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Fl, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Secil.onat@bpu.nj.gov

Ms. Rachel Boylan, Esq.
Legal Specialist
State of NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Fl, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Rachel.boylan@bpu.nj.gov

Mr. Mark Mader
Rates and Regulatory Affairs
Jersey Central Power & Light Company
300 Madison Avenue, PO Box 1911
Morristown, NJ 07962-1911

Ms. Susan Ringhof
Public Service Electric and Gas Company
T5, PO Box 570
Newark, NJ 07101
Susan.ringhof@pseg.com

Mr. Timothy White
Manager Policy Coordination
Pepco Holdings, New Castle Regional Office
Mailstop 79NC59, PO Box 9239
Newark, DE 19714
Timothy.white@pepcoholdings.com

Ms. Sandra Easton-Perez
Administrator
Orange & Rockland Utilities, Inc.
Customer Energy Services
390 West Route 59
Spring Valley, NY 10977

Ms. Marisa Slaten, Esq.
Assistant Director, Office of Clean Energy
State of NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Marisa.slaten@bpu.nj.gov

Ms. Holly Thompson
Orange & Rockland Utilities, Inc.
Customer Energy Services
390 West Route 59
Spring Valley, NY 10977

Ms. Irene Kim Asbury
Board Secretary
State of NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Fl, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Irene.asbury@bpu.nj.gov

Ms. Allison E. Mitchell
Administrative Analyst, Office of Clean Energy
State of NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Fl, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Allison.mitchell@bpu.nj.gov

Mr. Benjamin S. Hunter
Renewable Energy Program Admin., OCE
State of NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Fl, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Benjamin.hunter@bpu.nj.gov

Ms. Sherri Jones, Office of Clean Energy
State of NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Fl, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Sherri.jones@bpu.nj.gov

APPENDIX A
Straw Proposal

Office of Clean Energy

**Comprehensive Energy Efficiency & Renewable Energy
Resource Analysis Straw Proposal**

**New Jersey's Clean Energy Program
Proposed Funding Levels FY17**

May 31, 2016

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LIST OF ACRONYMS

- AEG: Applied Energy Group
- Board or BPU: New Jersey Board of Public Utilities
- BPI: Building Performance Institute
- C&I: Commercial & Industrial
- CHP: Combined Heat and Power
- CEEEP: Center for Energy, Economic & Environmental Policy
- CRA: Comprehensive Energy Efficiency & Renewable Energy Resource Analysis
- DER: Distributed Energy Resource
- DI: Direct Install Program
- EDA: Economic Development Authority
- EDECA: Electric Discount and Energy Competition Act
- EE: Energy Efficiency
- EMP: Energy Master Plan
- FY: Fiscal Year
- LEUP: Large Energy Users Program
- NASEO: National Association of State Energy Offices
- NJCEP: New Jersey's Clean Energy Program
- OCE: Office of Clean Energy
- OEM: Office of Emergency Management
- OSW: Offshore Wind
- RE: Renewable Energy
- RFP: Request For Proposal
- RPS: Renewable Portfolio Standard
- SBC: Societal Benefits Charge
- SREC: Solar Renewable Energy Certificates
- SRP: SREC Registration Program
- TRC: TRC Energy Solutions

EXECUTIVE SUMMARY

On February 9, 1999, the Electric Discount and Energy Competition Act was signed into law, which, among other things, created the societal benefits charge to fund programs for the advancement of energy efficiency and Class I renewable energy technologies and markets in New Jersey. The Act also charged the New Jersey Board of Public Utilities with initiating proceedings and undertaking a comprehensive energy efficiency and renewable energy resource analysis in New Jersey. The comprehensive resource analysis would be used to determine the level of funding for energy efficiency and Class I renewable energy programs statewide. Collectively, these programs form New Jersey's Clean Energy Program. Over the years the programs have significantly reduced energy usage, delivered clean, local sources of renewable energy and resulted in billions of dollars of energy cost savings to New Jersey ratepayers.

This straw proposal recommends the funding level for FY17, highlights recent accomplishments, discusses the strategic planning process, and describes the framework on which New Jersey's Clean Energy Program will continue to deliver innovative, cost-effective programs throughout the state. The proposed funding level will support six funding categories including: 1) Energy Efficiency; 2) Distributed Energy Resources; 3) Renewable Energy; 4) Economic Development Authority programs; 5) NJCEP Administration; and, 6) State Energy Initiatives. The total recommended funding for FY17 programs is \$344,665,000, the same level of funding approved for FY16.

NJCEP will continue to deliver a full suite of programs in FY17 while the Board develops a multi-year strategic plan, new marketing plan, and rolls out a new website. With stable funding levels, the clean energy programs will focus on delivering high-level service to program participants and increasing energy and cost savings to customers across the state.

1. HISTORY/BACKGROUND

The Board initiated its first CRA proceeding in 1999 and issued the first CRA order in 2001. The 2001 order set funding levels, the programs to be funded, and the budgets for each of those programs for the years 2001 through 2003. Since then, the Board has issued numerous orders setting the funding levels, related programs, and program budgets for the years 2004 – fiscal year 2016.¹

In 2005-2006, the BPU issued RFPs to contract the necessary administrative services, and in 2006 Honeywell, Inc. was engaged to manage the RE and residential EE programs, and TRC Energy Solutions was engaged to manage the C&I EE programs. In 2007, Applied Energy Group was engaged as the NJCEP Program Coordinator. These contracts, following multiple extensions, terminated on March 31, 2016.

¹ In the early years, the budgets and programs were based on calendar years, but, in 2012, the Board determined to begin basing the budgets and programs on fiscal years in order to align with the overall State budget cycle.

In June 2012, the Board, through the Department of the Treasury, Division of Purchase and Property (Treasury), issued RFP 13-X-22546 seeking proposals for a single Program Administrator to provide the services then being provided by a Honeywell, TRC, and AEG and to prepare a Strategic Plan (2012 RFP). Although the 2012 RFP ultimately did not result in the award of a final contract or preparation of a Strategic Plan, the Board, in April 2015, issued RFP 16-X-23938, again seeking proposals for a single Program Administrator who would, among other things prepare a Strategic Plan.

On December 1, 2015, Treasury awarded the Program Administrator contract to AEG. AEG has subcontracted portions of the work under its contract to TRC, CLEAResult Consulting Inc., ICF Resources, LLC, and Energy Futures Group, Inc. Among other things, the Program Administrator contract provides for a 180-day transition period and the preparation of a long-term Strategic Plan during FY17. The goals of the strategic planning process include:

- identifying clear NJCEP policy goals and objectives,
- setting long term energy savings and renewable energy targets for NJCEP programs,
- identifying the tactics for achieving the goals; and
- determining the costs and benefits of implementing the NJCEP program.

The Strategic Plan is expected to facilitate the return to a four-year planning and funding cycle.² Accordingly, Staff anticipates the next CRA to be multi-year.

2. GOALS/OBJECTIVES OF CRA

Setting clear and actionable policy goals and objectives is integral to the long-term success of the NJCEP. The first step in the strategic planning process (described in Section 4 below) – establishing policy objectives – is the most important. Clarity regarding the BPU’s priorities is integral in order to rationalize decisions regarding where and how to invest NJCEP resources. Operational goals and objectives that help guide the implementation of the NJCEP programs are equally important and should support the overarching policy objectives.

The Energy Master Plan provides a useful reference for policy objectives. Policy considerations gleaned from the EMP that guide the proposed FY17 CRA funding levels include:

- Energy efficiency is the most cost-effective way to lower energy costs.
- Energy efficiency programs should focus on both reducing energy usage and lowering peak demand, which can further lower costs for all ratepayers.
- While energy efficiency programs are the cheapest source of energy, the Board must consider the funding impact on non-participating customers.
- Energy efficiency programs and renewable energy contribute to the State's overall economic development and create in-State jobs.

² The Act originally provided for the Board to every four years initiate proceedings and undertake a comprehensive resource analysis (CRA) of EE and RE programs every four years.

- Energy efficiency and renewable energy programs deliver environmental and health benefits and lower peak energy costs, both of which benefit all ratepayers, including non-participating customers.
- Energy efficiency and renewable energy programs must undergo regular and rigorous evaluation to confirm projected costs, energy savings and economic benefits.
- The promotion of in-State renewable energy resources can reduce emissions while promoting economic development.
- Energy savings must be considered comprehensively. Those savings that NJCEP programs deliver should complement other non-NJCEP activities such as stricter building codes, higher appliance standards, utility programs, and EE in State-owned facilities.
- Energy efficiency and renewable energy programs should reach across sectors including residential, commercial and governmental, etc. and be accessible to distressed communities.

These considerations provide a starting point for discussion on what the long-term goals and objectives of the NJCEP should be. More detailed objectives will be determined through the strategic planning process.

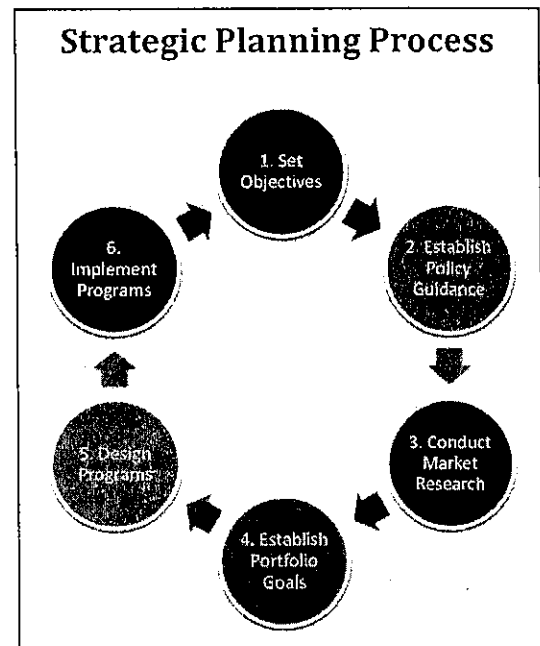
3. STRATEGIC PLANNING PROCESS

Staff and the AEG team are working together to develop proposed refinements to the existing programs for FY17 while simultaneously initiating a fuller strategic planning process to set the stage for comprehensive change in direction for FY18 and beyond. The full strategic plan will inform the development of a multi-year CRA next year that addresses FY18 and beyond.

Strategic Planning Process

There will be six steps to the strategic planning process proposed by AEG:

1. **Set prioritized policy objectives:** Clear objectives drive all subsequent activities and determine the structure of programs. Examples of policy objectives include the reduction of energy usage, peak demand reduction, job creation, reduce carbon emissions, etc.
2. **Establish policy guidance** to advance those objectives. Provides key information regarding roles and responsibilities to all market actors and provides continuity and stability to programs over time.
3. **Conducting market research** on opportunities and barriers to achieving policy objectives. Market research can include a variety of studies including



baseline studies, potential studies, process and impact evaluations, and customer surveys.

4. **Establishing portfolio-level goals** and performance metrics consistent with policy objectives. Goals can either be a standard where the NJCEP would be required to reduce X% of energy by year Y, or a non-binding goal set by legislation or policy making.
5. **Designing a portfolio of programs** that can meet those goals. Programs will be designed to achieve policy objectives laid out in step one utilizing past program experience and relying heavily on the market research from step 3. Part of the program design will include a detailed evaluation plan to measure key metrics and program performance in order to inform program management on a continuing basis.
6. Once programs are designed, they must be **well implemented and managed**. Implementation includes the delivery of programs to the end customers and is vitally important because it is generally the only contact the general public has with NJCEP programs.

Data and information gleaned from on-going evaluation will be critical to ensuring high quality implementation and management. The development and tracking of program metrics will be key to evaluating programs in a near real-time basis. Possible metrics include first year program costs per energy saved, lifetime cost per energy saved, and program cost-effectiveness.

The strategic plan must also be dynamic in nature. Both the mix of programs and their designs will need to evolve based on market feedback, program experience, and evaluation results.

Strategic Planning Timeline

The strategic planning process began in 2Q FY16 and is expected to be a year-long process, concluding in 3Q FY17. The process will include meetings with sister agencies, the utilities, Rate Counsel, stakeholders, and an opportunity for public comment. Conversations with the utilities on topics related to energy efficiency, renewables integration, and strategic planning are already underway. Ultimately, the timeline will be designed in order for the strategic plan to inform a multi-year CRA for FY18.

4. PROGRAM EVALUATION

Program evaluation is an integral component of proper program planning and reporting. Continuous program evaluation ensures ratepayer funds are being effectively spent on NJCEP programs and are achieving the energy savings targets set by the CRA process. The table below describes the planned evaluation activities for FY17.³

³ BPU anticipates developing a detailed evaluation and research plan as part of the strategic planning process. Program evaluations from prior years can be found on the NJCEP website here: <http://www.njcleanenergy.com/main/public-reports-and-library/market-analysis-protocols/market-analysis-baseline-studies/market-an>

Proposed FY2017 Evaluation Activities

Fiscal Year	Evaluation Study Name⁴	To be conducted by
FY 2017 <i>(1 July 2016 to 30 June 2017)</i>	1. Impact Evaluation Studies ⁵ a. Residential Programs: i. Energy Efficient Products Program ii. Existing Homes Program (Home Performance with ENERGY STAR®) b. Commercial & Industrial Programs: i. Direct Install ii. Retrofit iii. Pay for Performance	3 rd Party Contractors via Treasury
	2. C&I and Residential Baseline Study	3 rd Party Contractors via Treasury
	3. Protocols Evaluation	3 rd Party Contractors via Rutgers
	4. Strategic Planning Proceeding (program planning, goal setting, and budgeting for FY18 through FY20)	AEG/BPU
	5. Economic Impact Study	Rutgers CEEEP
	6. Cost-Benefit Analysis (Retrospective & Prospective)	Rutgers CEEEP
	7. Evaluation & Research Plan Update	Rutgers CEEEP
	8. Protocols Update	AEG/Rutgers CEEEP
	9. RPS Evaluation Study	Rutgers CEEEP
	10. Analytics for Energy Policies	Rutgers LESS

5. RECOMMENDATIONS

The funding recommendations for FY17 considered, in part, the program’s historic results, funding for several new programs as well as several changes to the existing programs. The following table shows NJCEP program expenses, commitments and energy savings/generation since FY14:

⁴ The timeline for completing the evaluations may vary. Evaluations started in FY17 may/not be completed in the same fiscal year.

⁵ Impact evaluations will be conducted for the listed programs. Impact evaluations for all NJCEP programs in one year are not feasible given budget constraints.

**NJ Clean Energy Program
Historical Results**

Category	FY14	FY15	FY16 YTD thru Dec 2015
Expenses:			
Energy Efficiency	\$178,097,682	\$187,876,975	\$ 93,876,071
CHP/Fuel Cells	1,474,906	2,448,358	1,440,787
Renewable Energy	4,193,890	4,699,543	2,514,207
EDA Programs	5,524,016	2,877,474	202,308
NJCEP Admin	5,511,570	5,435,669	3,420,996
TRUE Grant	7,419,100	-	-
NJCEP Total Expenses	\$202,221,164	\$203,338,018	\$101,454,369
Year-end Commitments:			
Energy Efficiency	\$ 95,187,314	\$102,018,033	\$ 86,708,518
CHP/Fuel Cells	6,050,795	9,361,807	16,198,308
Renewable Energy	7,755,043	7,233,804	5,485,804
EDA Programs	8,106,179	13,438,007	11,302,485
NJCEP Admin	-	-	-
TRUE Grant	1,874,500	-	-
Total Commitments	\$118,973,832	\$132,051,651	\$119,695,114
Total Program Need:			
Energy Efficiency	\$273,284,995	\$289,895,008	\$180,584,589
CHP/Fuel Cells	7,525,702	11,810,165	17,639,095
Renewable Energy	11,948,933	11,933,347	8,000,011
EDA Programs	13,630,195	16,315,480	11,504,793
NJCEP Admin	5,511,570	5,435,669	3,420,996
TRUE Grant	9,293,600	-	-
NJCEP Total Need	\$321,194,996	\$335,389,669	\$221,149,483
Savings:			
Electric (Lifetime MWh)	6,040,321	6,596,626	2,957,663
Gas (Lifetime Dtherm)	16,657,595	14,611,466	6,725,350
Demand Reduction (kW)	80,245	113,442	37,001
Generation (MWh)	5,346,105	4,853,617	2,556,192

Proposed Funding Levels

Staff recommends the following funding levels for FY17:

Proposed FY17 Funding Levels

Budget Category	New SBC Funding	Total FY17 Funding (a)
<i>Energy Efficiency:</i>		
Residential	\$ 71,388,274	\$ 72,213,301
Low Income	29,657,254	30,000,000
Commercial & Industrial	74,116,507	74,973,064
State Facilities	7,414,314	7,500,000
Subtotal Energy Efficiency	\$ 182,576,349	\$ 184,686,365
Distributed Energy Resources (b)	22,739,205	23,002,000
Renewable Energy	1,977,150	2,000,000
EDA Programs	-	160,143
NJCEP Administration	12,477,048	12,621,244
NJCEP Total	\$ 219,769,752	\$ 222,469,752
State Energy Initiatives	124,895,248	138,289,000
Required FY17 Funding Level	\$ 344,665,000	\$ 360,758,752

(a) Includes new SBC FY17 funding, other FY17 resources (including loan repayments and interest), and unspent/uncommitted funds from FY16 being reallocated among all funding categories. This amount does not include committed balances in each program that will carry over to fund future incentive payments.

(b) Distributed Energy Resources ("DER") includes CHP including biopower, fuel cells, RE energy storage, storm shelters, and microgrids.

Utilization of Funding

The FY17 funding levels will be used for the following programs/initiatives.⁶

- Residential EE
 - Residential HVAC – Electric and Gas: The Residential Gas and Electric HVAC Program provides rebates to customers that purchase high efficiency heating and cooling equipment such as furnaces and central air conditioners.

⁶ The programs and their terms are subject to change from time-to-time. Staff anticipates circulating for comment on or about June 2, 2016 draft FY17 compliance filings which include program descriptions and detailed budgets.

- Residential New Construction: The Residential New Construction Program provides financial incentives to builders that construct new homes meeting the New Jersey Energy Star Homes standards, which exceed the requirements of existing energy codes.
- Energy Efficient Products: The Energy Efficient Products Program provides financial incentives and support to retailers that sell energy efficient products, such as appliances, appliance recycling, or LED light bulbs.
- Home Performance with Energy Star: The Home Performance with Energy Star Program relies on contractors that are BPI-certified and incentivizes the installation of whole-house energy conservation measures, such as new HVAC, air sealing, insulation, etc. in existing homes.
- Low Income: The Residential Low-Income/Comfort Partner Program provides for the installation of energy conservation measures at no cost to income-qualified customers.
- C&I EE
 - C&I New Construction: The C&I New Construction Program provides rebates and other incentives to commercial and industrial customers that design and build energy efficient buildings.
 - C&I Retrofit: The C&I Retrofit Program provides rebates and other incentives to commercial and industrial customers that install high efficiency equipment in existing buildings.
 - Pay-for-Performance: The Pay-for-Performance program provides incentives for new construction and existing buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
 - Local Government Audit: The Local Government Energy Audit program offers subsidized energy efficiency audits to governmental entities, municipalities, school districts and non-profits.
 - Direct Install: The Direct Install program provides incentives for the installation of energy efficiency measures in small commercial buildings and non-profits.
 - Large Energy Users Program: the Large Energy Users Program provides incentives to the State's largest energy users through a streamlined program approach.
 - Customer Tailored Program: New program that will provide flexible services designed to meet the individual needs of medium to large C&I customers that fall between the DI program for small C&I customers and the LEUP for the largest C&I customers. Services will include technical assistance, custom-calculated incentives, and possible financing
- State Facilities: The State Facilities Initiative implements and funds energy efficiency and energy savings projects for State owned and operated buildings and grounds. This includes air handling and movement, lighting and equipment upgrades and replacements, and other energy efficient measures. There are several

projects that have been completed or are in the audit phase and will be ready to start design and implementation stages in FY17.

- EDA: EDA manages a portfolio of programs – Edison Innovation Clean Energy Manufacturing Fund, Green Growth Fund, and Large Scale CHP program.
- Distributed Energy Resources (DER)⁷:
 - CHP and Fuel Cell Systems: The CHP and Fuel Cell component provides incentives for the installation of CHP and fuel cell systems.
 - Renewable Energy Storage: Provides incentives for renewable energy storage systems.
 - Biomass Facilities: Provides incentives for biomass facilities.
 - Microgrid: This program will provide incentives to fund feasibility studies for potential DER microgrids in New Jersey.
- Renewable Energy⁸:
 - The SREC Registration Program registers projects that are eligible to generate and trade SRECs.
 - OSW: This program provides funding for research, evaluations, and general consulting services.
- NJCEP Administration
 - Administration and Overhead: OCE Staff expenses, and overhead.
 - Marketing: Includes funding for marketing and related expenses.
 - Evaluation and Related Research: Includes funding for program evaluation activities proposed above, studying the impact of clean energy programs on jobs, CEEEP, and other evaluation related initiatives.
 - Outreach and Education: Includes a strategic outreach plan to be implemented by the Program Administrator. It also includes grants to: Rutgers EcoComplex, Rutgers Laboratory for Energy Smart Solutions, NJIT Clean Energy Learning Center, and Sustainable Jersey.
 - Other/Memberships: Includes funding for the National Association of State Energy Offices, the Clean Energy States Alliance and other organizations whose mission support the work of the agency.
- State Energy Initiatives: \$138,289,000 in SBC funds will be allocated to fund the State's energy initiatives and utility bills.

State Energy Initiatives

The expenditure for State energy initiatives recognizes that the State's EE initiatives extend beyond the BPU. Through energy efficiency efforts implemented by sister agencies, the office of Air Quality, Energy and Sustainability in DEP, the State conducts valuable research on clean energy technologies. Funding SAGE is consistent with EDECA in that a goal of SAGE is to accelerate the transition to a clean energy economy. Specifically, SAGE aims to "speed deployment of solar energy, offshore wind,

⁷ The new DER funding category replaces the CHP funding category and includes: CHP, Fuel Cells, Biomass, RE Storage, and microgrids.

⁸ The reduction in the RE budget reflects, in part, the proposed transfer of the RE Storage and biomass components of the program to the new DER funding category noted above.

sustainable biomass, geothermal, alternative fuels and vehicles, and innovative technologies like energy storage, fuel cells and tidal energy.” By supporting SAGE, the NJCEP is furthering its commitment to EE and RE programs. Likewise, NJ Transit aims to implement strategic energy efficiency initiatives to lower utility costs. Such efforts have a direct impact on utility costs and should be encouraged.

Renewable Energy Funding

The funding requested in this CRA for renewable energy programs in New Jersey is a fraction of the total contribution made by ratepayers to support the development of renewable energy. It does not include other costs, such as the cost of compliance with NJ’s RPS, as well as the value provided through net metering of customer-sited renewables and utility managed RE programs. In addition, the proposed RE budget reflects that the RE Storage and biomass components of the Renewable Energy Incentive Program are now included in the new DER funding category.

Proposed Savings Goals

The FY17 energy savings goals are derived using a bottoms-up approach to program planning based on the anticipated participation for each NJCEP program. The forecast was generated by making measure-level projections for each NJCEP program. These measure-level projections roll up into program-level projections, which in turn roll up into sector-level projections. The measure-level projections are based on a multitude of factors including past program participation, changes to programs that impact participation, changes in the marketplace (i.e. new building codes), and overall regional and national trends.

The table below sets out the energy savings goals associated with the funding levels recommended above:

Energy Savings Targets for FY17

Sector	FY2016		FY2017			
	MWh	DTH	MWh	DTH	\$/kWh	\$/therm
Residential	175,001	339,422	184,768	395,141	0.16	10.17
Residential Low Income	7,670	61,740	3,900	38,000	1.99	58.47
Commercial and Industrial	188,645	397,570	235,120	397,498	0.23	8.34
NJCEP Total	371,316	798,732	423,788	830,639	0.21	11.81

SBC Collection Schedule

Staff recommends that the Board utilize the same allocation methodology that was utilized in the last CRA to allocate the overall funding level to the monthly payments due from each natural gas and electric utility.

The table below sets out the monthly payments to the Trust Fund due from each utility:

Monthly Utility Funding Levels - Clean Energy Trust Fund - FY2017

	ACE	JCP&L	PS-Electric	RECO	NJN	Etown	PS-Gas	SJG	Total
<i>Jul</i>	\$3,195,840.82	\$6,561,712.68	\$12,824,004.34	\$511,008.06	\$453,194.50	\$413,173.91	\$2,263,604.11	\$760,488.23	\$26,983,026.65
<i>Aug</i>	\$3,426,171.68	\$6,947,803.78	\$13,194,846.49	\$537,600.37	\$446,144.45	\$392,126.33	\$2,226,020.71	\$716,222.22	\$27,886,936.03
<i>Sep</i>	\$3,144,645.16	\$6,290,567.58	\$12,455,262.81	\$498,164.70	\$440,408.55	\$381,843.52	\$2,036,538.84	\$634,549.11	\$25,881,980.27
<i>Oct</i>	\$2,490,746.67	\$5,141,879.32	\$10,227,729.63	\$402,796.49	\$792,724.77	\$486,965.14	\$2,714,220.13	\$642,000.27	\$22,899,062.42
<i>Nov</i>	\$2,228,421.61	\$4,720,124.33	\$9,942,577.27	\$367,860.82	\$1,463,783.22	\$849,934.99	\$4,899,561.35	\$929,166.21	\$25,401,429.80
<i>Dec</i>	\$2,401,752.52	\$5,175,131.38	\$10,958,954.39	\$411,491.51	\$2,485,925.42	\$1,404,717.22	\$8,252,078.93	\$1,602,169.38	\$32,692,220.75
<i>Jan</i>	\$2,722,436.79	\$5,434,170.68	\$11,658,006.96	\$458,483.19	\$2,949,473.70	\$1,730,095.15	\$10,890,957.78	\$2,209,290.55	\$38,052,914.80
<i>Feb</i>	\$2,582,671.13	\$5,488,917.54	\$10,992,570.55	\$429,317.23	\$2,493,198.11	\$1,705,010.45	\$10,742,180.71	\$2,171,638.80	\$36,605,504.52
<i>Mar</i>	\$2,487,937.78	\$5,267,487.15	\$10,683,604.93	\$381,843.18	\$2,006,436.20	\$1,542,963.58	\$9,451,579.09	\$1,986,281.20	\$33,808,133.11
<i>Apr</i>	\$2,289,757.89	\$4,968,339.99	\$10,272,673.59	\$375,065.18	\$1,118,073.08	\$1,068,948.99	\$6,292,618.03	\$1,334,134.72	\$27,719,611.47
<i>May</i>	\$2,230,810.65	\$4,585,777.92	\$9,700,781.74	\$380,847.33	\$613,392.07	\$652,158.38	\$3,741,593.97	\$888,934.60	\$22,794,296.66
<i>Jun</i>	\$2,515,930.40	\$5,445,650.96	\$11,049,940.86	\$454,415.76	\$445,285.87	\$521,493.10	\$2,784,551.49	\$722,615.08	\$23,939,883.52
Total	\$31,717,123.10	\$66,027,563.31	\$133,960,953.56	\$5,208,893.82	\$15,708,039.94	\$11,149,430.76	\$66,295,505.14	\$14,597,490.37	\$344,665,000.00

6. CONCLUSION

Staff's straw proposal for the FY17 CRA is intended to recognize the value of energy efficiency as a foundational energy resource that when delivered cost-effectively, reduces the cost of energy for all ratepayers, while providing additional benefits, including the health and safety benefits associated with improved air quality, lower environmental compliance costs, increased grid reliability, and economic development opportunities in the form of jobs in construction and a more competitive business environment.

This single year CRA will serve as the foundation for the Strategic Planning Process discussed in Section 4. The Strategic Planning process will set New Jersey on the path to making significant changes to the program offerings of the Clean Energy Program and will re-affirm New Jersey's position as a national leader in clean energy programs.