Agenda Date: 6/21/19
Agenda Item: 8B

STATE OF NEW JERSEY
Board of Public Utilities
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CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY PROGRAMS AND BUDGETS FOR FISCAL YEAR 2020	)))	ORDER DOCKET NO. QO19050645

Parties of Record:

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Lauren M. Lepkowski, Esq., Jersey Central Power & Light Company
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Diane Zukas, TRC Energy Services
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BY THE BOARD:

This Order memorializes action taken by the Board of Public Utilities ("Board" or "BPU") at its June 21, 2019 public meeting, where the Board considered and determined fiscal year 2020 ("FY20") programs and budgets for New Jersey's Clean Energy Program ("NJCEP").[1]

BACKGROUND & PROCEDURAL HISTORY

On February 9, 1999, the Electric Discount and Energy Competition Act ("EDECA") 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 programs to be funded, and the budgets for each those programs, all for the years 2001 through

[1] The budgets approved in this Order are subject to State appropriations law.

2003. Since then, the Board has issued numerous Orders setting the funding levels, related programs, and program budgets for the years 2004 – Fiscal Year 2019 ("FY19").[2]

Process Regarding Development of the Proposed FY19 Programs and Budget Filings

Coordination with Project Administrator

On December 1, 2015, the Department of Treasury awarded a Program Administrator contract ("Contract") to TRC.[3] The Contract requires TRC to participate in the annual CRA process, participate in the annual budget process, prepare draft annual Compliance Filings (as defined below) for NJCEP, design and implement improvements to NJCEP's programs, obtain and consider stakeholder feedback, coordinate annual NJCEP evaluations, and implement the agreed-upon recommendations flowing from those evaluations. TRC has been fulfilling these requirements as applicable and as they come due.

Stakeholder and Public Process

On May 24, 2019, Board Staff ("Staff") hosted a webinar and presented an overview of proposed new NJCEP initiatives, along with program changes for FY20. The presentation was posted to the website on that day, and a notice of availability of the presentation was distributed to the EE, RE, and other NJCEP listservs. On May 29, 2019, the Board provided public notice of a June 7, 2019 public hearing. Notice was distributed to the listservs about the posting to the NJCEP website of the following proposed FY20 documents: the Board's Division of Clean Energy Compliance Filing, TRC Program Descriptions and Budgets, Utilities' Compliance Filing (collectively, the "Proposed FY20 Compliance Filings" or "Compliance Filings"), the proposed FY20 budget ("Proposed FY20 Budget"), and Summary of Proposed Program Changes for FY20. The distributions and postings requested comments on the CRA Straw Proposal, with a due date of June 11, 2019. On June 6, 2019, a notice was sent to the listservs and posted on the NJCEP website, clarifying two discrepancies between TRC's Compliance Filing and the Summary of Proposed Program Changes. Oral comments were heard on the CRA Straw Proposal at the June 7, 2019 public hearing. In addition, the New Jersey Department of Environmental Protection ("NJDEP"), by email dated June 19, 2019, confirmed that: (a) the Board had consulted with the NJDEP regarding the CRA Straw Proposal, including, without limit, the Proposed FY20 Funding Level set forth therein (as defined below); and (b) the NJDEP agreed with the Proposed FY20 Funding Level.

Approval of CRA Straw Proposal

On June 21, 2019, prior to acting on the present Order, the Board reviewed and approved a Comprehensive Energy Efficiency & Renewable Energy Resource Analysis Straw Proposal, including new SBC funding and total FY20 funding ("CRA Order"). The proposed budgets set out below utilize and are consistent with the funding levels approved in the CRA Order.

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[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.

[3] On January 13, 2017, TRC acquired the NJCEP Program Administrator Contract from Applied Energy Group, Inc. ("AEG") and assumed AEG's rights and duties thereunder. For ease of presentation, the Program Administrator is referred to throughout this Order as "TRC" or "the Program Administrator." TRC, together with its subcontractors, is referred to as the "TRC Team."

PROPOSED FY20 PROGRAMS AND BUDGETS

Based on the goals set forth in the CRA Straw Proposal, the policy objectives of the NJCEP, and historic spend rates, Staff, in close coordination with the TRC Team, developed proposed programs and budgets as described below.

Proposed FY20 Budgets for NJCEP

To determine the proposed FY20 budget for the entire NJCEP, Staff:

- Calculated the total funding per the CRA Order, the amounts of new SBC funding, other funding, and total FY20 funding;
- Estimated the amount of commitments made prior to FY20 that are expected to be paid in or to remain committed through FY20 ("Estimated Commitments");
- Added the commitment backlog to total FY20 funding to arrive at a total proposed FY20 budget of $528,318,728.

Following the posting of the proposed FY20 budget, the budget has been adjusted as follows:

- The Energy Storage budget has been reduced by $460,000;
- An Electric Vehicles budget has been added, with $210,000 in funds granted by the U.S. Department of Energy;
- Sustainable Jersey's budget has been increased by $250,000 to $500,000, consistent with the FY19 funding level;
- The Smart Tech budget of $8,152,103.65 has been reallocated to Residential Existing Homes; and
- The Clean Energy Innovation budget of $4,500,000 has been reallocated to C&I Buildings and other programs.

The resulting Revised Proposed FY20 Budget is shown in the table immediately below:

[Table Follows]

FY20 Budget

Program/Budget Line	*FY20 New SBC Funding*	*Other New Funding (uncommitted carryforward plus interest)*	*FY19 estimated carryforward (commitments)*	*Draft FY20 Budget*
Total -NJCEP + State Initiatives	**$ 344,665,000.00**	**$ 38,869,033.17**	**$ 144,784,694.87**	**$ 528,318,728.04**
State Energy Initiatives	$ 87,089,000.00	$ -	$ -	$ 87,089,000.00
Total NJCEP	**$ 257,576,000.00**	**$ 38,869,033.17**	**$ 144,784,694.87**	**$ 441,229,728.04**
EE Programs	**$ 218,488,884.14**	**$ 12,152,103.65**	**$ 125,706,152.53**	**$ 356,347,140.32**
Res EE Programs	$ 63,519,399.56	$ 8,152,103.65	$ 12,904,149.29	$ 84,575,652.49
Residential Existing Homes	30,662,212.93	8,152,103.65	2,368,268.67	41,182,585.25
RNC	6,517,489.63		10,535,880.62	*17,053,370.24*
EE Products	26,339,697.00			*26,339,697.00*
Res Low Income	$ 38,500,000.00	$ -	$ 7,000,000.00	$ 45,500,000.00
Comfort Partners	38,500,000.00		7,000,000.00	45,500,000.00
C&I EE Programs	$ 100,559,879.58	$ 4,000,000.00	$ 75,991,572.84	$ 180,551,452.42
C&I Buildings	$ 56,216,580.55	$ 4,000,000.00	$ 61,021,655.80	$ 121,238,236.35
LGEA	3,213,406.03		1,469,399.57	4,682,805.60
DI	41,129,893.00		13,500,517.47	54,630,410.47
Multi-family EE	$ 7,909,605.00	$ -	$ -	$ 7,909,605.00
Multi-family	7,909,605.00		-	7,909,605.00
State Facilities Initiative	$ 8,000,000.00	$ -	$ 29,810,430.40	$ 37,810,430.40
State Facilities Initiative	8,000,000.00		29,810,430.40	37,810,430.40
Distributed Energy Resources	**$ 14,000,000.00**	**$ -**	**$ 16,344,822.65**	**$ 30,344,822.65**
CHP	5,000,000.00		16,204,822.65	21,204,822.65
RE Storage			140,000.00	140,000.00
Fuel Cells	5,000,000.00		-	5,000,000.00
Microgrids	4,000,000.00	-	-	4,000,000.00
RE Programs	**$ 7,750,000.00**	**$ -**	**$ 530,623.05**	**$ 8,280,623.05**
Offshore Wind	2,750,000.00	-	530,623.05	3,280,623.05
Community Solar	3,000,000.00	-	-	3,000,000.00
SREC Registration	2,000,000.00		-	2,000,000.00
EDA Programs	**$ 91,007.38**	**$ -**	**$ -**	**$ 91,007.38**
Planning and Administration	**$ 15,825,000.00**	**$ -**	**$ 2,203,096.65**	**$ 18,028,096.65**
BPU Program Administration	$ 3,055,000.00		$ -	$ 3,055,000.00
BPU Program Administration	3,055,000.00		-	3,055,000.00
Marketing	$ 4,000,000.00	$ -	$ -	$ 4,000,000.00
Marketing Contract	4,000,000.00		-	4,000,000.00
Program Evaluation/Analysis	$ 3,250,000.00	$ -	$ 969,428.25	$ 4,219,428.25
Program Evaluation	3,000,000.00	-	969,428.25	3,969,428.25
Research and Analysis (Modeling So	250,000.00	-	-	250,000.00
Outreach and Education	$ 5,450,000.00	$ -	$ 1,233,668.40	$ 6,683,668.40
Sustainable Jersey	500,000.00		242,085.00	742,085.00
NJIT Learning Center	450,000.00		241,583.40	691,583.40
Conference			750,000.00	750,000.00
Outreach, Website, Other	4,500,000.00		-	4,500,000.00
Sponsorships	$ 70,000.00	$ -	$ -	$ 70,000.00
Sponsorships	70,000.00		-	70,000.00
New Initiatives	**$ 1,421,108.48**	**$ 26,716,929.52**	**$ -**	**$ 28,138,038.00**
Community Energy Grants	1,421,108.48	3,401,929.52	-	4,823,038.00
Storage	-	7,105,000.00	-	7,105,000.00
EV	-	210,000.00	-	210,000.00
NJ Wind	-	4,500,000.00	-	4,500,000.00
R&D Energy Tech Hub	-	4,500,000.00	-	4,500,000.00
Workforce Development	-	2,500,000.00	-	2,500,000.00
Curriculum	-	4,500,000.00	-	4,500,000.00

Proposed FY20 Budgets for EE Programs

The proposed FY20 budgets for EE programs are shown in the table immediately above; a brief description of each of the EE programs is set forth below:

- *New Residential Retrofit / Existing Homes Program:* Merges the pre-existing Residential HVAC and Home Performance with Energy Star Programs. Provides rebates to customers who purchase high efficiency heating, ventilating, and cooling ("HVAC") equipment such as furnaces and central air conditioners. Relies on contractors who are Building Performance Institute ("BPI")-certified and incentivizes the installation of whole-house energy conservation measures, such as new HVAC, air sealing, insulation, etc. in existing homes.
- *Residential New Construction*: Provides financial incentives to builders who construct new homes meeting the New Jersey Energy Star Homes standards, which exceed the requirements of existing energy codes.
- *Energy Efficient Products*: Provides financial incentives and support to retailers who sell energy efficient products, such as appliances or LED light bulbs. Provides light bulbs to food banks.
- *Comfort Partners*: Provides for the installation of energy conservation measures at no cost to income-qualified customers.
- *C&I Buildings*: Merges the pre-existing Commercial and Industrial ("C&I") Prescriptive/Custom Rebates, Large Energy Users, Pay-for-Performance - New Construction, Pay-for-Performance - Existing Buildings, and Customer-Tailored Energy Efficiency Pilot Programs. Provides rebates and other incentives to C&I customers who install high efficiency equipment in existing buildings or who incorporate such equipment into new construction. Also provides incentives for new C&I buildings based on the level of energy savings delivered rather than a prescribed rebate for the installation of a specific measure.
- *Local Government Energy Audit*: Provides subsidized energy efficiency audits to municipalities, school districts, and non-profits.
- *Direct Install*: Provides incentives for the installation of energy efficiency measures in small commercial buildings and non-profits' buildings.
- *State Facilities Initiatives:* Through an Energy Capital Committee, identifies and implements energy efficiency projects in State-owned facilities with the objective of producing energy savings.
- *Multifamily:* Provides for a single point of entry projects that would otherwise have been potentially eligible for other NJCEP programs and program pathways. Will include both a relatively simple prescriptive path and a more complex comprehensive/whole building path. Program eligibility and incentives will be comparable to those available under the programs from which the projects are pulled.

Proposed FY20 Budgets for DER Programs

The proposed FY20 budgets for distributed energy resources ("DER") programs are shown in the preceding table; a brief description of each DER program is set forth below:

- *CHP / Fuel Cell/ Storage*: Provides incentives for the installation of Combined Heat and Power ("CHP"), including without limit those utilizing bio-power, fuel cells with heat recovery and without heat recovery, and storage systems.
- *Micgrogrids*: Provides incentives to fund feasibility studies and engineering design for potential DER microgrids in the state.

Proposed FY20 Budgets for RE Programs

The revised proposed FY20 budgets for RE programs are shown in the preceding table; a brief description of each of the RE programs is set forth below:

- *Offshore Wind*: Provides funding for research, evaluations, and general consulting services.
- *Community Solar:* Includes funding for new programs to support the development of low- and moderate-income community solar projects, with a particular emphasis on low-income inclusion.
- *SREC [Solar Renewable Energy Credit] Registration Program ("SRP")]:* Registers projects that are eligible to generate and trade SRECs.

Proposed FY20 Budgets for EDA Programs

No new applications will be accepted, and no new grants or incentives will be awarded by the New Jersey Economic Development Authority ("EDA"). Instead, EDA will manage the existing portfolio of loans and grants previously awarded through the programs.

- *Clean Energy Manufacturing Fund:* Provides incentives to attract and expand energy efficiency and renewable energy manufacturing facilities in New Jersey.

Proposed FY20 Budgets for Planning & Administration

The revised proposed FY20 budgets for planning and administration are shown in the preceding table; a brief description of each of the planning and administration functions is set forth below.

- *BPU Program Administration:* Includes primarily Staff salaries and fringe benefits.
- *Marketing:* Includes funding for a new marketing contractor.
- *Program Evaluation:* Includes funding for program evaluation, the results of which are used, to, among other things, set incentive levels and design programs.
- *Outreach and Education:* Includes funding for a Clean Energy Conference, the implementation of outreach prepared by the TRC Team, and projects with NJIT and Sustainable Jersey.
- *Sponsorships:* Includes funding for, among other things, membership in organizations of clean energy officials.

SUMMARY OF PROPOSED PROGRAM CHANGES FOR FY20

The following summarizes the key program changes proposed in the Proposed FY20 Compliance Filings. Some of the proposed changes, i.e., the New Initiatives of the Proposed FY20 Division of Clean Energy Compliance Filing, expressly require further development before implementation, which would include, but not be limited to, further opportunities for public and stakeholder input and comment as details are developed and further review and approval by the Board. More information is set forth in the Proposed FY20 Compliance Filings and the Summary of Proposed Program Changes for FY20.

Residential Retrofit / Existing Homes Program

- The HPwES Program, including its air sealing and insulation pilot, and the Residential HVAC Program will merge into this single "umbrella" program that will more effectively and flexibly allow participants to implement energy efficiency projects. It will do so by, among other things, addressing gaps in current offerings with the new bundled measures path, simplifying the application process (e.g., by deleting the requirement to submit Manuals J, which is duplicative of a building/energy code requirement), and providing more and better opportunities for participating contractors to grow their clean energy businesses. The implementation of the new program will occur during a to-be-announced transition during FY20. The requirements and incentives for the Single Measure Pathway and Comprehensive Pathway in the new program would be similar to those in the FY19 HPwES and Residential HVAC Programs, except that the program would:
    - Increase incentives for heat pumps as follows:
        - Heat Pump Water Heaters – From \$500 to \$750.
        - Central Air Source Heat Pump-Tier 1 (SEER ≥ 16 EER ≥ 13 & HSPF ≥ 10) – From \$300 to \$600.
        - Central Air Source Heat Pump-Tier 2 (SEER ≥ 18 EER ≥ 13 & HSPF ≥ 10) – From \$500 to \$1,000.
        - Cold Climate Mini-Split Heat Pump -Single ductless indoor unit (SEER ≥ 20 EER ≥ 12 & HSPF ≥ 12) – From \$500 to \$1,000.
    - Change Cold Climate Mini-Split Heat Pump – Multi-and ducted indoor units (SEER ≥ 20 EER ≥ 12 & HSPF ≥ 10) – From \$500 + \$200/additional indoor unit to \$2,000 per system.
    - In the Single Measure Pathway:
        - Remove the requirement that Cold Climate Mini-Split Heat Pumps be approved by NEEP because it is more cost-effective for the Program Manager itself to directly set the subject technical requirements.
        - Add as newly eligible equipment Air-to-Water Heat Pumps with Integrated Domestic Hot Water, with the same efficiency and same incentive amount as Cold Climate Mini-Split Heat Pump – Multi-and ducted indoor units.
        - Increase the required minimum efficiency for Gas Tankless On-demand Water Heaters from 0.81 to 0.90 Uniform Energy Factor ("UEF"),

following the U.S. Department of Energy's recent increase of the baseline UEF for these units to 0.81 UEF.

    - Add as newly eligible measures duct sealing and duct insulation with an incentive of $300 for each measure.

- In the Comprehensive Pathway:
    - Currently there is a loan program in which customers are eligible for a $10,001–$15,000 loan at 4.99%. Decrease the interest rate for a $15,000 program-subsidized loan from 4.99% to 0.99% (0% financing up to $10,000 will remain).
    - Launch a new pilot program offering incentives to homeowners who are planning home renovations and additions. The savings baseline for the existing portion of the home would be the initial conditions and for the addition would be the current energy code.

Residential New Construction

- The Residential New Construction Program will add a $1,200/unit rater incentive for ZERH projects to better encourage builders and raters to spend the additional time and money necessary for designing, building, and certifying these highly efficient homes.
- During FY20, there will be a transition for multifamily projects involving five or dwelling units from the RNC Program to the new Multifamily Program.

Energy Efficient Products

- The Energy Efficient Product Program will add rebates for air purifiers ($50), dehumidifiers ($25), and room air conditioners ($15). These items are currently eligible for our recycling efforts. and this will aid in adoption of new, efficient appliances.

Comfort Partners

- In the Comfort Partners Program, income eligibility guidelines are increasing from 225% of Federal Poverty Guidelines to 250% of Federal Poverty Guidelines.

C&I Buildings

The SmartStart, LEUP, P4P EB, P4P NC, and CTEEP programs will merge into this single program that will more effectively and flexibly allow participants to implement energy efficiency projects. The new program will include a Building and Systems Evaluation Program ("BASE") component that will offer NJCEP-subsidized building-specific technical assistance to participants. The new program's improvements will be achieved by, among other ways, addressing gaps in current offerings with the new multi-measure pathway, simplifying the application process, increasing outreach, expanding the options regarding post-installation Measurement and Verification ("M&V"), and providing more and better opportunities for participating contractors and raters to grow their clean energy businesses. It would also adjust the incentives large energy users are eligible to receive for projects with non-custom lighting equipment representing >50% of the overall projects' total annual energy savings. For those projects, the non-custom lighting savings would receive only the standard incentive applicable to all other customers.

The new program will do the following:

- Remove the requirement that applications for < $100,000 for Prescriptive Lighting, Performance Lighting, and Lighting Controls receive approval through the program prior to installation of the subject equipment. This should ease the application process and thereby increase participation and energy savings.
- Make the following incentive revisions/additions in response to changing market conditions and to expand the program's offerings and related energy savings:
  - Add the following new measures and incentives:
    - Low Flow Faucet Aerators - $2–$4 per unit.
    - Low Flow Showerheads - $10–$15 per unit.
    - Domestic Hot Water Pipe Wrap Insulation - $1–$2 per linear foot.
    - Refrigeration Floating Head and Suction Controls - $50–$75 per ton.
  - Increase the following incentives, as these lamp types represent a greater savings opportunity and carry commensurately higher costs than their standard-size counterparts:
    - Increase the incentive for the following lamp types from $1/lamp to $2/lamp: R14, R16, G16.5, G25, PAR16, PAR20, R20, BR20.
    - Increase the level for the following lamp types from $1/lamp to $3/lamp: G30, G40, PAR30, PAR40, R30, BR30, BR40.
  - Add new incentives for accent light line voltage ($15), linear strip ($10) and under-cabinet ($10) LED fixtures.
  - Remove all incentives for LED Decorative Candle, LED Decorative, and LED Inseparable SSL because those items are no longer listed by ENERGY STAR®.
  - Increase the incentive for the following types of light fixtures to better encourage the use of these lights that can provide relatively high energy savings:
    - LED Wall-wash lights – Increase from $30/fixture to $55/fixture.
    - LED Stairwell and Passageway Luminaires – Increase from $40/fixture to $45/fixture.
    - LED Architectural Flood and Spot Luminaires – Increase from $50/fixture to $75/fixture.
  - Remove all incentives for LED shelf-mounted display and task lights because those items are no longer listed by DesignLights Consortium ("DLC").
  - Revise the incentives for lighting controls so that only controls for LEDs would be eligible and would substantially lower the load requirements for same because of the lower loads related to LEDs as compared to other types of lighting:
    - OSR ("Occupancy Sensor Remote") – Reduced from 180W controlled to >60W controlled.
    - DDC ("Daylight Dimming Controls") – Connected load reduced from 240W controlled to >120W controlled.

        - OHLC ("Occupancy Based Hi-Low Dimming Control") – Connected load reduced from 240W controlled to >60W controlled.
        - OSRH ("Occupancy Sensor Remote Hi-Bay") – Connected load reduced from 180W controlled to >90W controlled.
    - Add locations such as atriums, stairwells, and hallways to the places eligible for lighting controls incentives. This would better align the program with building codes that allow controls in these locations.
- This program will be merged into the new C&I Buildings program.

<u>Pay for Performance: New Construction ("P4P NC")</u>

- Increase the bonus incentive for pre-design energy efficiency planning from $0.02/conditioned square foot to $0.04/conditioned square foot. This should encourage more participants to perform such planning, which should lower the cost of achieving such efficiency, increase the incorporation of such efficiency into new projects, and thereby increase energy savings.
- Remove the incremental cost caps because experience has shown that the calculation of the cap is often inherently arbitrary and that the caps seldom have any practical effect, i.e., only approximately 12% of applications have their incentives limited by these caps.
- Add the ability to meet the energy savings requirement on a "source energy" basis (e.g., kBtu/sf) in addition to the existing "energy cost" basis. This should help certain projects – for example, those that might otherwise be negatively impacted by falling or otherwise unusual energy costs but that are nonetheless saving substantial amounts of source energy – to qualify for incentives for which they might not otherwise qualify, thereby increasing participation and overall energy savings.
- This program will be merged into the new C&I Buildings program.

<u>Local Government Energy Audit Program</u>

- The $100,000 FY cap could be increased up to $300,000 for 501(c)(3) hospitals, with Staff approval. This would help to increase participation among these entities, which tend to have large complex facilities requiring more time-consuming audits and providing substantial potential for energy savings.

<u>Direct Install Program</u>

- The program eligibility requirements would be revised to clarify that a potential participant with multiple facilities sharing a common gas utility account would be eligible to participate in the program so long as the average kW demand of the facilities sharing that account ≤ 200kW. This should increase program participation and energy savings among such potential participants.

Multifamily

Path A Single Measure:

- In the interest of streamlining, the program will delete equipment categories unlikely to exist in multifamily properties, including refrigeration equipment, food service equipment, and occupancy-controlled thermostats.
- In the interest of increasing participation and energy savings, it will add new equipment relevant to multifamily properties and included in other NJCEP programs, including through-the-wall room air conditioners, pipe-wrap insulation, low-flow plumbing fixtures, and the types of lighting proposed to be added in other NJCEP programs.
- Adjust incentives for several equipment categories to make them more consistent with other NJCEP programs' incentives, including furnaces, boilers, hot water heaters, and electric HVAC.
- Incorporate updates and revisions to requirements and incentives that are parallel to those elsewhere reported in this Summary.
- Make various clarifications and updates, including:
    - Simplifying ENERGY STAR® lighting categories/types, deleting portable lighting categories, updating hi-low/bi-level lighting controls requirements, and clarifying that lighting for new construction will be handled as a custom measure.
    - Removing a redundant reference to an ENERGY STAR® requirement for furnaces.
    - Removing the now-obsolete "EF" criteria for water heaters, increasing the required UEF for storage water heaters over 55 gallons from 0.81 to 0.85, increasing the required tankless water heater UEF from 0.81 to 0.90, and adding the requirement that in-unit water heaters must be power-vented.

Path B Multi-Measure:

- Add a requirement that mechanical ventilation must be addressed if the applicant is performing air-sealing. This will help to ensure that the NJCEP project will not negatively impact the flow of fresh air through the building.

Path C Whole Building:

- Revise the New Construction incentive table to reflect the new ENERGY STAR® Multifamily New Construction program.

Bulk Recycling:

- Remove Packaged Terminal Air Conditioners ("PTACs") from the list of equipment the program will recycle. This is because PTACs are more complex, larger systems that are typically integrated into the building and therefore are too difficult and expensive to include in this program.

Reader-friendliness:

- Reformat and reorganize materials, especially incentive tables, to increase their reader-friendliness.

Combined Heat and Power – Fuel Cell ("CHP-FC")

For Incentive #3, which is based on post-installation M&V, replace the current requirement that the actual kWh produced be ≥80% of those set forth in the approved application with a requirement that the actual kWh produced be ≥50% of those set forth in the approved application, coupled with a sliding scale incentive that provides a proportionately reduced incentive if the actual kWh produced are between 50% and 80%. This should increase participation, and therefore energy savings, by reducing the risk of not receiving Incentive #3. It should also increase the amount of M&V data submitted to the program, which can then be used to better hone program design. There have been FYs in which approximately 20% of applicants have failed to meet the 80% threshold and therefore failed to earn Incentive #3.

- Increase from 10% to 25% the bonus for critical facilities that incorporate blackstart/islanding capability to better encourage the incorporation of that capability.

- Program eligibility will be expanded to include Fuel Cells without Heat Recovery ("FCwoHR"). All fuel cells ("FCs") will receive program incentives on the same terms and conditions and in the same amount as provided for CHP projects, except that:

    - All FCs, both with heat recovery ("FCHR") and without heat recovery would need to be ≥40% efficient, as compared to the ≥60% efficiency required of CHPs. FCs' efficiency would be calculated as follows: Net Useful Electric Power plus Net Useful Thermal Production divided by the Total Fuel Input based on HHV. Note that the 40% threshold is less than the 45% required in a previous NJCEP FC program.

    - FCwoHR would be subject to a project cap of $1,000,000, as compared to the $2,000,000 – $3,000,000 caps applied to CHPs and FCHR.

    - For all FCs, both with heat recovery and without heat recovery, no more than 30% of the New Funding portion of the NJCEP Budget for FCs may be used to fund projects involving equipment from any single FC manufacturer.

- The foregoing is intended to promote clean, distributed energy generation in a cost-effective manner and to encourage participation by, and competition among, various manufacturers.

Appeals

- Require that appeals and disputes be presented to the Program Administrator within 45 days of the Program Manager's determination regarding the subject of the appeal or dispute. This should encourage more timely submissions that should allow more current and therefore more accurate information to be considered in determining the appeal/dispute and should also lead to quicker final determinations that should allow for better forecasting and budgeting.

Low and Moderate Income / Environmental Justice

- In addition to incentives described in the TRC's Compliance Filing being proposed for FY20, TRC and Staff intend to work together to identify, analyze, and ultimately implement additional ways to better provide the benefits of clean energy to those of low and moderate income.

Urban Enterprise Zones ("UEZs")/ Opportunity Zone ("OZs") / Low- and Moderate Income ("LMI") / Municipal Entities ("Munis") and K-12 Public Schools

- To increase program participation in and energy savings from these zones in which the State and/or national governments are especially encouraging economic development, by those of LMI, and by schools and munis, more attractive incentives will be offered, as summarized in TRC's Compliance Filing.
- UEZs and OZs are specific geographic zones identified by the State and/or national government in databases that are available to the public.
- Low income is 250% of the Federal Poverty Level, and moderate income is 80% of median income, all according to national databases that are available to the public and specified in the Compliance Filing.

COMMENTS FROM PUBLIC STAKEHOLDERS

Oral testimony regarding the CRA Straw Proposal was provided at the June 7, 2019 public hearing. In addition, multiple entities submitted written comments regarding the CRA Straw Proposal. Staff has reviewed the numerous written and oral comments submitted and considered them in making the following recommendation to the Board.

REVISIONS TO PROPOSED FY20 COMPLIANCE FILINGS (COLLECTIVELY "REVISED FY20 COMPLIANCE FILINGS")

Following the posting of the Proposed FY20 Compliance Filings, they were revised as follows. The Revised TRC Compliance Filing removed the proposed fuel switching clarification that limited HVAC related incentives for customers switching from oil propane or electric-resistance heating to a high–efficiency electric pump. In addition, the residential SEER requirement was reduced from >20 to >18 to allow for more high efficient products to be eligible. Lastly, HPwES – Direct Install measures that were proposed to be eliminated will continue to be offered.

The OCE Compliance Filing was revised to reflect the Revised Proposed FY20 Budget by removing the Smart Tech and Clean Energy Innovation Programs.

BOARD STAFF RECOMMENDATIONS

The Revised FY20 Compliance Filings and Budgets set out in detail the rationale utilized by Staff and the TRC Team to develop the subject proposed programs and budgets. Likewise, the OCE and Utilities Compliance Filings set forth additional programs, evaluations, and other programmatic support under the NJCEP umbrella.

Staff acknowledges that the new program initiatives will require further development, public input, and approvals before being implemented.

Staff recommends that the budget changes discussed above keep the direct install measures within the Residential Program. Staff recommends approval of the Revised FY20 Compliance Filings, as well as approval of the Revised Proposed FY20 Budget.

DISCUSSION AND FINDINGS

Consistent with the Board's contract with TRC, Staff coordinated with the TRC Team regarding the Proposed FY20 Compliance Filings and Budgets, as well as regarding the comments received on the same. Further, Staff, in conjunction with the TRC Team, accepted comments on the Proposed FY20 Compliance Filings and Budgets at a public hearing. Finally, the Proposed FY19 Compliance Filings and Budgets were circulated to the EE, RE and other listservs; they were posted on the NJCEP web site; and written comments about them were solicited from the public and considered by Staff and the Board. Accordingly, the Board **HEREBY FINDS** that the processes utilized in developing the FY20 Compliance Filings and Budgets were appropriate and provided stakeholders and interested members of the public with adequate notice and opportunity to comment on them.

The Board has reviewed the Revised FY20 Compliance Filings and Budgets, written and oral comments submitted by stakeholders, and Staff's recommendations. The Board **HEREBY FINDS** that the Revised FY20 Compliance Filings and Budgets will benefit customers and are consistent with the NJCEP's primary objective of lowering energy bills, as well as with NJCEP's secondary objectives. Further, the programs reflected in the FY20 Compliance Filings and Budgets will provide environmental benefits beyond those provided by standard offer or similar programs, and are otherwise reasonable and appropriate. Therefore, the Board **HEREBY APPROVES** the Revised FY20 Compliance Filings and Budgets.

The Board **HEREBY DIRECTS** Staff, with assistance from the Program Administrator, to update relevant program documents (i.e. applications, program manuals, etc.), and take the necessary steps to implement the programs and changes ordered herein, including, without limit, the provision of adequate notice of such changes.

The budgets approved herein are based on estimated FY19 expenses, and, once final FY19 expenses are known, are subject to "true up" in a future Order. For example, if actual FY19 expenses are less than the estimated expenses for any program, then the unspent amount will carry over into FY20. To the extent that FY20 budgets approved herein are below FY20 expenses due to actual FY19 expenses being less than estimated FY19 expenses, the Board's Fiscal Office is authorized to pay invoices for approved program expenses.

Pursuant to its authority under N.J.S.A. 48:2-40, the Board, as required, may reopen this matter and adjust the FY20 budgets in a separate Order. Any such adjustments will be considered by the Board and memorialized in a separate Order. The budgets approved herein are contingent on appropriations by the Legislature and subject to State appropriations law.

This Order shall be effective on July 1, 2019.

DATED: 6\21\19

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BY:

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ROBERT M. GORDON
COMMISSIONER

ATTEST:

AIDA CAMACHO-WELCH
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 BUDGETS FOR FISCAL YEAR 2020
DOCKET NO. QO19050645

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