

**Office of Clean Energy**  
**Proposed Changes to New Jersey's Clean Energy Program**  
**Smart Growth Policies**

Executive Order 4, issued in January 2002, directed the NJ Smart Growth Policy Council to ensure that State incentives and funding are consistent with the State's Smart Growth policies. By Orders dated March 4, 2003 and April 3, 2006, the Board of Public Utilities (the Board) adopted policies regarding the availability of New Jersey's Clean Energy Program (NJCEP) incentives in both Smart Growth and non-Smart Growth areas.

In the March 4, 2003 Order, the Board adopted a variety of Smart Growth policy related program guidelines applicable to both residential and non-residential customers. For example, the guideline applicable to commercial customers provided that "incentives for new construction [are] allowed only in areas designated for growth in the State Plan". Similarly, financial incentives for new residential homes are only available in Smart Growth areas.

In the April 3, 2006 Order the Board modified the above policy to allow for financial incentives for replacement or expanded buildings in areas not designated as Smart Growth, provided that the replacement construction or expansion will result in structures that no more than double the amount of square footage of the building as it existed prior to the expansion or replacement. The April Order clarified the policy to allow NJCEP incentives for hospitals, military facilities and municipal owned buildings in areas not designated for Smart Growth and provided for a "good cause" exemption whereby the Board may grant exceptions to the foregoing requirements on a case-by-case basis, based on designated criteria.

Upon review of the Board's policies, the Office of Clean Energy (OCE) is concerned that the Board's current policy, which does not provide for NJCEP incentives for most new construction in non-Smart Growth areas, could result in less energy efficient buildings being constructed in non-Smart Growth areas, limit the ability to meet the State's energy savings goals set out in the State Energy Master Plan and result in lost opportunities to reduce energy usage in the State.

NJCEP incentives are typically designed to pay a portion of the incremental cost of high efficiency versus standard efficiency equipment. For example, a typical standard efficiency central air conditioner unit cost about \$4,000 and a high efficiency unit cost about \$5,000 depending on the size, efficiency levels, and other factors. The current rebate for a high efficiency central air conditioner is \$500. The rebate is intended to provide an incentive for the customer to upgrade to high efficiency equipment, not to cover the cost of installing or replacing equipment. The NJCEP incentive does not serve as an incentive to build in a non-Smart Growth area but instead provides an incentive to install high efficiency equipment to those that have already decided to build in a non-Smart Growth area. The same theory applies to the design of incentives for new construction.

The Office of Clean Energy (OCE) believes that any new construction in New Jersey should be as energy efficient as possible. Therefore, the OCE is considering recommending that the Board eliminate policies that limit most NJCEP incentives to new construction in Smart Growth areas of the State.

The OCE is requesting comments on this issue prior to submitting its recommendations to the Board. Specifically, the OCE requests comments regarding whether the Board should modify its current policy limiting the eligibility of certain projects for NJCEP financial incentives. Please submit any comments to the address below by October 14, 2011:

[publiccomments@njcleanenergy.com](mailto:publiccomments@njcleanenergy.com)