



Agenda Date: 6/30/17

Agenda Item: 8D

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 AND BUDGET FOR FISCAL YEAR 2017)

ORDER

)
)
)
) DOCKET NO. QO16040353

Parties of Record:

Michael Ambrosio, TRC Energy Solutions

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, Division of Rate Counsel

BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities (Board) at its June 30, 2017 public meeting where the Board considered the below-described revisions to the Fiscal Year 2017 (FY17) budget for New Jersey's Clean Energy Program (NJCEP).

BACKGROUND AND 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. CRA would then be used to determine the funding and content of the EE and RE programs, which are part of what is now known as NJCEP. Accordingly, in 2001, the Board issued an order setting 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 – State Fiscal Year 2017 (FY17).¹ The FY17 programs and program budgets were set in a Board Order in the present manner, dated June 29, 2016 and in a first revision thereto in another Board Order, dated February 22, 2017.

On June 9, 2017, Board Staff posted on the NJCEP website a Request for Comments regarding the below-described proposed budget revisions to the Town Center Microgrid (Microgrid), Energy Efficient Products (EEP), and State Energy Initiatives Programs (Proposed Budget Revisions). Comments on the Proposed Budget Revisions were accepted through June 16, 2017. The Proposed Budget Revisions were also distributed to the EE Committee and RE Committees and discussed at the June 2017 meetings of those committees.

PROPOSED BUDGET REVISIONS

Microgrids

The Microgrids Program's request for Phase 1 applications resulted in the Program receiving substantially more applications in FY17 than originally anticipated. Specifically, the Program had expected to receive five to ten applications representing a total value of approximately \$1,000,000.00, but the Program in fact received 13 applications representing a total value of more than \$2,000,000.00. As such, there is a need for additional funding for this Program.

In addition, participation in the Renewable Energy Storage (RE Storage) Program has been, and is expected to remain, significantly lower than originally anticipated. Energy storage system developers have had difficulty advancing projects to the point of achieving commercial operations. Projects that received incentive commitments in FY17 have proven slow to complete construction with developers reporting difficulty obtaining financing and permits. And all but one of the original thirteen renewable energy storage projects awarded grants in FY15 have failed to advance due to uncertainty in the PJM frequency regulation market.

Based on the above, Staff has recommended the Board approve the transfer of \$1,052,480.00 from the RE Storage Program "Rebates, Grants, and Other Direct Incentives" cost category to the Microgrid Program "Rebates, Grants and Other Direct Incentives" cost category to support approval of the higher than anticipated number of meritorious applications.

EEP

The Retail Lighting component of the EEP Program has experienced significantly higher than anticipated participation levels, creating a near-term need to provide additional funding.

During FY17, participation in the Appliance Recycling component of the EEP Program has been, and is expected to remain, significantly lower than originally anticipated. Additionally, the EEP Program has a small budget allocated to training, development, and delivery, and no

¹ Prior to 2012, the budgets and programs were based on calendar years. 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.

trainings are needed or planned for the remainder of FY17. Finally, participation in the Home Performance with Energy Star (HPwES) has been, and is expected to remain, significantly lower than originally anticipated.

Based on the above, Board Staff has recommended the Board approve the transfer of: \$1,070,003.06 from the EEP Program "Rebate Processing and QA" cost category, which is the cost category appliance recycling is charged to, \$25,000.00 from the EEP Program "Training" cost category; and \$3,724,000.00 from the HPwES "Rebates, Grants and Other Direct Incentives" cost category. These funds, which total \$4,819,003.06, would be transferred to the EEP Program "Rebates, Grants and Other Direct Incentives" cost category to support the higher than anticipated participation levels. Transferring these funds as proposed will not adversely impact the program components, including any Quality Assurance/Quality Control, from which the funds are proposed to be transferred.

State Energy Initiatives

Board Staff recommends the Board approve an increase in the State Energy Initiative budget from \$138,289,000.00 to \$208,261,000.00. This increase, funded with uncommitted balances, recognizes the \$20,000,000 increase in State Energy Initiatives included in the FY17 Appropriations Act (enacted in June 2016), plus \$50,000,000 anticipated in a FY17 supplemental appropriation, consistent with the State Treasurer's Revenue Update testimony on May 16, 2017.

Budget Revisions Tables

The following table shows the current (i.e., February 22, 2017) Board approved FY17 budgets for the relevant programs for the Microgrids and EEP revisions:

FY17 Current Approved Budget - February 22, 2017 Order						
		Administration	Sales, Marketing, Website	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing and QA
Energy Efficiency Programs						
EE Products	\$24,532,000.00	\$1,186,329.12	\$38,941.72	\$25,000.00	\$19,925,659.14	\$3,356,070.02
Home Performance w Energy Sta	\$31,201,953.41	\$1,366,006.17	\$38,941.72	\$157,500.00	\$27,762,498.71	\$1,877,006.81
Distributed Energy Resources Programs						
Renewable Energy Storage	\$7,825,482.04	\$294,607.19	\$38,941.72	\$25,000.00	\$7,349,491.30	\$117,441.83
Microgrids	\$1,000,000.00	\$0.00	\$0.00	\$0.00	\$1,000,000.00	\$0.00

The following table shows the proposed budget revisions for the relevant programs for the Microgrids and EEP revisions:

Proposed Budget Modifications by Cost Category						
		Administration	Sales, Marketing, Website	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing and QA
Energy Efficiency Programs						
EE Products	\$3,724,000.00			(\$25,000.00)	\$4,819,003.06	(\$1,070,003.06)
Home Performance w Energy Star	(\$3,724,000.00)				(\$3,724,000.00)	
Total	\$0.00					
Distributed Energy Resources Programs						
Renewable Energy Storage	(\$1,052,480.00)				(\$1,052,480.00)	
Microgrids	\$1,052,480.00				\$1,052,480.00	
Total	\$0.00					

The following table shows the resultant budgets for the relevant programs for the Microgrids and EEP revisions:

Proposed Revised Budget						
		Administration	Sales, Marketing, Website	Training	Rebates, Grants and Other Direct Incentives	Rebate Processing and QA
Energy Efficiency Programs						
EE Products	\$28,256,000.00	\$1,186,329.12	\$38,941.72	\$0.00	\$24,744,662.20	\$2,286,066.96
Home Performance w Energy Star	\$27,477,953.41	\$1,366,006.17	\$38,941.72	\$157,500.00	\$24,038,498.71	\$1,877,006.81
Distributed Energy Resources Programs						
Renewable Energy Storage	\$6,773,002.04	\$294,607.19	\$38,941.72	\$25,000.00	\$6,297,011.30	\$117,441.83
Microgrids	\$2,052,480.00	\$0.00	\$0.00	\$0.00	\$2,052,480.00	\$0.00

The following table shows the State Energy Initiatives revisions:

Funding Sources & Uses
 (\$000)

	FY17 Forecast	FY18 Budget	Variance
Sources			
Prior-year Commitments	\$ 132,182	\$ 147,188	\$ 15,006
Current-year Funding:			
Uncommitted carryforward	69,741	-	(69,741)
Societal Benefits Charge revenue	344,665	344,665	-
Interest & other revenue	<u>1,741</u>	<u>1,706</u>	<u>(35)</u>
Total Current-year Funding	\$ 416,147	\$ 346,371	\$ (69,776)
Total Funding Sources	\$ 548,329	\$ 493,559	\$ (54,770)
Uses			
Prior-year Commitments (a)	\$ 132,182	\$ 147,188	\$ 15,006
Current-year Funding Uses:			
New commitments; payment of incentives not previously committed; program operating expenses	207,886	163,110	(44,776)
State energy initiatives	<u>208,261</u>	<u>183,261</u>	<u>(25,000)</u>
Total Current-year Funding Uses	\$ 416,147	\$ 346,371	\$ (69,776)
Total Funding Uses	\$ 548,329	\$ 493,559	\$ (54,770)
Uncommitted Balance	\$ -	\$ -	\$ -

(a) includes payment of committed incentives in the current fiscal year or continued encumbrance for future payment

SUMMARY OF COMMENTS FROM PUBLIC STAKEHOLDERS & STAFF RESPONSES

In response to the requests for comments, a written response was submitted by EnSync Energy Systems. The following summarizes the comment and provides Staff's response:

Comment: EnSync Energy Systems comments that \$1,052,480 should not be transferred from the RE Storage Program to the Microgrid Program because the transfer would have negative repercussions on stakeholders that it says have set their sights on tapping the funds for RE Storage. It supports continued funding for Microgrids as being important for reliability, resiliency, and other ratepayer benefits, but nonetheless submits that transferring the necessary funds from RE Storage will strand EnSync's investments in reaching customers in New Jersey and hurt its credibility.

Response: Board Staff appreciates the support for continued funding of the Microgrid Program. As to the transfer from RE Storage, Board Staff submits that the transfer will not impact previously approved projects. The proposed transfer of the FY17 funding for RE Storage will temporarily limit the funds available for new RE storage projects. However, the renewable electric storage market will likely benefit from the microgrid planning activities and resulting interactions among microgrid developers, local code officials, and the interconnection staff at the electric distribution company. Board Staff accordingly recommends the Board approve the transfer as proposed.

DISCUSSION & FINDINGS

Consistent with the contract with the Program Administrator, Staff has coordinated with the Program Administrator regarding the Proposal. The Proposal was circulated to the EE and RE Committee listservs on June 9, 2017, discussed at the June 13, 2017 meetings of those committees, and posted on the NJCEP and NJBPU web sites. In addition, written comments were accepted through June 16, 2017. Accordingly, the Board **HEREBY FINDS** the process utilized in developing the Proposal was appropriate and provided stakeholders and interested members of the public adequate notice and the opportunity to comment on them.

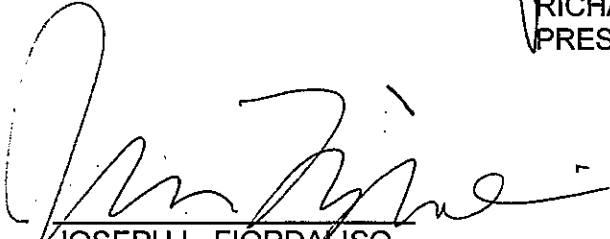
The Board has reviewed the Proposal and Staff's recommendations regarding same, and **HEREBY FINDS** that the Proposal will, among other things, provide appropriate funding for NJCEP's programs. For those and other reasons discussed above, the Proposal is consistent with the State's goals of reducing energy usage and associated emissions. Therefore, the Board **HEREBY APPROVES** the Proposal.

This Order shall be effective on June 30, 2017.

DATED: 6/30/17

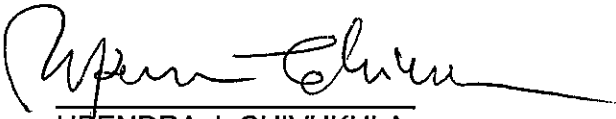
BOARD OF PUBLIC UTILITIES
BY:


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PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

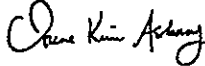

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IRENE KIM ASBURY
SECRETARY

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 PROGRAM AND
BUDGET FOR FISCAL YEAR 2017
DOCKET NO. QO16040353

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