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Energy Efficiency Technical Meeting
October 31, 2019

Trenton War Memorial
Delaware Room
Trenton, NJ 08608
10:00 a.m – 1:00 pm.

Staff of the New Jersey Board of Public Utilities (NJBPU) is holding a technical meeting regarding Energy Efficiency Cost Recovery, as part of the New Jersey Energy Efficiency Transition. The Public Notice for this meeting is available at: https://nj.gov/bpu/pdf/publicnotice/EE%20Technical%20Meeting%20Public%20Notice%20-%20Cost%20Recovery%20-%2010-31-19.pdf

AGENDA

1. **Welcome** (10:00 a.m.)

2. **Overview and Clean Energy Act** (10:05 a.m.)

3. **Stakeholder Comments**

   - Topic 1: Recovery of Program Costs (10:15 a.m.)

   - Topic 2: Potential for Recovery of Lost Revenues (11:00 a.m.)

   - Topic 3: Performance Incentives and Penalties (12:00 p.m.)

4. **NJBPU Closing Remarks and Next Steps** (12:50 p.m.)

Cost Recovery Stakeholder Questions

Background: Clean Energy Act

The Clean Energy Act at N.J.S.A. 48:3-87.9(e)(1)states that each electric public utility and gas public utility shall file an annual petition with the Board to recover on a full and current basis through a surcharge all reasonable and prudent costs incurred as a result of energy efficiency and peak demand reduction programs required by the Clean Energy Act, pursuant to N.J.S.A. 48:3-98.1, including but not limited to (1) recovery of and on capital investment and (2) recovery of the revenue impact of sales losses resulting from implementation of these programs. This cost recovery should also include any performance incentives or penalties as determined by the Board through an accounting mechanism established pursuant to N.J.S.A. 48:3-98.1. N.J.S.A. 48:3-87.9(e)(2).

N.J.S.A. 48:3-87.9(e)(2) specifies that if an electric public utility or gas public utility achieves or fails to achieve reductions in the performance targets established in the quantitative performance indicators, the public utility shall receive an incentive or be assessed a penalty as determined by the Board, and the incentives and penalties shall scale in a linear fashion.

N.J.S.A. 48:3-87.9(e)(4) provides that adjustments related to incentives or penalties determined by the Board may be made through either (1) adjustments of the electric public utility's or gas public utility's return on equity related to energy efficiency or peak demand reduction programs or (2) a specified dollar amount reflecting the incentive structure.

Questions

1. Should recovery mechanisms be the same or different for programs administered or implemented by utilities versus non-utility parties?

2. **Topic 1:** Recovery of Program Costs

   a. Should costs associated with efficiency program investments be expensed or amortized? If amortized, what is the appropriate amortization period, and what should the rate for the carrying costs be?

   b. Should costs be allocated by sector (e.g., residential, commercial, industrial)? If yes, how would you recommend doing the allocation?

3. **Topic 2:** Potential for Recovery of Lost Revenues

   a. Should there be a mechanism to recover lost revenues?

   b. If the Board allows for recovery of lost revenues, what should the lost revenue recovery mechanism be?

   c. If the Board allows for recovery of lost revenues:

      i. What methods should the Board employ to calculate lost revenues associated with energy savings?

      ii. Should other factors (e.g., weather, nonprogram-related reductions) be taken into account?

   d. If the Board allows for recovery of lost revenues, should authorized return on equity be subject to adjustment based on reduced risk?

4. **Topic 3:** Performance Incentives and Penalties

As noted above, the Clean Energy Act at N.J.S.A. 48:3-87.9(e)(2) provides that cost recovery should include performance incentives or penalties as determined by the Board through an accounting mechanism established pursuant to N.J.S.A. 48:3-98.1.

a. How should performance incentives be structured? How should performance penalties be structured?

   i. Should incentives and penalties be handled as a percentage adjustment to earnings or as specific dollar amounts? Why? How?

   ii. Should incentives and penalties be scalable based on performance? If so, in what manner?

   iii. How should incentives and penalties be reconciled? Should incentives and penalties be "refunded" to ratepayers through rate reduction?

b. If the Board establishes performance incentives and penalties, what level of total incentives and penalties is reasonable?