

New Jersey's Clean Energy Program™



DIVISION OF CLEAN ENERGY

Comprehensive Energy Efficiency & Renewable Energy Resource Analysis

Funding Levels – Fiscal Year 2023

June 29, 2022

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LIST OF ACRONYMS

- ADI: Administratively Determined Incentive
- AEG: Applied Energy Group
- Board or BPU: New Jersey Board of Public Utilities
- C&I: Commercial & Industrial
- CEA: Clean Energy Act of 2018
- CHP-FC: Combined Heat and Power – Fuel Cells
- CSI: Competitive Solar Incentive
- CUNJ: Charge Up New Jersey Program
- CRA: Comprehensive Energy Efficiency & Renewable Energy Resource Analysis
- DCE: Division of Clean Energy
- DEP: Department of Environmental Protection
- DPMC: Division of Property Management and Construction
- ECC: Energy Capital Committee
- EDA: Economic Development Authority
- EDECA: Electric Discount and Energy Competition Act
- EE: Energy Efficiency
- EMP: Energy Master Plan
- EM&V: Evaluation, Measurement, and Verification
- ES: Energy Storage
- ESIP: Energy Savings Improvement Program
- EO: Executive Order
- FC: Fuel Cell
- FY: Fiscal Year
- HVAC: Heating, Ventilation and Air Conditioning
- LEUP: Large Energy Users Program
- LGEA: Local Government Energy Audits
- MUDs: Multi-Unit Dwellings
- MHD: Medium and Heavy Duty
- MOU: Memoranda of Understanding
- NJCEP: New Jersey’s Clean Energy Program
- NJIT: New Jersey Institute of Technology
- OSW: Offshore Wind
- OWEDA: Offshore Wind Economic Development Act
- Pilot Program: Community Solar Pilot Program
- RCGB: Rutgers University’s Center for Green Buildings
- RE: Renewable Energy

- RFP: Request for Proposal
- SAA: State Agreement Approach
- SBC: Societal Benefits Charge
- SES: Division of State Energy Services
- SFI: State Facilities Initiative
- SREC: Solar Renewable Energy Certificate
- TI: Transition Incentive
- TRC: TRC Energy Solutions
- USDOE: United States Department of Energy

EXECUTIVE SUMMARY

On February 9, 1999, the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. (EDECA), was signed into law. Among other things, EDECA created the societal benefits charge to fund programs for the advancement of energy efficiency and Class I renewable energy technologies and markets in New Jersey. EDECA also charged the New Jersey Board of Public Utilities with initiating proceedings and undertaking a comprehensive energy efficiency and renewable energy resource analysis (“Comprehensive Resource Analysis” or “CRA”) in New Jersey. The Comprehensive Resource Analysis would be used to determine the level of funding for EE and Class I RE programs statewide. Collectively, these programs form New Jersey’s Clean Energy Program.[™] Over the past 20 years, the programs have significantly reduced energy usage, reduced greenhouse gas emissions, delivered clean, local sources of renewable energy, and resulted in billions of dollars of energy cost savings to New Jersey ratepayers.

From 2001 through 2011 (FY12), the Board established four-year funding levels as envisioned in the Act. Since 2012, the CRA has provided a single year funding level in order to advance the goals of NJCEP.¹

On January 31, 2018, Governor Phil Murphy signed Executive Order No. 8 (EO8)², which directed the BPU and all agencies with responsibility under the Offshore Wind Economic Development Act (OWEDA) to “take all necessary action” to fully implement OWEDA and begin the process of moving New Jersey towards a goal of 3,500 megawatts of offshore wind energy generation by the year 2030. On November 19, 2019, Governor Murphy signed Executive Order No. 92 (EO92), which increased the goals for offshore wind energy generation to 7,500 megawatts by 2035.

On May 23, 2018, Governor Murphy signed the Clean Energy Act, L. 2018, c. 17, which takes several critical steps to improve and expand New Jersey’s renewable energy programs and establishes ambitious energy reduction targets. The CEA requires 21% of the electricity sold in the State to be from Class I renewable energy sources by 2020, 35% by 2025, and 50% by 2030. Additionally, the CEA provides a platform to reform the State’s solar program by making near-term structural changes to ensure that the program is sustainable over the long term and establishes a community solar energy program to allow low-income New Jersey residents to benefit from solar energy. Importantly, the CEA also established new energy savings targets of at least 2% annually for electric distribution companies and at least 0.75% for gas distribution companies, to be achieved in the prior three years within five years of implementation of their programs.

¹ In the early years, the budgets and programs were based on calendar years, but in 2012, the Board approved the budgets and programs on fiscal years to align with the overall State budget cycle.

² Executive Order No. 8

HISTORY/BACKGROUND

The Board initiated its first CRA proceeding in 1999 and issued the first CRA Order in 2001. The 2001 Order set 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 – Fiscal Year 2022.

From 2001 to 2006, the State’s electric and natural gas utilities managed the programs. In 2004, the Board determined that it would manage NJCEP going forward, and in 2005-2006, the Board issued RFPs to contract the necessary administrative services to assist in oversight. In 2006, the Board engaged Honeywell, Inc. to manage the RE and residential EE programs, and the Board engaged TRC to manage the C&I EE programs. In 2007, the Board engaged AEG as the NJCEP Program Coordinator. Following multiple extensions, these contracts terminated on March 31, 2016.

In April 2015, the Board, through the Department of the Treasury, Division of Purchase and Property (Treasury), issued RFP 16-X-23938 seeking proposals for a single Program Administrator to provide the services then being provided by Honeywell, TRC, and AEG (2015 RFP). On December 1, 2015, Treasury awarded the Program Administrator contract to AEG. Subsequently, on January 13, 2017, TRC Environmental Corporation acquired AEG’s New Jersey operation, including the NJCEP Program Administrator contract, and assumed AEG’s rights and obligations thereunder. TRC has subcontracted portions of the work under its contract to CLEAResult Consulting, Inc. and Energy Futures Group, Inc. TRC has managed the programs since March 1, 2016, which marked the conclusion of the transition period set out in the RFP.

ENERGY MASTER PLAN

On May 23, 2018, Governor Murphy signed Executive Order No. 28 (EO28), directing the BPU to spearhead the committee to develop and deliver the new Energy Master Plan. The committee was comprised of senior staff designees from the following state agencies: Board of Public Utilities, Department of Community Affairs, Economic Development Authority, Department of Environmental Protection, Department of Health, Department of Human Services, Department of Transportation, Department of Labor and Workforce Development, and Department of the Treasury. The committee was tasked with developing a blueprint for the conversion of the State’s energy production profile to 100% clean energy by January 1, 2050, with specific proposals to be implemented over the next 10 years.

On January 27, 2020, following months of research, review, and stakeholder input, the 2019 EMP was unveiled. The EMP outlines seven key strategies to achieve 100% clean energy by 2050: reduce energy consumption and emissions from the transportation sector; accelerate deployment of renewable energy and distributed energy resources; maximize energy efficiency and conservation and reduce peak demand; reduce energy consumption and

emissions from the building sector; decarbonize and modernize New Jersey’s energy system; support community energy planning and action in underserved communities; and expand the clean energy innovation economy.

Per the requirements of the EMP Statute, L. 1977, c. 146 (N.J.S.A. 52:27F-14 et seq.), BPU, with guidance from other State agencies, will coordinate the State’s efforts in 2022 to release an EMP Update to serve as a progress report towards achieving the seven key strategies enumerated in 2019. This process will include public hearings and allow for ample opportunities for stakeholders to provide feedback.

FUNDING LEVELS

The funding recommendations for FY23 considered NJCEP’s historic results and forecasts for the year. BPU Staff (Staff) is recommending that the Board maintain an SBC funding level of \$344,665,000 for FY23. The following table summarizes the appropriate funding levels for NJCEP FY23 budget.

Proposed FY23 Funding Levels*		
CEP Budget Category	FY23 New SBC Funding	Total FY23 Funding
Total NJCEP + State Initiatives	344,665,000	610,751,520
State Energy Initiatives	92,674,000	92,674,000
Total NJCEP	251,991,000	518,077,520
Energy Efficiency Programs	107,459,611	256,373,502
Res Low-Income (Comfort Partners)	54,500,000	54,500,000
C&I EE Programs	25,519,289	78,264,244
New Construction Programs	17,390,322	30,316,692
Energy Efficiency Transition	50,000	23,340,494
State Facilities Initiative	0	56,670,192
Acoustical Testing Pilot	0	3,281,880
LED Streetlights Replacement	10,000,000	10,000,000
Distributed Energy Resources	8,737,017	23,771,608
CHP - FC	8,237,017	22,084,108
Microgrids	500,000	1,687,500
RE Programs	8,941,455	31,962,396
Offshore Wind	5,907,559	28,928,500
Solar Registration	3,033,896	3,033,896
EDA Programs	13,660,000	28,910,000
Clean Energy Manufacturing Fund	60,000	60,000

NJ Wind	10,000,000	21,500,000
R&D Energy Tech Hub	3,600,000	7,350,000
Planning and Administration	36,478,837	56,289,084
BPU Program Administration	5,585,000	5,585,000
Marketing	8,000,000	10,500,000
CEP Website	100,000	500,000
Program Evaluation/Analysis	18,700,392	34,246,810
Outreach and Education	3,993,445	5,357,274
Memberships	100,000	100,000
BPU Initiatives	76,714,079	120,770,931
Community Energy Plan Grants	2,000,000	2,939,034
Energy Storage	2,000,000	22,000,000
Heat Island Pilot	2,500,000	2,500,000
Electric Vehicle Programs	50,000,000	67,000,000
Energy Bill Assistance	20,214,079	21,831,897
Workforce Development	0	4,500,000

*Numbers presented in the above table may not add up precisely to totals provided due to rounding.

ENERGY EFFICIENCY

The CEA directs both the Board and the State's investor-owned electric and gas utilities to take action regarding EE. The CEA requires the Board to adopt an electric and gas EE program in order to ensure investment in cost-effective EE measures, ensure universal access to EE measures, and serve the needs of low-income communities.

Additionally, as previously noted, the CEA requires each electric public utility to achieve annual reductions in the use of electricity of at least 2% and each natural gas public utility to achieve annual reductions in the use of natural gas of at least 0.75% of the average annual usage in the prior three years within five years of implementation of its EE program.

In January 2019, the BPU contracted with Optimal Energy to conduct a market potential study. Staff worked with the New Jersey Division of Rate Counsel, utilities, and other stakeholders, including through four stakeholder meetings to advance the study.

On February 1, 2019, the BPU held a public meeting and accepted written comments through February 15, 2019 to solicit responses to 12 questions that helped to guide the process and advance the design of the EE programs under the requirements of the CEA.

At the May 28, 2019 Board agenda meeting, the Board approved the following items to advance the goals of the CEA:

- The acceptance of the final “Energy Efficiency Potential in New Jersey” study;
- The adoption of the preliminary quantitative performance indicators related to electric and natural gas usage reduction targets; and
- The structure of the Advisory Group, whose members would provide insight on key elements of program implementation and evaluation for Staff’s use in the development of recommendations to the Board.

An extensive public stakeholder process continued in the late summer, fall, and winter with 10 additional stakeholder and technical working group meetings, as well as regular meetings with the Energy Efficiency Advisory Group. Significant stakeholder comment was received, reviewed, and incorporated and helped to refine three straw proposals (Program Administration, Cost Recovery, and Utility Targets), as well as a full straw proposal which resulted in Staff recommendations to the Board for the next generation of EE programs. On June 10, 2020, the Board approved an expansive EE program which highlighted an enhanced role for utilities and addressed issues such as utility-specific energy usage and peak demand reduction targets, program structure, cost recovery, utility filing requirements, program timeframes, evaluation, and reporting requirements. Staff is continuing to work with New Jersey’s investor-owned utilities, Rate Counsel, and other stakeholders to ensure that the new framework is put into place fully, properly, and with minimal ratepayer impact. The utilities started the programs on July 1, 2021. These working groups will continue in FY23, along with a working group dedicated to developing recommendations on the policies and programs for the next three-year cycle of utility programs, which begin on July 1, 2024.

In FY22, Staff began facilitating working groups to assist in the transition and implementation of State and utility EE programs. Staff has begun to procure appropriate studies and evaluations to assist in the determination of energy savings, cost effectiveness, code compliance, EE baselines, and other relevant assessments.

The FY23 NJCEP proposal provides continuation of EE funding for new construction programs for residential, governmental, commercial, and industrial markets, as well as the Comfort Partners Program for low-income residents (which is co-managed by the BPU and utility companies); the Local Government Energy Audits (LGEA) Program; Energy Savings Improvement Program (ESIP); Large Energy Users Program (LEUP); Combined Heat and Power – Fuel Cells Program (CHP-FC); and Acoustical Testing Program. Whenever possible, NJCEP EE programs include a particular focus on outreach and education to ensure equity in access to EE and development of a diverse EE workforce.

RENEWABLE ENERGY

Solar Transition

Pursuant to the CEA, the Board is finalizing the transition from its legacy solar incentive program (SREC registration program or SRP) to a new Successor Solar Program. The Board

initiated a proceeding in 2018 to gather stakeholder input on the transition and conducted a public rulemaking process for SREC registration program closure upon a determination that 5.1% of the kilowatt hours sold in the state comes from solar electric power generators connected to the state's electric distribution system (5.1% milestone).

In December 2019, the Board approved a Transition Incentive (TI) Program designed to provide a bridge between the legacy SREC program and a successor incentive program. The adopted rules for the TI Program were published in the New Jersey Register on October 5, 2020.

At the April 6, 2020 agenda meeting, the Board announced that the attainment of the 5.1% milestone was imminent and directed Staff to close the SREC market to new entrants on April 30, 2020.

On May 1, 2020, the Transition Incentive Program opened to new projects and projects with a valid SRP registration that did not energize prior to the 5.1% milestone (with some exceptions for projects that were granted a waiver due to COVID-19). The Transition Incentive Program remained open to new registrants until the launch of the Successor Incentive Program.

On January 7, 2021, the Board fulfilled the CEA mandate to study "how to modify or replace the SREC program to encourage the continued efficient and orderly development of solar renewable energy generating sources throughout the State." The Board delivered to the Governor and Legislature the New Jersey Solar Transition Final Capstone Report, which summarized the findings of an extensive stakeholder process and provided recommendations based on these findings and solar market modeling specific to New Jersey.

On April 7, 2021, drawing from the Capstone Report findings, Staff issued a straw proposal which presented specific recommendations for the design of the Successor Solar Incentive Program ("Successor Program" or "SuSi Program"). The initial straw proposal recommended that the Board employ two programs to provide incentives to solar electric generation facilities: an administratively-determined incentive for behind-the-meter projects sized 5 MW or less as well as all community solar projects, and a competitive solicitation program for grid supply projects and non-residential net metered projects over 5 MW. Details concerning the closure of the Transition Incentive program were also addressed in Staff's straw proposal and the subject of public input.

On July 28, 2021, the Board approved the framework for the Successor Solar Incentive Program, which included eligibility details and incentive levels for the Administratively Determined Incentive ("ADI") Program and an outline for the Competitive Solar Incentive ("CSI") Program. The Board also approved the closure of the TI Program to new registrations effective on August 27, 2021. The ADI Program opened to new registrations on August 28, 2021. The Board subsequently procured the services of a competitive solicitation program administrator and initiated additional stakeholder outreach to finalize the CSI program design. The final details of the CSI Program will be approved by the Board based upon the public input solicited in the stakeholder proceeding.

Community Solar

The New Jersey Community Solar Energy Pilot Program was launched on February 19, 2019, pursuant to the CEA (L. 2018, c. 17). The Pilot Program specifically aims to increase access to solar energy by enabling electric utility customers to participate in a solar generating facility that could be remotely located from their own residence or place of business.

On December 20, 2019, the Board granted conditional approval to 45 projects representing almost 78 MW in the first solicitation, and, on October 28, 2021, the Board granted conditional approval to 105 projects representing 165 MW in the second solicitation. All 150 projects selected to participate in the Pilot Program have committed to allocating at least 51% of project capacity to low- and moderate-income subscribers.

Following the end of the second solicitation, the Board announced that the Pilot Program would be transitioning to a permanent program. On April 11, 2022, Staff issued a request for comments that sought preliminary stakeholder input on the design of a permanent Community Solar Energy Program. Written comments were received through May 6, 2022. Staff anticipates that these comments will inform the drafting of a Staff Straw Proposal, which will be published for stakeholder feedback.

Offshore Wind

Governor Phil Murphy signed EO8 on January 31, 2018. The purpose of EO8 was to reinvigorate the implementation of the State's OWEDA. EO8 directed the BPU and all agencies with responsibility under OWEDA to "take all necessary action" to fully implement OWEDA and begin the process of moving New Jersey towards a goal of 3,500 megawatts of offshore wind energy generation by the year 2030. EO8 also required an initial solicitation of 1,100 MW as the first step towards achieving the goal and required the development of an Offshore Wind Strategic Plan (OSWSP).

In 2018, the Interagency Agency Taskforce on Offshore Wind was developed to assist in the development of the OSWSP. A consultant for the OSWSP was retained and work began in 2018. In September 2018, the BPU issued a solicitation for 1,100 MW of offshore wind energy generation, and in June 2019, the BPU approved an application for a 1,100 MW offshore wind generation project submitted by Ocean Wind.

On November 19, 2019, Governor Murphy signed EO92, increasing the State's offshore wind energy generation goal to 7,500 MW by 2035. Governor Murphy found that, as a result of efforts by the State following EO8, "offshore wind development is a growing economic sector in the State with increases in supply chain presence, private investment in ports, workforce development efforts, and research and development for offshore wind industry and labor." Governor Murphy found that expanding the offshore wind goal will ensure that the State can "meet the State's goals of 50 percent renewable energy by 2030 and 100 percent clean energy by 2050, in addition to creating a significant number of good-paying jobs."

The OSWSP was released for public comment in July 2020 and was approved by the BPU in September 2020.

Also in September 2020, a second solicitation was issued for 1,200 to 2,400 MW of OSW. Evaluation of applications received from two developers in December 2020 resulted in awards by the Board to two projects, Ocean Wind 2 at 1,148 MW and Atlantic Shores at 1,510 MW in June 2021.

In November 2020, the Board requested that PJM include the State's OSW goal into its regional transmission expansion planning under a PJM process known as the State Agreement Approach (SAA). The Board also issued an RFQ for a consultant to assist Staff with the SAA process, and a contract was awarded to a qualified consultant. A solicitation for OSW transmission solutions was issued by PJM on behalf of the Board in April 2021, with proposals received in September 2021. Evaluation of the proposals is ongoing, with a decision by the Board expected in October 2022.

In FY21, the Board entered into a memorandum of understanding (MOU) with the South Jersey Port Corporation to provide funding for the development of a monopile manufacturing facility at the Port of Paulsboro. The Board also entered into an MOU with the NJEDA to support the development of the New Jersey Wind Port and to support the activities of the Wind Innovation and New Development (WIND) Institute. In FY22, the Board entered into a second MOU with the EDA to support the WIND Institute.

In FY23, funding is requested for specific activities, including retaining a consultant to assist Staff in the development of a solicitation three guidance document and evaluation of solicitation three proposals, continued funding for the Rutgers University Center for Ocean Observing Leadership work, retaining a consultant to update the OSW Strategic Plan, and continued funding of the consultant assisting Staff in the SAA evaluation.

DISTRIBUTED ENERGY RESOURCES

In FY20, the first phase of the BPU's Town Center Distributed Energy Resources (TCDER) Microgrid Incentive Program was completed. Phase I consisted of TCDER Microgrid feasibility studies. The BPU funded 13 feasibility studies, which Staff reviewed and accepted. The BPU also launched Phase II of the TCDER Incentive Program in FY20. All Phase I participants with an approved feasibility study were eligible for Phase II, which consists of incentives for a detailed design of the TCDER Microgrid. After one feasibility study participant voluntarily withdrew from consideration, there were 12 eligible applicants for Phase II incentives, and 11 applications were received in May 2020. In FY21, the BPU awarded incentives to eight (8) projects. After Phase II is complete, applicants will decide whether to move forward with Phase III, which will encompass the construction and implementation of the TCDER microgrid projects. To assist towns to advance to Phase III,

the BPU applied for and received a grant of approximately \$300,000 from the U.S. Department of Energy to conduct a study regarding financing microgrids.

In FY19, the Board retained Rutgers University to conduct an analysis of energy storage (ES) in New Jersey pursuant to the CEA. The contract for the requested analysis commenced on November 1, 2018, and the Board accepted the final report at the June 12, 2019 Board meeting.

As part of Phase One of the ES approach, a solar+storage program was included in the Solar Successor Program Straw Proposal released for public comment in FY21. Phase Two of the energy storage program will further investigate, with stakeholder involvement, where storage can provide the most benefit to the transmission and distribution system at the least cost to ratepayers.

ELECTRIC VEHICLES

On January 17, 2020, the Governor signed into law L. 2019, c. 362 (N.J.S.A. 48:25-1 et seq.) (“the Electric Vehicle Act” or “EV Law”), which established the State’s goals for the use of plug-in EVs and the development of supporting plug-in EV charging infrastructure.³ In particular, the Act authorized the Board to adopt policies and programs to accomplish the State’s goals and authorized the use of SBC funds to effectuate those policies and programs, which include:

1. There shall be at least 330,000 registered light-duty, plug-in electric vehicles in New Jersey by December 31, 2025, and at least 2 million electric vehicles registered in New Jersey by December 31, 2035.
2. At least 85% of all new light-duty vehicles sold or leased in New Jersey shall be plug-in electric vehicles by December 31, 2040.
3. At least 25% of State-owned non-emergency light duty vehicles shall be plug-in electric vehicles by December 31, 2025.
4. 100% of State-owned non-emergency light-duty vehicles shall be plug-in electric vehicles by December 31, 2035 and thereafter.
5. At least 1,000 Level Two chargers shall be available for public use across the state by December 31, 2025.
6. The Department of Environmental Protection, in consultation with the Board, shall establish goals for vehicle electrification and infrastructure development for medium and heavy duty vehicles by December 31, 2020.

In FY22, NJCEP continued to advance those goals in a variety of different ways. In FY21, the Board approved two EDC petitions to launch light-duty EV public charging programs, and

³ N.J.S.A. 48:25-3 to -11.

Staff is working with utility staff to ensure the successful implementation of those programs. Additionally, Staff is currently reviewing the two remaining EDC filings to ensure they comply with the Board's minimum filing requirements for light-duty public EV charging. Staff has also begun the process for seeking stakeholder input on the subject of Medium and Heavy Duty (MHD) EV charging and plans to provide multiple opportunities for input on MHD investment and on mechanisms for rate recovery and rate setting for MHD EV charging.

The Electric Vehicle Act also created the Charge Up New Jersey Program (CUNJ) within the NJCEP to encourage the purchase or lease of new light-duty plug-in electric vehicles in the State and assist New Jersey residents in making the switch to driving electric vehicles by offering a financial incentive directly linked to a vehicle's EPA-rated all-electric range. The BPU intends to facilitate the achievement of the State's EV goals and implement an incentive program which moves the State forward on transportation electrification, while decreasing greenhouse gas emissions. Staff launched Phase 1 of the program, the post-purchase incentive, in May 2020. In the first year of the program, which launched in FY20 and closed in FY21, CUNJ provided over 7,000 vehicles with over \$36 million in incentives. Staff launched Phase 2, the point-of-sale incentive, at the beginning of FY22 on July 5, 2021; CUNJ anticipates providing over 6,500 vehicles with over \$24 million in incentives. Staff is planning to launch Phase 3, which includes an incentive for residential chargers, later in the fiscal year.

The EV law also established goals to encourage the State-owned non-emergency light-duty vehicles EV adoption. The law calls for at least 25 percent of the fleet to be plug-in electric vehicles by December 31, 2025, and 100 percent by December 31, 2035. In order to achieve those goals, after a successful pilot program utilizing the United States Department of Energy (USDOE) funds in FY22, Staff launched the Clean Fleet Program, to assist in funding the increased up-front costs associated with the adoption of light-duty EVs for the State and municipal fleets.

Additionally, the EV law established goals for public chargers, as well as chargers located at Multi-Unit Dwellings (MUDs) and hotels. In FY22, the Board utilized appropriation from the State's General Fund to create programs to fund chargers at MUDs, tourism locations, and hotels. The Board's EV Tourism Program was designed to encourage the building of more corridor and community chargers throughout New Jersey, reducing range anxiety for our residents, and encouraging EV driving tourists to choose New Jersey as their tourism destination. In FY23, Staff proposes continuing the EV Tourism and MUD Programs.

STATE ENERGY SERVICES

The State Facilities Initiative (SFI) allows the State to lead by example by identifying and implementing EE projects at governmental and quasi-governmental mandated agencies and facilities. The goal is to implement energy reduction, energy savings, and EE projects with the objective of producing energy and cost savings. The Energy Capital Committee (ECC), chaired by BPU's Division of State Energy Services (SES), consists of members from the

Department of Treasury, including the Office of Management and Budget, Fiscal, and the Division of Property Management and Construction (DPMC) Energy Initiatives Group, along with the BPU's SES and BPU fiscal division. The ECC coordinates and recommends approval of projects based on evaluation of capital costs and anticipated energy savings. The SFI funds are allocated for and spent on projects identified by the SES and the ECC.

The Board previously entered into two Memoranda of Understanding (MOUs) with DPMC to implement projects, approved by the Board on February 22, 2017⁴ and on November 13, 2019⁵. The 2019 MOU also established roles and responsibilities of the parties, as well as governing SFI funding allocation and spending. The Board has the ability to further allocate funds and/or assign projects funded by the Board to the SFI. In addition, the Board entered into a separate MOU with NJ Transit on February 17, 2021 to upgrade transit garages.⁶

SFI projects may focus on: (a) improvements, upgrades, and replacements of air handling and movement systems; (b) lighting and equipment upgrades and replacements; (c) boiler, chiller, and HVAC replacements; (d) lighting and building controls; (e) RE and EE systems at State facilities; and (f) injection of funding for State facility projects outside of the ECC domain that have an EE or RE component but are stalled due to lack of funding.

OUTREACH AND EDUCATION

In FY23, outreach and education will continue to play a key role in driving energy savings by educating all customer markets on the benefits and cost savings associated with energy reduction plans.

The Division of Clean Energy postponed the 2021 Clean Energy Conference due to the health crisis. The conference, now planned for FY23, will help educate the public about the benefits derived from NJCEP and the opportunities available through the program. The conference will provide a platform to inform industry, government, and trade stakeholders about upcoming changes and enhancements to New Jersey's clean energy initiatives and will increase national recognition of New Jersey as a leader in clean energy.

⁴ In re a Memorandum of Understanding between the New Jersey Division of Property Management and Construction and the New Jersey Board of Public Utilities, BPU Docket No. Q017010075, Order Dated February 22, 2017.

⁵ In re the Memorandum of Understanding Between the New Jersey Division of Property Management and Construction, Department of Treasury and the New Jersey Board of Public Utilities Regarding the State Facilities Initiatives Program Budget, BPU Docket No. Q019101423, Order Dated November 13, 2019 ("2019 MOU").

⁶ In re the Memorandum of Understanding Between the New Jersey Transit Corporation and the New Jersey Board of Public Utilities Regarding the Use of Funds Generated by SBC to Support the Development of Infrastructure Related to Battery Electric Buses, BPU Docket No. E021020265, Order Dated February 17, 2021.

The DCE anticipates improving the visibility and exposure of NJCEP and advancing the State's clean energy goals through a variety of educational efforts, including outreach through its program administrator, as well as strategic partnerships with academic and non-profit partners such as the New Jersey Institute of Technology and Sustainable Jersey.

EVALUATION

Evaluation and related research provide crucial insights into and analysis of clean energy markets and programs. The BPU is the lead agency tasked with the development and implementation of the EMP and NJCEP. As such, the BPU is required to track and report on progress in meeting the EMP goals, as well as to evaluate current and proposed utility and NJCEP programs in terms of their achievement of energy savings, rate impact, and costs versus benefits of specific programs operated through ratepayer funds. The BPU is also required to establish baselines related to EE, RE generating sources, and emerging technologies and to evaluate the market potential for current and emerging clean energy technologies.

Per the CEA, the Board established an Evaluation, Measurement, and Verification (EM&V) Working Group in FY22 to develop the evaluation, measurement, and verification process for EE and peak demand reduction programs. As required by the Board on June 10, 2020, Staff procured a statewide evaluator to manage the working group. Through the EM&V Working Group, the statewide evaluator, Staff, Rate Counsel, and utility representatives prioritized and designed evaluation studies to evaluate both utility and NJCEP EE programs.

While Rutgers University's Center for Green Building will continue to support the BPU's DCE to manage program evaluation and the NJ Energy Data Center and to perform cost-benefit analyses and other related research activities, the Center for Green Building has also taken on another major responsibility in FY22 - leading several evaluation studies in support of the EM&V Working Group. In FY23, an independent statewide evaluation team will be contracted to conduct additional evaluation studies.

Additionally, New Jersey's interconnection rules and processes require updating in order to achieve 100% clean energy by 2050. In FY22, Staff engaged a contractor to assist with updating New Jersey's interconnection rules so that they reflect national best practices and better enable the State to achieve its clean energy goals. Necessary updates to the State's interconnection rules include but are not limited to: updates to the interconnection process, modernization of utility processes for studying interconnection requests, updates to technical interconnection study standards, updates necessary to coordinate interconnection requests with the regional transmission system, incorporation of updated Institute of Electrical and Electronics Engineers or other standards, and other changes that will facilitate New Jersey meeting its ambitious clean energy targets. To date, three stakeholder meetings have been held regarding the interconnection process. The consultant's final report is expected in Q3 2022, with the next step being implementation of rule changes to update New Jersey's interconnection process.

Funding in FY23 is requested to continue the grid modernization proceeding, conduct a study of the potential to use renewable natural gas and/or green hydrogen as a means to reduce greenhouse gas emissions, and for additional new clean energy technology initiatives that may arise.

SBC COLLECTION SCHEDULE

For FY23, the allocation of the funding to utilities is based on the statewide Universal Service Fund proceeding that forecasts electric and natural gas operating jurisdictional revenues and normalized monthly sales, which are provided below.

Proposed Allocation to Electric and Natural Gas Ratepayers

	2020-21 Estimated Retail Revenues (000)*	% of Total Revenues
Electric	\$6,858,311	68.19%
Natural Gas	\$3,199,716	31.81%
Total	\$10,058,027	100.00%

Year	Total Funding Level	Electric	Natural Gas
Allocation %		68.19%	31.81%
FY23	\$344,665,000	\$235,018,236	\$109,646,764

* Retail revenues from PSE&G USF filing Attachment A dated June 25, 2021

Projected Sales Volumes														
Estimates of Normalized Jurisdictional Sales														
Units in (000s)														
	2021	2021	2021	2021	2021	2021	2022	2022	2022	2022	2022	2022	2022	Total
	July	August	September	October	November	December	January	February	March	April	May	June		
Gas Therms*														
NJNG	18,967	18,672	18,993	32,484	66,222	110,476	137,768	115,779	92,436	48,137	26,164	19,380	705,477	15.61%
SJG	19,951	19,794	19,518	18,476	38,594	59,593	93,958	85,751	78,368	54,821	28,825	21,581	539,231	11.93%
PSE&G	80,554	72,832	81,370	100,703	198,391	373,144	470,664	480,922	400,788	269,370	140,879	98,277	2,767,894	61.24%
ETG	18,414	18,158	18,896	26,005	52,312	70,507	86,754	75,073	61,654	37,187	22,353	19,805	507,118	11.22%
Total	137,885	129,456	138,776	177,669	355,519	613,721	789,144	757,525	633,245	409,515	218,222	159,042	4,519,719	100.00%
Electric MWH														
PSE&G	3,980,907	4,096,670	3,643,638	2,996,542	2,817,066	3,321,388	3,454,971	3,246,494	3,095,262	2,858,367	2,906,732	3,312,363	39,730,400	57.81%
JCP&L	1,948,644	2,096,617	1,843,795	1,433,661	1,326,104	1,519,559	1,635,210	1,547,268	1,490,870	1,395,799	1,336,468	1,561,350	19,135,344	27.84%
ACE	863,253	955,071	888,371	587,909	572,584	616,173	718,090	697,300	634,359	603,757	539,715	674,309	8,350,890	12.15%
RECO	161,642	161,677	144,250	121,286	107,735	122,624	128,428	115,825	107,596	106,388	102,662	125,080	1,505,194	2.19%
Total	6,954,446	7,310,036	6,520,054	5,139,398	4,823,489	5,579,745	5,936,698	5,606,887	5,328,086	4,964,310	4,885,576	5,673,102	68,721,829	100.00%
*Gas sales exclude wholesale therms														
source: 6/25/21 PSE&G USF filing Attachment A														

Staff utilized the revenue and sales projection from the tables above to develop the proposed monthly utility payments. The table on the next page sets out the proposed monthly payments to the Clean Energy Trust Fund due from each utility. This fund accounts for revenues collected from the SBC on monthly utility bills. Funds generated from this charge are used to support clean energy initiatives.

Monthly Utility Funding Levels

FY23	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
PS-Electric	\$13,614,098.99	\$14,009,991.76	\$12,460,690.18	\$10,247,718.74	\$9,633,938.04	\$11,358,643.20	\$11,815,476.28	\$11,102,518.29	\$10,585,326.02	\$9,775,180.83	\$9,940,581.87	\$11,327,780.95	\$135,871,945.15
JCP&L	\$6,664,066.09	\$7,170,112.49	\$6,305,499.20	\$4,902,904.51	\$4,535,074.07	\$5,196,662.50	\$5,592,170.22	\$5,291,422.28	\$5,098,548.20	\$4,773,420.02	\$4,570,516.43	\$5,339,580.08	\$65,439,976.09
ACE	\$2,952,194.64	\$3,266,197.41	\$3,038,093.29	\$2,010,559.94	\$1,958,150.74	\$2,107,219.93	\$2,455,757.99	\$2,384,659.72	\$2,169,410.69	\$2,064,756.73	\$1,845,743.16	\$2,306,033.74	\$28,558,777.98
RECO	\$552,792.27	\$552,911.96	\$493,312.95	\$414,780.44	\$368,436.74	\$419,356.68	\$439,203.47	\$396,104.73	\$367,961.71	\$363,831.62	\$351,088.63	\$427,755.36	\$5,147,536.56
NJN	\$460,125.45	\$452,979.89	\$460,756.34	\$788,050.10	\$1,606,516.71	\$2,680,115.65	\$3,342,201.38	\$2,808,753.62	\$2,242,455.62	\$1,167,783.62	\$634,738.96	\$470,142.33	\$17,114,619.67
SJG	\$484,001.14	\$480,204.72	\$473,495.58	\$448,231.79	\$936,287.97	\$1,445,709.88	\$2,279,384.64	\$2,080,290.45	\$1,901,171.06	\$1,329,935.58	\$699,293.63	\$523,536.07	\$13,081,542.51
PS-Gas	\$1,954,203.79	\$1,766,875.54	\$1,974,004.71	\$2,443,020.00	\$4,812,889.91	\$9,052,345.36	\$11,418,148.84	\$11,666,996.41	\$9,722,978.24	\$6,534,818.28	\$3,417,670.65	\$2,384,155.49	\$67,148,107.22
ETG	\$446,719.52	\$440,505.78	\$458,408.91	\$630,876.33	\$1,269,058.53	\$1,710,479.09	\$2,104,625.15	\$1,821,236.59	\$1,495,692.95	\$902,138.11	\$542,285.78	\$480,468.08	\$12,302,494.82
Total	\$27,128,201.89	\$28,139,779.55	\$25,664,261.16	\$21,886,141.85	\$25,120,352.71	\$33,970,532.29	\$39,446,967.97	\$37,551,982.09	\$33,583,544.49	\$26,911,864.79	\$22,001,919.11	\$23,259,452.10	\$344,665,000.00

CONCLUSION

In May 2018, Governor Murphy's EO28 directed the State to achieve 100% clean energy by 2050. Staff's FY23 CRA straw proposal is intended to advance the State toward that goal and to recognize the value of energy efficiency, renewable energy, and distributed energy resources as foundational energy resources that, when delivered cost-effectively, reduce the cost of energy for all ratepayers while providing additional benefits. These benefits include the health benefits associated with improved air quality, lower environmental compliance costs, increased grid reliability, as well as economic development opportunities in the form of jobs and a more competitive business environment. This proposal recommends that the State continue to make the investments necessary to keep New Jersey on the path toward achieving the Governor's clean energy goals.