

# SUMMARY OF PROPOSED PROGRAM CHANGES<sup>1</sup>

## I. RESIDENTIAL PROGRAMS

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### I.1 Energy Efficient Products Program

#### I.1.1 Energy Efficient Products: Retail Lighting

##### *FY18 Proposed Program Changes*

There are no program changes proposed for FY18.

#### I.1.2 Energy Efficient Products: Retail Appliances

##### *FY18 Proposed Program Changes*

There are no program changes proposed for FY18.

#### I.1.3 Energy Efficient Products: Appliance Recycling

##### *FY18 Proposed Program Changes*

The TRC Team is in the process of working with NJBPU to add room air conditioners (RACs) and dehumidifiers to the list of products eligible for incentives through the Program and Program Administrator Contract. After these measures are added, customers will be able to recycle them if they are also recycling a larger unit (refrigerator/freezer) at the same time (so that the pickups are cost-effective).

### I.2 Residential Existing Buildings Programs: Home Performance with ENERGY STAR<sup>®</sup> and Residential HVAC

#### I.2.1 Home Performance with ENERGY STAR Program (HPwES)

##### *FY18 Proposed Program Changes*

- Reduction in paperwork submittal requirements to simplify and thereby increase contractor participation.
- If sufficient budgetary capacity remains later in the FY, pilot a basic, entry-level offering of prescriptive incentives for insulation contractors to perform air sealing and insulation measures, mirroring the current *WARM/COOL* Advantage programs, but with a focus on envelope measures. The simplicity of prescriptive incentives may be more attractive to applicants than the relative complexity of the other programs that provide incentives for envelope measures.
- If sufficient budgetary capacity remains later in the FY, pilot a “direct install” component to the program to capture additional savings. At the time of NJCEP quality assurance inspections, the inspectors would install, at no cost to the applicant, up to five screw-in LED bulbs, a low flow shower head, and faucet aerators. This would create additional, cost-effective energy savings.

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<sup>1</sup> The FY18 Compliance Filings present a more comprehensive and detailed discussion of the program changes proposed for FY18. If there is an inconsistency between this Summary and the Compliance Filings, the Compliance Filings prevail.

- Undertake a focused outreach effort toward the remodeling industry to recruit remodeling trade allies, inform them about the program’s available incentives, and identify potential partnerships.

## 1.2.2 Residential HVAC: WARMAdvantage and COOLAdvantage

### *FY18 Proposed Program Changes*

- Add a certain incentive tier and refine several incentives, including:
  - Add another incentive tier for mini-split heat pumps that would provide an incentive for units meeting the NEEP cold climate heat pump specifications. Cold climate heat pumps are a new technology providing very efficient heating at very low outdoor temperatures. The tier would include an additional, bonus incentive for the installation of cold climate mini-split heat pumps in homes with electric resistance heating, where natural gas service is not available. A cold climate mini-split heat pump can provide up to 40% savings in homes with electric resistance heating.
- Eliminate prescriptive incentives for Geothermal Heat Pumps and Solar Hot Water due to limited participation and related cost-effectiveness concerns. However, Geothermal Heat Pumps will remain eligible for HPwES and Solar Hot Water would become eligible for HPwES, where they can be cost-effectively administered.
- Consider transitioning to accepting only those applications submitted by participating licensed contractors, and require that application be submitted through the online portal. This would impose little additional burden because the eligible equipment can be installed only by a licensed contractor and it would reduce the costs and delays associated with the incomplete and/or inaccurate applications submitted by homeowners or other unlicensed persons.
- Increase outreach to HVAC contractors to (i) support them through the future transition to the proposed Residential Retrofit Program and (ii) encourage them towards more comprehensive work scopes.

## 1.3 Residential New Construction

### *FY18 Proposed Program Changes*

- Reduction in paperwork submittal requirements to simplify and therefore increase contractor participation. I.e., eliminate the requirement to upload construction documents required for building code permits (R103.2)
- Change the current requirement that single-family homes complete a pre-drywall inspection within 60 days (with a one-time 60-day extension) of the enrollment date to a requirement that the pre-drywall inspection be completed within 120 days (with no extension, except where there are unusual, extenuating circumstances).
- Shift emphasis of program quality assurance away from final inspections and toward pre-drywall inspections to increase effective mentoring of raters, trade allies, and builder site personnel and thereby improve the quality of installations. Pre-drywall inspections are better than final inspections for determining the quality of air sealing, draft blocking, insulation, duct work, and duct sealing, which quality can have a significant effect on the energy performance.
- Monitor any forthcoming RESNET changes for ENERGY STAR and ZERH and adjust incentive structure and program requirements as necessary.

## 2. COMMERCIAL AND INDUSTRIAL

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### 2.1.1 Commercial and Industrial Prescriptive/Custom Rebates

#### *FY18 Proposed Program Changes*

- Complete overhaul of Prescriptive application forms to improve customer experience. The improved forms will be easier to follow and complete. This will help improve application quality and shorten review cycles, which could lead to increased participation.
- Streamline multiple-site submission process. The multiple-site prescriptive lighting application will allow customers to input multiple facilities on a single document instead of completing one application per facility (account) where much of the information is duplicated, as is currently required. This too could lead to increased participation.
- Incentive revisions/additions:
  - All NJCEP prescriptive measure incentives and requirements will be reviewed and revised as appropriate.
  - Permit T12 lighting to be replaced with LEDs. Although new T12 lighting is virtually unavailable today, it is still possible to purchase product to maintain these inefficient systems, making it worthwhile to provide an incentive to install higher efficiency lighting.
  - Provide a new incentive tier for condensing boilers that do not meet the current efficiency requirement for condensing boilers but are considerably more efficient, and generally more expensive, than incentive-eligible non-condensing units.
  - Add Design Lighting Consortium® and/or ENERGY STAR qualified LED product categories to prescriptive lighting list as appropriate (e.g., Mogul base LED products).
  - Split incentive categories for low and high bay LED lighting to allow a higher incentive to be provided for high bay than low bay considering the greater energy savings generally provided by high bay lighting as compared to low bay.
  - Exclude retail display lighting as insufficiently permanent and difficult to administer.
- Define qualifying guidelines to consider Advanced Lighting Control System (ALCS) incentives via custom/Customer Tailored program, to encourage more applications involving same.
- Administrative changes to be reflected in lower tier documents (e.g., application forms):
  - Pre-approval waiver. The Program Manager would have the authority to waive the requirement that the application be pre-approved prior to installation (which requirement applies only to lighting and custom applications) under the following circumstances: (i) Installation commenced no earlier than 30 days after the application was received by the Program Manager, (ii) the incentive is less than \$25,000, (iii) the applicant has established the pre-existing conditions by clear documentation, (iv) the applicant establishes that unusual and extenuating circumstances caused the installation to proceed without approval (e.g., emergent safety issue, school schedules, etc.) and (iv) the Program Lead approves the waiver.
  - Reinstatement following rejection for failure to respond to deficiency notice. The Program Manager's Case Managers would have the authority to allow reinstatement following a rejection for failure to respond to a deficiency notice under the following circumstances: (i) the request for reinstatement is made no later than 90 days after the end of the 1<sup>st</sup> or 2<sup>nd</sup> deficiency cure period, whichever is later, (ii) if pre-approval is required, installation has not commenced, (iii) the failure to respond was not

intentional or grossly negligent, and (iv) there is no pattern of the applicant failing to respond to deficiency notices.

- Reinstatement following rejection/cancellation for failure to complete or extend within the one-year period after approval. The Program Manager’s Case Managers would have the authority to allow reinstatement of a cancelled application following rejection/cancellation for failure to complete or extend within the 1-year period after approval under the following circumstances: (i) installation was completed before the expiration date (including, any approved extensions thereof), (ii) the applicant had received no more than 1 extension of the base 1-year period, and (iii) the applicant has a reasonable explanation for its failure.
- Tax Clearance Certificates (TCCs) for LLCs and DBAs. The Program Manager’s Case Managers would have the authority to accept applications and/or TCCs where the name on either the TCC, application, or utility bill is different than the name on one or more of the other foregoing documents under the following circumstances: (i) the applicant establishes through a legitimate governmentally-issued or approved document that the name of one of the documents is either (A) a “doing business as” (DBA) name for the other name, or (B) is an LLC the applicant disregards for tax purposes (e.g., by including a copy of the TCC application identifying the LLC as a “related entity”).
- Early Pre-inspections/Inspections. The Program Manager’s Case Managers would have the authority to schedule pre-inspections and/or final inspections earlier in the application process than as contemplated in program documents if the applicant requests same and provides a reasonable explanation for the request and why it was unforeseeable and unavoidable (e.g., emergent health or safety issue, scheduling work as part of an unplanned outage, etc.)*[This would be applicable to all Commercial and Industrial programs.]*

These changes would help to streamline the review process, thereby possibly leading to increased participation.

## 2.1.2 Large Energy Users Program

### ***FY18 Proposed Program Changes***

- As part of the FY18 enrollment process, conduct kickoff or scoping meetings for applications the Account Manager or Case Manager determines might benefit from same to cover document requirements and address any other aspects of the process ahead. The intent of the meeting is to help streamline the submission process to improve time to approval, set appropriate expectations and reduce customer administrative burden, all of which could increase participation.
- Review effectiveness of mid-FY17 program changes (\$200,000 minimum contribution / 2-year incentive banking / minimum incentive \$100,000). The intent of the recent program changes was to encourage additional program participation and allow customers to pursue potentially larger projects via incentive banking.

## 2.1.3 Local Government Energy Audit Program

### ***FY18 Proposed Program Changes***

- Provide several types of audits in addition to the standard ASHRAE Level II Audits currently offered:
  - ASHRAE Level I Audits
  - Add-on scope audits (e.g., a more detailed review of an existing or potential CHP or renewable energy system added on to the scope of a standard Audit).

These audits would provide the participants with the precise information they need in a more cost-effective manner than would be provided only by a standard Level II Audit.

## 2.1.4 Direct Install Program

### *FY18 Proposed Program Changes*

- Increase the FY entity cap for DI projects participating in ESIP. Some ESIP projects are forced to reduce their scope due to the limitations of the current DI program FY entity cap of \$250,000. The cap would be increased to \$500,000 for ESIP projects. This would facilitate the submission of larger projects that provide a good opportunity for significant, cost-effective energy savings.
- Authorize the Program Manager to accept and approve applications even if the applicant has 1 month in which its peak demand exceeded 200 kW if the applicant provides clear and substantial evidence that its demand in that one month was unusual and not indicative of its usual current peak demand.

## 2.1.5 Pay for Performance: Existing Buildings

### *FY18 Proposed Program Changes*

- Raise Incentive #1 from \$0.10/sq. ft. to \$0.15/sq. ft. and raise the minimum incentive from \$5,000 to \$7,500. Additionally, do not reduce this incentive by 50% if previous LGEA audit 3 or more years old (the reduction would remain if the audit were newer than that). These changes are meant to address stakeholder feedback that the cost of developing the Energy Reduction Plan is higher than the program expected and therefore can dis-incentivize potential applicants.
- Raise the ICP Incentive #1 bonus cap from \$15,000 to \$25,000 to incentivize more applicants to pursue this option.
- For projects for which more than 50% of the total source energy savings are made up of lighting measures, replace the existing sliding scale with requirements to (a) assess the cost-effectiveness of energy conservation measures in each of 5 areas and (b) implement all identified cost-effective measures or explain why such implementation would not be practicable.
- Revise guidelines to allow payment of Incentive #3 even if based on actual savings measurements a project does not meet the 15% minimum savings threshold. In such cases, Incentive #3 would be based on a reduced \$/kWh and \$/therm rate for any projects with actual savings of 5% or greater, with the reduced incentive being calculated using the same scale as is currently used to increase incentives for projects that exceed 15%, but subject to a floor incentive of \$10,000 (or committed amount, whichever is less). Projects with actual savings of less than 5% would not receive an Incentive #3. This revision could increase overall participation and especially the number of participants who submit data for Incentive #3.
- Require those who want to remain as approved Program Partners to apply for renewal of their approvals and include the completion of online training as a requirement for initial and renewal applicants. This would ensure that active and well-trained Partners are available to provide the best service to program participants, which should help to increase participation.
- Conduct kickoff or scoping meetings for applications the Account Manager or Case Manager determines might benefit from same. This would allow all parties address any questions or issues before at an early stage, which should improve application processing
- Allow participants to assign incentive payments directly to their Program Partners. This would make participation slightly easier, and therefore more attractive, by lessening the administrative burden of receiving one payment only to make another one.
- Clarify the calculation and application of project caps. There has been some confusion about how the project caps are calculated and applied in certain cases. The below would replace all other potentially inconsistent provisions on this subject:

The total of Incentives #1, #2, and #3 combined shall not exceed \$2,000,000 per project, assuming both electric and natural gas measures are recommended and implemented. Should only electric measures, or only gas measures, be recommended and implemented, then the total of Incentive #1, #2, and #3 combined shall not exceed \$1,000,000 per project. For the avoidance of doubt, the foregoing would place a \$1,000,000 per project cap on electric-only facilities.

- Clarify the impact of changes to approved work scopes and/or performance results on committed incentives as follows: (i) project cost increases do not increase or otherwise impact committed incentives, (ii) if an incentive is set or capped by project cost, project cost decreases cause a decrease in committed incentives, (iii) if an incentive was set or capped by the square footage involved in the project, any approved change to square footage will increase (subject to budget availability) or decrease the committed incentive, (iv) modifications to approved scopes of work, including removal or addition of measures, can cause an increase (subject to budget availability) or decrease to the committed incentive, and (v) among other things, the adjustments described above can cause an adjustment of, and true up against, incentives already paid.

#### 2.1.6 Pay for Performance: New Construction

##### *FY18 Proposed Program Changes*

- No significant substantive program changes are proposed. This program underwent major re-design to align with new energy code for FY17.
- Clarify that there are no potential, theoretical gaps between the Tiers (e.g., between 1.9% and 2.0%).
- Make the same administrative or procedural changes as for Pay for Performance: Existing Buildings (i.e., the last 5 items in the section above).

#### 2.1.7 Multifamily

##### *FY18 Proposed Program Changes*

This would be a new program in FY18, pulling into a single point of entry projects that would otherwise have been potentially eligible for eight other NJCEP programs and program pathways: (i) Home Performance with ENERGY STAR, (ii) ENERGY STAR Certified New Homes and Zero Energy Ready Homes, (iii) ENERGY STAR Multifamily High Rise, (iv) Residential HVAC (*WARM*Advantage and *COOL*Advantage), (v) Pay for Performance: Existing Buildings, (vi) Pay for Performance: New Construction, (vii) Commercial and Industrial Retrofit and New Construction (SmartStart), and (viii) Direct Install. The New Multifamily Program would include both a relatively simple prescriptive path and a more complex comprehensive/whole building path and would utilize, at least in part, pre-existing relationships with various energy services companies, e.g., Residential New Construction raters. Program eligibility and incentives would be comparable to those available under the programs from which the projects are being pulled, with some moderate enhancements to better incentivize this market. At the time program details are proposed to the NJBPU, an associated budget would also be approved. It is expected that it will take approximately six months before the foregoing proposals are presented to NJBPU, and, if the proposals are approved, that there would be an additional grace period of approximately three months during which multifamily projects could enroll in either the new Program or the pre-existing ones.

## 3. DISTRIBUTED ENERGY RESOURCES

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### 3.1.1 Combined Heat and Power

#### *FY18 Proposed Program Changes*

- For CHP systems using a Class 1 renewable fuel source:
  - Such systems would be eligible for a 30% incentive “bonus,” which would be in addition to the current incentives available to all eligible CHP systems. By way of example only, a \$2,500,000, 500 kW, natural-gas-fired CHP system would be eligible for \$1,000,000 incentive, and a plant of the same cost and size firing a Class 1 renewable fuel source would be eligible for a \$1,300,000 incentive.
    - If the fuel source is mixed, the bonus would be prorated. By way of example only, if the mix is 60% Class 1 renewable fuel, the bonus would be only 18%. ( $30\% \times 0.6 = 18\%$ )
    - The bonus would be paid as part of Incentive #3.
  - Replace the current ten-year payback requirement with a twenty-five-year payback requirement. This is proposed considering program experience that the existing ten-year payback requirement is an impediment to worthy projects. Renewable-fueled projects often have extra equipment investments associated with them (e.g., anaerobic digesters, dryers, and scrubbers), and many of these projects are not able to meet the ten-year requirement. Further, many renewable-fueled programs do not include a cost-benefit test (e.g. California’s SGIP). As a point of reference, National Renewable Energy Laboratory estimates the useful life of biogas CHP systems to be between 25 and 30 years.
  - Revise system sizing limitation:
    - Instead of limiting the size of the project to that necessary to meet on-site demand, allow the project to be sized to utilize all the renewable fuel produced on-site, recognizing that any excess electric production could be sold to the grid per the net metering rules at N.J.A.C. 14:8-1 et seq. This would more appropriately encourage the use of the greatest amount of renewable fuel.
- Critical Facilities
  - Replace the current ten-year payback requirement with a twenty-year payback requirement.
    - The program allows CHP systems supporting Critical Facilities a 30% reduction in the run-time requirement imposed on other CHP systems, from 5,000 hours annually to 3,500. CHP systems running less than 5,000 hours annually have a very difficult time meeting the ten-year payback requirement, while providing energy-saving and other benefits.
  - Require Blackstart capability
    - To ensure the CHP system can be independent of the grid and will be fully operational during any emergencies, an important capability for a Critical Facility.

### 3.1.2 Renewable Electric Storage

#### *FY18 Proposed Program Changes*

- Require electric storage system performance reporting
  - Quarterly reports indicating renewable electricity AC kWh electric storage (ES) system input, AC kWh discharged from ES system, round trip efficiency, total output of the integrated renewable energy (RE) system, ES system output to RE system output (i.e., the proportion of stored energy produced from RE fuels), and ES capacity factor.



- Split incentive into two separate payments: 80% at the time of system installation and 20% after submitting four quarterly reports (twelve months of performance data).

This data will aid in the development of future minimum system performance program requirements.

- Increase incentive maximums and add new incentive multiplier:
  - Increase the Project maximum to \$500,000.
  - Increase the Ownership Entity maximum to \$2,000,000. (Note: The NJCEP portfolio maximum is \$4,000,000).
  - Add an incentive multiplier. Public facilities and Critical Facilities would receive an additional 20%. By way of example only, any eligible ES system can receive an incentive of \$300 per kWh of energy capacity; while a system located at a public facility can receive \$360 per kWh.

These changes would encourage more projects and promote more and/or larger systems, especially at public facilities and Critical Facilities, i.e., facilities at which the public interest is most clearly served.

- Lengthen the allowable installation time, from twelve months to eighteen months.

This would accommodate the additional time currently required to secure local construction permits, which is running between four to six months and resulting in applicants needing the extra time.
- Require any existing photovoltaic (PV) system to be no older than ten years or that new PV inverters be installed along with the ES system.

This would ensure the existing PV system will be functional throughout the life of the new electric storage system. At least one applicant had considered using older equipment that might not have lasted for the expected useful life of the ES system.

- During FY18, payments will be made only for commitments made prior to FY18, and no new commitments will be made.



# 4. OUTREACH AND INTERIM MARKETING PLAN

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An Outreach and Interim Plan is being developed and will be made available to stakeholders and the public.