



REQUEST FOR COMMENTS

- **Proposed Modifications to Large Energy Users Program (LEUP)**
- **Proposed New Customer Tailored Energy Efficiency Pilot Program (CTEPPP)**
 - **Proposed Extension of Investor Confidence Project Pilot (ICP)**

Proposed Modifications to the Large Energy Users Program (LEUP)

Background

The Large Energy Users Program (LEUP) was initiated as a pilot in 2011 with the intent of providing a program design better suited for the largest energy users throughout New Jersey. In the absence of confidential utility customer data that would have allowed the NJCEP to analyze the characteristics of potentially-eligible entities, the program defined an eligible “large user” as an entity contributing at least \$300,000 to the NJCEP in the prior program year. The contribution value is calculated using the entity’s prior year energy use on which the SBC was assessed (kWh and therms) multiplied by proxy cost factors that are provided by the program.

Many of the state’s largest customers have yet to participate in the LEUP. Several large customers just below the threshold have expressed interest in participating in the program and other customers just above the threshold have expressed a concern that successful EE projects would put them below the threshold, which, while a positive benefit, would preclude them from participating in the beneficial program in future years. Of note, the LEUP received only 14 applications in FY16 (i.e., July 1, 2015 to June 30, 2016) and has received only 4 new applications in FY17 (i.e., since July 1, 2016).

The LEUP is one of the most cost effective programs delivering large savings at a low-cost relative to other programs. Program implementation experience, less than hoped-for participation, and feedback from potential participants all suggest that the minimum contribution level may be too high. Based on the above, OCE Staff recommends the following changes to the LEUP:

Recommendations

OCE Staff recommends that the minimum contribution threshold be lowered from \$300,000 to \$200,000 and that the minimum incentive be reduced from \$200,000 to \$100,000 to retain the intent of receiving application for large scale projects. Lowering the minimum incentive would also be required since a customer, for example, contributing \$200,000 to the program would only be eligible for a maximum incentive of \$180,000.

The proposed lower threshold of \$200,000 still represents a very large customer. For example, assuming an average retail rate of \$0.08/kWh, an electric customer that contributes \$200,000 to the NJCEP would pay over \$4.6 million in annual electric costs.

A large C&I customer stated at a recent meeting that it is considering a large-scale project requiring a significant capital investment. The customer asked if it could combine eligible incentives from multiple program years which would increase the feasibility of implementing the project.

OCE Staff supports this recommendation. Allowing a customer to “bank” a years-worth of potential incentives would allow for larger more comprehensive projects and would enable the customer to avoid the costs and complications of splitting a project into multiple phases for the sole purpose of increasing the level of available incentives. Based on the above, OCE Staff recommends that LEUP participants be allowed to accrue up to 2 years of usage for the purpose of determining the maximum available incentive. For example, a customer contributing \$200K/year could skip one year and apply in the following year with \$400k in eligible contributions. The customer’s maximum incentive in that year based on 90% of total NJCEP fund contribution would be calculated using the \$400,000 representing 2 years of usage, i.e., the maximum incentive would be no more than \$360,000. For the avoidance of doubt, the other limits on maximum incentives would continue to apply as written. For example, if the customer’s contributions and savings were sufficiently large to preliminarily entitle it to a \$5,000,000 incentive, the implementation of the \$4,000,000 maximum incentive would limit the amount of the incentive actually paid to \$4,000,000 (not 2 x \$4,000,000).

Proposed New Customer Tailored Energy Efficiency Pilot Program (CTEPPP)

By Order dated June 29, 2016, the Board approved a \$2,200,000 FY17 budget for a CTEPPP that would better serve the needs of specific commercial and industrial customers whose usage is too large to qualify for the Direct Install program but too low to qualify for the LEUP. I/M/O the Clean Energy Programs and Budget for Fiscal Year 2017, Docket No. QO16040353 (June 29, 2016). The CTEEP would employ Account Management techniques and include incentive caps consistent with those that apply to other C&I programs. The details of the CTEEP were to be developed and proposed by the NJCEP Program Administrator in coordination with OCE Staff, and that proposal is now attached as **Exhibit A** to this Request for Comments (Request). OCE Staff is requesting comments on the proposal in accordance with the process described below in this Request.

Proposed Extension of Investor Confidence Project Pilot (ICP)

By Order dated October 15, 2015, the Board approved the implementation of a one-year ICP pilot. I/M/O the Pay-For-Performance (P4P) Program- Investor's Confidence Project Pilot, Docket No. QO15091097 (October 15, 2015). The ICP identifies 6 protocols originally developed by the Environmental Defense Fund for use throughout the nation as a standardized

set of best practices for energy efficiency retrofit projects for large, medium and small commercial and multifamily buildings. Its goal is to reduce transaction costs by assembling existing standards and practices into a consistent and transparent process that promotes efficient markets by increasing confidence in energy efficiency as a demand-side resource and thereby facilitates the potential financing of the subject projects. During its pilot phase, the ICP showed some promise towards achieving this goal and its maintenance involves only minimal cost. In this Request, OCE Staff is requesting comments on the proposed extension of the program as a non-pilot.

Process for Submitting Comments

OCE Staff is requesting comments on the above proposals prior to presenting its recommendations to the Board for consideration. Comments should be submitted to:

publiccomments@NJCleanEnergy.com

by 5 pm on February 10, 2017 under the subject heading “Request for Comments regarding the LEUP, CTEEP, and ICP”.

EXHIBIT A

Customer Tailored Energy Efficiency Pilot (CTEPPP)

Program Purpose and Strategy Overview

The Program Administrator proposed to launch a pilot program in FY17 to better serve the needs of specific commercial and industrial customers whose usage is too large for them to qualify for the Direct Install program but too low for the Large Energy Users Program and whose projects are too complex for participation in just one New Jersey Clean Energy Program. In the present document, the Program Administrator proposes additional details of the pilot program.

The Program Administrator recognizes that there are gaps in the current offering of Commercial and Industrial Programs as well as situations where a customer may need to utilize multiple programs and therefore submit multiple applications for what seems to them like a single project. Indeed, customers are thought in some cases to make improvement decisions by comparing the incentives that are available through the custom, prescriptive, LEUP, and P4P programs to assess which program and which combination of potential measures will yield the greatest incentive, rather than by which projects maximize their energy savings. The customer tailored pilot program will facilitate easier and more effective participation by reducing the amount of effort that customers must put into analyzing and understanding program participation needs so that they can focus on installing the efficiency projects that will deliver the best results for their facilities and operations.

The pilot will allow customers to receive financial incentives for multiple prescriptive and/or custom energy saving upgrades as well as unique energy savings measures via a single application when implemented in a single facility or, potentially, in a group of related facilities. This is in contrast to current protocols that require customers submitting multiple interactive measures to choose one or the other of two incentive paths (SSB and P4P). SmartStart requires customers to submit each technology in an a la carte method, which, because it is administratively burdensome, can be a barrier to participation. Alternatively, if a proposed scope of work will save a minimum 15% of total energy use in the first year after installation, customers may consolidate their multiple measure scope into a single P4P submission.

The P4P program is best suited for single-facility whole building projects which may not align with the customers planning process, project scope or available capital. It also has an extended approval/payment process which may not align with some customers' implementation schedules, and has a minimum overall savings requirement which can preclude some multi-measure projects of value. Moreover, some customers have needs – potentially including specialized technical expertise, financial analysis, assistance in “selling” investments to senior management, etc. – that neither the SmartStart nor the P4P programs are designed to provide. By providing more flexibility in combining existing financial incentive offerings and addressing customers' other non-financial needs by suggesting simple ROI calculations and other reference resources for developing successful projects, we anticipate the pilot program will help participating customers implement more energy efficiency measures and save more energy and money.

Connection to the Strategic Plan

The Strategic Plan Operating Principals under consideration include utilizing pilot programs to focus on emerging technologies or innovative program implementation approaches. This pilot will help promote the use of Advanced Lighting Control Systems (ALCS) while also responding to customer concerns regarding the application process for projects that involve completing and submitting multiple SmartStart applications.

This pilot will allow us to collect information and data that can inform program changes or new program designs in the future including:

- Evaluating if customers implemented more measures and, therefore achieved more energy savings because the application process was simplified.
- Identifying the types of customers and projects that would require multiple applications.
- Identifying opportunities to simplify the application process when coupled with additional up-front customer assistance.

Target Markets and Eligibility

The pilot funding for FY17 could serve approximately 30 to 40 C&I customers with usage levels that are relatively high, but not high enough to be eligible for LEUP. This could mean that usage at a specific site is high enough for a project to qualify for the pilot, or that the aggregate usage across multiple sites, when combined, is high enough to qualify for the pilot. Relatively high usage levels increase the likelihood that savings opportunities will be sufficient to justify the program investment in direct customer engagement by Account Managers that is envisioned for the program. Based on the anticipated program launch in early 2017, the program may not fully expend the available budget within the fiscal year. The program expects to target customer facilities whose annual energy costs fall in between \$150,000 and \$350,000, though customers outside of this range will not be denied the opportunity to participate solely on that basis. Among the additional criteria that will be considered for inclusion are:

- Customers with complex operations and/or unique energy usage profiles that would most benefit from custom assessments of efficiency opportunities;
- Customers whose efficiency opportunities, barriers to investment and/or business needs suggest they may benefit from support beyond just financial incentives (e.g. technical analysis, financial analysis, etc.);
- Customers with projects that would require multiple applications under existing program offerings; and
- Customers that are good candidates for installation of new, innovative or advanced efficiency technologies.

There are likely significant opportunities for participation within specific sectors including commercial real estate, large retail and industrial.

Eligible Efficiency Measures

The program will promote the types of efficiency measures that are most appropriate for the specific pilot participants. However, as a “door-opener” for engaging these customers, the pilot will explore a focus on encouraging the installation of technologies that don’t fit well into the current custom and prescriptive programs, and where applicable the program will work with

customers and vendors/suppliers to bundle these technologies with other energy-savings measures. One example of such a technology is ALCS installed in combination with high efficiency LED luminaires. While incentives are available for these technologies through the prescriptive and custom programs, the current structure does not support the kind of integrated approach that is likely to produce the greatest savings. This developing technology solution is expected to yield significant future savings for the NJCEP and the pilot will provide an opportunity to develop streamlined approaches that can be offered more broadly in the future and applied to other technology categories. Other technology areas likely to receive attention include Energy Management Systems (EMS/BMS), user-specific industrial process upgrades and complex HVAC improvements.

Financial Incentives

For this pilot, the financial incentives offered to customers will be the same as those available through the existing prescriptive and custom program offerings. However, for ease of customer participation, they will be bundled into a single “package” application. The total incentive available for any project will be equal to the sum of the incentives that would be available through the existing prescriptive and custom program offerings for the measures installed. Similarly, the incentive caps that apply to CTEEP projects will be the same caps that would have applied to the projects if they had been the subject of applications handled through other existing NJCEP programs (e.g., P4P).

In addition to measure incentives the customer-tailored pilot may, where initial design costs are a barrier to the pursuit of projects that appear to be promising, offer customers an additional incentive towards design assistance or technical support provided by an independent¹ third party design professional. Incentives will be available for up to fifty-percent (50%) of the cost of the design/technical assistance up to a maximum of \$10,000 upon approval of the NJCEP program manager, with half of the incentive payable upon completion of the design and half upon installation of the recommended measures.

Program Implementation Description

The program will be promoted via the traditional methods including the NJCEP website and Energy Efficiency Committee meetings. In addition, the C&I Account Managers, who will utilize existing contacts with customers to generate program participants, will present the program within the targeted sectors mentioned above. They will work with customers to better understand the specific energy efficiency opportunities and barriers they face. The goal of this pilot is to use a personalized approach to assisting customers in overcoming barriers and simplifying their application process for projects by offering technical assistance, financial analysis, design incentives, and measure incentives, depending on the customers’ unique needs. Recognizing that both efficiency opportunities and the barriers to addressing them can vary dramatically from customer to customer, the Account Manager will work closely with decision makers at participating customer facilities to identify a range of energy efficiency projects that can be incorporated into capital planning, along with a package of support that will result in the desired efficiency improvements being installed.

¹ Independent in this case means that the design professional does not sell or represent products that are being considered for installation.

In addition to utilizing the Account Manager Outreach strategy, we will also encourage participation from customers considering ALCS upgrades by working with qualified advanced lighting control vendors using Design Lighting Consortium (DLC) approved ALCS equipment. Educating vendors about this pilot will allow them to share the benefits of the program with their customer and promote greater participation in the NJCEP. Vendors can work with an Account Manager to identify projects that include ALCS along with other energy efficiency measures.

Data Tracking and Pilot Evaluation

The purpose of offering this program on a pilot basis is to gain information about the motivations and needs of customers in the target group and to test the following hypotheses:

- Current program participation processes are too burdensome for some customers. Current processes may force customers into program paths that provide the greatest incentives rather than the most energy savings. They may also simply require more effort than customers think the results are worth and this results in reduced program participation;
- Measure incentives matter, but may not be the only support that some customers need in order to pursue efficiency projects;
- Incentives available through the current program offerings are not optimized to promote the installation of advanced lighting controls in conjunction with high efficiency LED luminaires.

Therefore, the goals of the pilot are:

- To increase participation among mid-large customers;
- To increase the amount of energy saved per project for participating customers;
- To understand from participating customers whether assistance other than measure incentives will facilitate the installation of energy efficiency projects;
- To promote the installation of advanced lighting controls in conjunction with high efficiency LED luminaires.

In order to assess the veracity of these hypotheses and the effectiveness of the pilot program in advancing the stated goals the Program Administrator will work with CEEEP to ensure that participation data are tracked as needed to support evaluation efforts. Evaluation findings and recommendations will inform future planning efforts to assure program optimization and the best use of NJCEP funds in this market. At the conclusion of the pilot, we will assess the results to determine if the program approach should be expanded in subsequent program years.

Quality Control Provisions

All applications are reviewed upon receipt to verify adherence to eligibility requirements. Applicant eligibility information is verified, along with all technical information in support of energy efficient measure qualification and incentive calculation. Applicant supplied information and program administrator performed incentive calculations are entered into the database, and files are created for all documents and ongoing project correspondence. Inspection protocols for custom measure projects in FY 2017 will require 100% pre- and post-inspections.