



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 CLEAN ENERGY PROGRAMS) ORDER
AND BUDGET FOR FISCAL YEAR 2016 – LOCAL)
GOVERNMENT ENERGY AUDIT PROGRAM REVISIONS)
) DOCKET NO. QO15040477

Parties of Record:

- Diane Zukas, TRC Energy Services**
- 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**
- Susan Ringhof, Public Service Electric and Gas Company**
- Andrew Dembia, New Jersey Natural Gas**
- Mary Patricia Keefe, Elizabethtown Gas**
- Stefanie A. Brand, Esq., Director, Rate Counsel**

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities (“Board”) at its March 18, 2016 public meeting, where the Board considered certain administrative revisions to the New Jersey’s Clean Energy Program’s (“NJCEP’s”) Local Governmental Energy Audit Program (“LGEA Program” or “Program”).

BACKGROUND AND PROCEDURAL HISTORY

In accordance with the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. (“EDECA”), and by Order dated June 25, 2015 (“FY16 Budget Order”), Docket No. QO15040477, the Board approved, among other things, the FY16 compliance filing of TRC Energy Solutions, Inc. (“TRC”), which manages the commercial and industrial (“C&I”) Energy Efficiency (“EE”) Programs. The compliance filing included, among other things, a program description of the LGEA program.

The compliance filing states, in part, that the LGEA Program provides financial incentives to cover the cost of having an energy audit performed on eligible facilities owned by municipalities, school districts, other local and state government entities, and 501(c)(3) nonprofit organizations ("Applicants"). Incentives are capped at \$100,000 per entity, per fiscal year; however, for larger projects that participate in the Energy Savings Improvement Program (ESIP), incentives may be capped at \$300,000. The compliance filing also describes the program implementation process.

Through December 31, 2015, LGEA Program energy audits were performed by five audit firms ("Prior Program Process") that had been awarded contracts by the Department of Treasury following a competitive process. Those contracts expired on December 31, 2015, and the NJCEP temporarily suspended processing new applications into the Program.

Under the new Program Administrator contract awarded to Applied Energy Group Inc. ("AEG") on December 1, 2015, the LGEA audits will be performed by TRC (the C&I Market Manager and member of AEG's subcontractor team) ("New Program Process"). The New Program Process allows for the streamlining of the LGEA Program's administrative process and the associated reduction of administrative costs with no impact on the Program's eligibility requirements or incentive levels. As a result, the LGEA program description in the compliance filing must be updated to reflect the new administrative process.

This Order describes the new administrative process and approves revisions to the compliance filing. The changes described in this Order do not impact the Program's eligibility requirements or incentive levels. Public notice of the New Program Process was provided on March 16, 2016.

REVISIONS TO THE LGEA PROGRAM'S ADMINISTRATIVE PROCESS

The Prior Program Process required Applicants to conduct an RFP process to select from five different pre-qualified contractors to perform the energy audits. That process relied heavily on the Applicants' time and resources, and has been eliminated in the New Program Process. Under the New Program Process TRC will conduct all of the energy audits, thereby streamlining the process and alleviating some of the Applicant's administrative burdens. The Program will continue to provide energy audits at no-cost to Applicants (subject to applicable incentive caps) and the Program's eligibility requirements continue unchanged.

The following identifies the revisions to the LGEA Program's administrative process due to the new Program Administrator contract:

Prior Program Process:

- **Application:** TRC determined whether an Applicant was eligible for the Program through an application review process.
- **Select an auditor:** Once an Applicant was deemed eligible, it was required to solicit price offers through an RFP using a prescribed template. TRC provided support in finalizing the RFP prior to release to ensure Program compliance. Applicants were required to release the RFP to a list of five (5) pre-qualified audit firms for energy audit services and select the lowest bidder, or otherwise provide justification for a non-lowest bidder, which justification was subject to review and approval by the Market Manager, Program Coordinator, and/or BPU.

- **Conduct the audit:** The selected audit firm conducted the audit and completed the draft audit report(s) within 4 months.
- **Issue the audit report:** Upon completion, the audit firm submitted the draft energy audit report(s) for review and TRC provided technical review services to ensure the report(s) met Program guidelines. After review of the audit report(s) was complete, TRC issued a final approval letter and requested copies of the final energy audit report(s) be released to the Applicant and TRC.
- **Incentive payment:** The audit firm then submitted invoices for the audit work performed, which invoices TRC reviewed and approved for incentive payment. Incentives were determined consistent with the program terms.

New Program Process:

- **Application:** TRC will determine whether an Applicant is eligible for the Program through an application review process.
- **Conduct the audit:** TRC will determine the energy audit scope of work, conduct the audit, and prepare the draft audit report(s). The draft audit report(s) should be completed within 1 month.
- **Issue the audit report:** TRC will meet with the Applicant to discuss the audit findings and next steps for implementing measures recommended in the audit report(s). TRC will follow up with all Applicants to offer assistance and encourage them to use the NJCEP to implement the energy savings measures identified in the audit report.
- **Incentive payment:** The value of the audit will be determined consistent with the program terms. TRC, through AEG, will invoice the NJCEP for the audit pursuant to the rates in the new Program Administrator contract.

Staff recommends approval of the Program Administrator's revised compliance filing, dated March 18, 2016, incorporating the New Program Process described above.

DISCUSSION AND FINDINGS

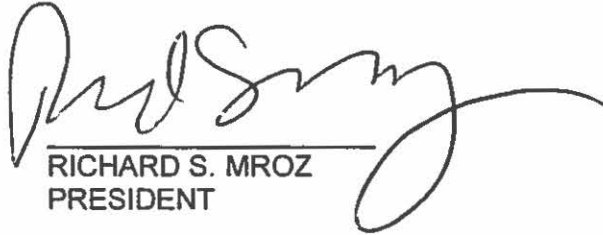
The Board has reviewed Staff's recommendations regarding the LGEA program, and **HEREBY FINDS** that the New Program Process and the revisions to the compliance filing accurately reflect the program implementation method that the Program Administrator is contracted to deliver – namely, performing the LGEA audits in-house. The Board also **FINDS** that adequate public notice of the changes was provided, the revisions to the compliance filing are administrative in nature, and that the New Program Process does not impact program eligibility or incentive levels.

Therefore, the Board **HEREBY APPROVES** the revised compliance filing as submitted by the Program Administrator on March 18, 2016, and directs Staff to post the compliance filing on the NJCEP website.

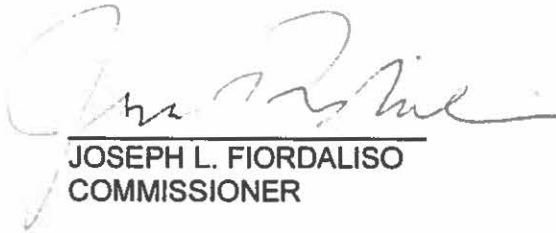
The effective date of this Order is March 28, 2016.

DATED: 3-18-16

BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



JOSEPH L. FIORDALISO
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER

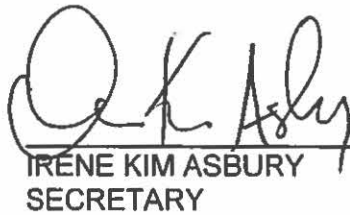


DIANNE SOLOMON
COMMISSIONER



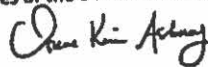
UPENDRA J. CHIVUKULA
COMMISSIONER

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 THE CLEAN ENERGY PROGRAMS AND BUDGET FOR FISCAL YEAR
2016 – LOCAL GOVERNMENT ENERGY AUDIT PROGRAM REVISIONS

DOCKET NO. QO150040477

SERVICE LIST

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

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

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

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

Diane M. Zukas
TRC Energy Solutions
900 Route 9 North, Suite 404
Woodbridge, NJ 07095

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

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

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

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

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

Stefanie A. Brand, Esq., Director
New Jersey Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Irene Kim Asbury, Esq.
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
irene.asbury@bpu.state.nj.us

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

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

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

Alexander Stern
Assistant General Reg. Counsel
Public Service Electric and Gas Company
T5, Post Office Box 570
Newark, NJ 07101
Alexander.stern@pseq.com

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

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

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

Susan Ringhof
Public Service Electric and Gas Company
T5, Post Office Box 570
Newark, NJ 07101
Susan.ringhof@pseq.com

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

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

Rachel Boylan, Esq.
Legal Specialist
Counsel's Office
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Rachel.boylan@bpu.state.nj.us

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

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

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

Andrew Dembia
Regulatory Affairs Counsel
New Jersey Natural Gas Company
1415 Wyckoff Road
Post Office Box 1464
Wall, NJ 07719
adembia@NJNG.com

Local Government Energy Audit (LGEA) Program

Program Description

The LGEA program provides a free energy audit of facilities of eligible entities (“Applicant”). The goal of the energy audit is to provide Applicants with information on how their facilities use energy, identify energy conservation measures (ECMs) that can reduce energy use, and put Applicants in a position to implement these ECMs. The energy audit also guides Applicants towards appropriate NJCEP equipment incentive programs in order to receive financial incentives for implementing the ECMs.

Target Markets and Eligibility

LGEA is open to the following eligible entities that contribute to the Societal Benefits Charge fund through either their gas and/or electric utilities:

- “State contracting agency” as defined by N.J.S.A. 52:34-35
- “Public agency” as defined by N.J.S.A. 52:35A-1
- Local governments per Local Public Contracts Law (N.J.S.A. 40A:11-1)
- Local governments per Public School Contracts Law (N.J.S.A. 18A:18A-1)
- County colleges per County College Contracts Law (N.J.S.A. 18A:64A-25.1)
- NJ State Colleges or State Universities per State College Contracts Law (N.J.S.A. 18A:64-52)
- Nonprofit charitable organizations per Section 501(c)(3) of the Internal Revenue Code

Applicants may apply for an energy audit for buildings that they own, although a building may still be eligible if the Applicant leases the building and provides supporting documentation from the building owner before having an energy audit performed.

Buildings must demonstrate a peak demand of 200kW or greater in the most recent 12 months of electric utility bills (inclusive of all accounts in the building) in order to qualify. Buildings that do not meet this requirement will be recommended to apply for the Direct Install program. TRC will have the ability to grant exceptions to the kW requirement, on a per building basis, if the Applicant can demonstrate they meet or identify with at least one of the following:

- ESIP is an anticipated source of funding
- ERB is an anticipated source of financing
- Master or campus metering arrangement on-site, where demand of any one building is unknown
- Already participated in Direct Install
- Demonstrates an interest in measures that are not available under the Direct Install program, such as building shell measures (e.g. insulation, windows, etc.)

LGEA is available to buildings never previously audited under the program, as well as buildings that have received an audit so long as the audit conducted under the LGEA program is at least three (3) years old (measured from the audit report approval date). All program requirements must be met in order for an entity to qualify for a second energy audit.

Program Offering

This program is implemented as follows:

- The Applicant will submit an application to the program identifying the energy audit option available that best addresses their needs, as well as building type, square footage, utility account information and associated bills, and other applicable energy usage information for each building to be audited.
- When an Applicant is enrolled in LGEA and participating in any NJCEP equipment incentive programs at the same time for the same facility(ies), TRC will assess the impact that the work may have on the energy audit and require the applicant take one of the below actions, depending on the level of impact:
 - Proceed with energy audit and equipment upgrades (minimal impact)
 - Complete equipment upgrades prior to proceeding with energy audit process or vice versa (moderate impact)
 - Cancel energy audit application (significant impact)
- If the initial program eligibility and application requirements have been met and the Applicant is approved to have an energy audit performed under this program TRC will issue an Approval Letter/Notice to Proceed to the Applicant.
- The energy audit scope of work is based on Section 3.8.1 of RFP 16-X-23938, dated April 21, 2015, and is consistent with ASHRAE Level 2¹ audit, except for lighting which is Level 3. Audit scope may vary slightly depending on the specific needs and circumstances of the Applicant within limitations of the RFP. ASHRAE Level 1 audits are not included in the program, but TRC will conduct a high level assessment of on-site generation potential.²
- In order to provide compatibility with the Energy Savings Improvement Program (ESIP) and Energy Resilience Bank (ERB) initiatives, the energy audit scope will include an

¹ From the ASHRAE Handbook:

Level I – Walk-through Assessment – Assess a building’s energy cost and efficiency by analyzing energy bills and conducting a brief survey of the building. A Level I energy analysis will identify and provide a savings and cost analysis of low-cost/no-cost measures. It will also provide a listing of potential capital improvements that merit further consideration, along with an initial judgment of potential costs and savings.

Level II – Energy Survey and Analysis – This includes a more detailed building survey and energy analysis. A breakdown of energy use within the building is provided. A Level II energy analysis identifies and provides the savings and cost analysis of all practical measures that meet the owner’s constraints and economic criteria, along with a discussion of any effect on operation and maintenance procedures. It also provides a listing of potential capital-intensive improvements that require more thorough data collections and analysis, along with an initial judgment of potential costs and savings. This level of analysis will be adequate for most buildings and measures.

Level III – Detailed Analysis of Capital-Intensive Modifications – This level of analysis focuses on potential capital-intensive projects identified during Level II and involves more detailed field data gathering and engineering analysis. It provides detailed project cost and savings information with a high level of confidence sufficient for major capital investment decisions.

² ASHRAE Level 1 audits, modified scopes to address specific needs (e.g. feasibility of combined heat and power, renewable energy, etc.), and refresh of audits previously completed by TRC will be evaluated for inclusion in the program at a later time subject to pricing approval by the BPU.

evaluation of energy related water conservation measures, demand response potential, as well as the estimated greenhouse gas reduction for each recommended measure.

- TRC will perform the audit, prepare an audit report, and notify the Applicant when the final audit report is completed and all program requirements have been met. In addition, TRC will meet with the Applicant to discuss audit findings and next steps for implementing measures recommend in the report.

The LGEA will provide audits up to a value of \$100,000 per program year, per Applicant. For larger Applicants, if the audit cost exceeds, or is expected to exceed \$100,000, TRC will work with AEG and Board Staff to determine and authorize a larger cost cap, not to exceed \$300,000. Approval of a higher cost cap will be contingent on a commitment from the Applicant to pursue ESIP (by selecting intent to pursue ESIP on the application).

Services offered under LGEA do not count towards the fiscal year incentive cap (see *Program-Wide Entity Caps*, page 6).

Goals and Energy Savings

LGEA goals can be found in Appendix D.

Quality Control Provisions

Documented policies and procedures provide proper guidelines to ensure consistency in the processing and quality control for all LGEA participants. All applications are reviewed upon receipt to verify adherence to eligibility requirements and technical information. Applicant-supplied information is entered into the database and files are created for all documents, including project correspondence. TRC will perform internal quality assurance reviews on audit reports. On a random basis, AEG will conduct on-site facility inspections to verify building and audit data. The inspection rate is up to 20% of audits but may be exceeded at the discretion of AEG or BPU. AEG may perform a review of the completed energy audit report(s) prior to release of payment to TRC.