



Agenda Date: 1/15/25

Agenda Item: 9A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

DIVISION OF STATE
ENERGY SERVICES

IN THE MATTER OF THE ESTABLISHMENT OF AN) ORDER
ENERGY EFFICIENCY REVOLVING LOAN FUND)
PROGRAM) DOCKET NO. QO24110852

Parties of Record:

Hunter Griffin, Department of the Treasury, Office of Management and Budget

Jeffrey Koval, Department of the Treasury, Office of Administration

James Langdorf, Department of Treasury, Division of Property Management and Construction

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities ("Board" or "BPU") establishes the Energy Efficiency Revolving Loan Fund ("EE RLF" or "Program"). The Program will make loans available to other state government departments¹ to perform upgrades and retrofits on State-owned and operated facilities in order to increase energy efficiency and reduce consumption.

BACKGROUND

On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act of 2021, commonly referred to as the Bipartisan Infrastructure Law ("BIL"). The BIL appropriates \$250 million to provide capitalization grants to states to establish revolving loan funds.² The United States Department of Energy ("USDOE") Office of State and Community Energy Programs launched the Energy Efficiency Revolving Loan Fund Capitalization Grant Program to provide capitalization grants to states to establish a revolving loan fund under which a state can provide loans and grants for conducting energy audits, upgrading building infrastructure, and retrofits to increase energy efficiency.³ The program was authorized as a formula grant program rather than a competitive grant program.

In May 2023, Board Staff ("Staff") applied for federal funds to establish a new revolving loan fund that will allow for upgrades and retrofits of State buildings. In its application to USDOE, Staff

¹ "Department" means and includes every state institution, commission, board, department, bureau, or state agency, including their sub-parts, situated within the executive branch of the State of New Jersey.

² 42 U.S.C. § 18792(j).

³ See "Energy Efficiency Revolving Loan Fund Capitalization Grant Program," United States Department of Energy, <https://www.energy.gov/scep/energy-efficiency-revolving-loan-fund-capitalization-grant-program>.

explained that the goal of the program would be to reduce electricity consumption while also providing benefits in disadvantaged communities. On August 1, 2024, the BPU was awarded \$2,383,510 in federal dollars to design and release a revolving loan program for State facilities. After program and administrative costs, \$2,352,961.49 will be available to loan to eligible state entities at the outset of the program.

As per the BIL, a state is required to begin using its capitalization grant with 180 days of receiving the award.⁴ To meet this requirement, the Board must be “prepared to start accepting and processing applications” on January 28, 2025, but does not need to have actually made a loan.⁵ These milestones may be demonstrated by setting up a bank account to secure and deploy funds and having an application available for completion and submission, for example, on a website.

New Jersey has set a number of ambitious goals with regards to energy efficiency and building electrification.

On July 6, 2007, the State enacted the Global Warming Response Act (“GWRA”), L. 2007, c. 112, which established a statewide goal of reducing greenhouse gas (“GHG”) emissions to eighty percent (80%) below 2006 levels by 2050.

The State further enacted the Energy Savings Improvement Plan (“ESIP”) Law in 2009, L. 2009, c. 4, and updated it in 2012, L. 2012, c. 55. ESIP is a financing mechanism that allows State and local government entities to make energy efficiency upgrades that are repaid with the savings achieved. To date, five (5) ESIP projects at State facilities have been completed, providing energy efficiency improvements at schools, veterans’ facilities, administrative buildings and other government buildings throughout the State.

In 2018, Governor Murphy signed into law the landmark legislation known as the Clean Energy Act.⁶ This law called for a significant overhaul and amplification of New Jersey’s clean energy systems through increasing the commitment to both energy efficiency and renewable energy, as well as building sustainable infrastructure in order to fight climate change and reduce carbon emissions. These efforts should, in turn, create well-paying local jobs, grow the State’s economy, and improve public health while ensuring a cleaner environment for current and future residents. Among other programs implemented pursuant to the Clean Energy Act, the Board established a framework for a first three (3)-year cycle of energy efficiency programs to be implemented by New Jersey’s electric and gas public utilities in June 2020.⁷

⁴ 42 U.S.C. § 18792(d)(2).

⁵ Attachment 1 “Special Terms and Conditions,” Term 59.

⁶ L. 2018, c. 17 (N.J.S.A. 48:3-87.8 et al.).

⁷ In re the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs, BPU Docket Nos. QO19010040, QO19060748, and QO17091004, Order dated June 10, 2020.

The Board established a framework for a second three (3)-year cycle of energy efficiency programs, including a building decarbonization pilot program, in 2023.⁸ During the first of these three (3)-year cycles, State facilities were not eligible for most of the utilities program due to public contracting requirements.

On July 23, 2019, Governor Murphy signed into law L. 2019, c. 197, which reinforced the GWRA by requiring action in the short-term to better enable the State to meet its GHG reduction goal.

On January 27, 2020, pursuant to Executive Order 28, the Board released New Jersey's 2019 Energy Master Plan ("EMP"), which provided a comprehensive blueprint for an equitable and smooth transition from reliance on fossil fuels that contribute to climate change to 100% clean energy sources on or before January 1, 2050.⁹ The EMP defines 100% clean energy to mean 100% carbon-neutral electricity generation and maximum electrification of the transportation and building sectors to meet or exceed the GWRA emissions reductions.¹⁰ The EMP also calls for the building sector to be largely decarbonized and electrified by 2050 with an early focus on new construction and the electrification of oil- and propane-fueled buildings.¹¹

On February 15, 2023, Governor Murphy signed Executive Orders 315 and 316 which set a goal of having 100% of the electricity sold in the State derive from clean sources of electricity by 2035¹² and of electrifying 20,000 additional commercial spaces and/or public facilities by 2030.¹³

The EMP established a policy goal of having energy audits performed on all existing State-owned buildings.¹⁴ Over fifty (50) Local Government Energy Audits have been done through the Clean Energy Program on State facilities over the past three (3) years and efficiency recommendations are included as part of the reports. There are many buildings over 25,000 sq/ft., which are

⁸ In re the Implementation of P.L. 2018, c. 17, the New Jersey Clean Energy Act of 2018, Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs; In re the Implementation of P.L. 2018, c. 17, the New Jersey Clean Energy Act of 2018, Regarding the Second Triennium of Energy Efficiency and Peak Demand Reduction Programs; In re Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources and Offering Class I Renewable Energy Programs in Their Respective Service Territories on a Regulated Basis, Pursuant to N.J.S.A. 48:3-98.1 and N.J.S.A. 48:3-87.9 - Minimum Filing Requirements, BPU Docket Nos. QO19010040, QO23030150, and QO17091004, Order dated May 24, 2023; In re the Implementation of P.L. 2018, c. 17, the New Jersey Clean Energy Act of 2018, Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs; In re the Implementation of P.L. 2018, c. 17, the New Jersey Clean Energy Act of 2018, Regarding the Second Triennium of Energy Efficiency and Peak Demand Reduction Programs; In re Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources and Offering Class I Renewable Energy Programs in Their Respective Service Territories on a Regulated Basis, Pursuant to N.J.S.A. 48:3-98.1 and N.J.S.A. 48:3-87.9 - Minimum Filing Requirements, BPU Docket Nos. QO19010040, QO23030150, and QO17091004, Order dated July 26, 2023.

⁹ Exec. Order No. 28 (May 23, 2018), 50 N.J.R. 1394(b) (June 18, 2018); 2019 New Jersey Energy Master Plan: Pathway to 2050 ("EMP"), https://www.nj.gov/emp/docs/pdf/2020_NJBPU_EMP.pdf.

⁸ EMP at 11.

⁹ Id. at 13-14.

¹² Exec. Order No. 315 (Feb. 15, 2023), 55 N.J.R. 509(a) (Mar. 20, 2023).

¹³ Exec. Order No. 316 (Feb. 15, 2023), 55 N.J.R. 510(a) (Mar. 20, 2023).

¹⁴ 2019 New Jersey Energy Master Plan: Pathway to 2050, https://www.nj.gov/emp/docs/pdf/2020_NJBPU_EMP.pdf.

currently being benchmarked using the US Environmental Protection Agency Energy Star Portfolio Manager.

PROPOSED ENERGY EFFICIENCY REVOLVING LOAN FUND PROGRAM

Program Overview

Staff has formulated its recommendations for the design and implementation of the EE RLF based on information from the USDOE and other existing New Jersey programs. Staff has consulted with other members of the State Energy Capital Commission, including Treasury Administration and Office of Management and Budget, to inform them of the program award and to discuss loan implementation.

The proposed EE RLF is designed to accomplish the following objectives:

1. Provide capital for upgrading/retrofitting energy related measures within State facilities that have had acceptable energy audits.
2. Advance the State's goals of transitioning to more energy efficient buildings and reducing greenhouse gas emissions by eighty percent (80%) by 2050.
3. Comply fully with the BIL and related grant agreement.

Section 40502 of the BIL created a program to provide states with capitalization grants to establish their own revolving loan fund programs.¹⁵ A state that receives a capitalization grant under this program must establish a revolving loan fund to provide loans or grants to eligible recipients to carry out audits and upgrades or retrofits of building infrastructure and systems that meet certain requirements listed in BIL. States can provide loans to eligible recipients to perform commercial energy audits, residential energy audits, or commercial and residential energy upgrades and retrofits.¹⁶ Eligible buildings under the commercial sector include public buildings, nonprofit organizations, and industrial sector buildings.¹⁷ Under the BIL, states may also elect to provide up to twenty-five percent (25%) of funds for grants and technical assistance.¹⁸

New Jersey has elected to use the entirety of its available capitalization grant funds to provide loans to support commercial energy upgrades and retrofits on State-owned and operated facilities. New Jersey's EE RLF will begin with a budget of \$2,352,961.49 which is equal to the federal award amount less program and administrative costs.¹⁹ Any department of state government, is eligible to apply for funds to support energy upgrades and/or retrofits to State-owned and operated facilities. Eligible State entities who apply for these loans may also leverage additional sources of funding for these projects including other federal, State and utility programs. The interest rate on these loans is intentionally set well below market rate, at 1.5%, to assist eligible State entities in funding these projects.

¹⁵ 42 U.S.C. § 18792.

¹⁶ 42 U.S.C. § 18792(e).

¹⁷ See "Infrastructure Investment and Jobs Act of 2021, Energy Efficiency Revolving Loan Fund Capitalization Grant Program Grant Application Instructions," at 3-4, <https://www.energy.gov/node/4843870>.

¹⁸ 42 U.S.C. § 18792(e)(3).

¹⁹ New Jersey was awarded \$2,383,510 in federal funds for this program of which \$30,548.51 was approved for personnel, fringe benefits, travel, and other direct costs.

Loans for energy upgrades and retrofits would be fully amortized by the earlier of the following:

- The year in which the upgrades or retrofits carried out using the loan exceed their expected useful life.
- Fifteen (15) years after the upgrades or retrofits are installed.

As part of the loan application, the applicant will provide proof of a commercial energy audit on the facility(ies) that are being upgraded as part of the loan. The commercial energy audit must meet the following:

- Determine the overall consumption of energy of the facility of the eligible recipient.
- Identify and recommend lifecycle cost-effective opportunities to reduce the energy consumption of the facility of the eligible recipient.
- Identify the period and level of peak energy demand for each building within the facility of the eligible recipient and the sources of energy consumption that are contributing the most to that period of peak energy demand.
- Recommend controls and management systems to reduce or redistribute peak energy consumption.
- Estimate the total energy and cost savings potential for the facility of the eligible recipient if all recommended upgrades and retrofits are implemented, using software approved by USDOE.
- Audits should be no older than 2021, but exceptions may be considered for audits done in 2019-2020.

After receiving an application, Staff will verify that an audit was performed, that the audit covered audit requirements required by USDOE, and that the retrofits and upgrades to be funded through the loan were recommended in the audit. No funding will be approved for measures that were not recommended in the audit. If an application is deemed complete, no funds will be released without a qualified commercial energy audit or for measures that were not approved in the audit.

Commercial building retrofits and upgrades must meet the following requirements:

- Be recommended in the qualifying commercial energy audit completed for the building or facility of the eligible recipient.
- Be life-cycle cost effective.
- Improve at least one (1) of the following:
 - The physical comfort of the building or facility occupants.
 - The energy efficiency of the building or facility
 - The quality of air in the building or facility
- Lead to at least one (1) of the following outcomes:
 - Reduce the energy intensity of the building or facility of the eligible recipient.
 - Improve the control and management of energy usage of the building or facility to reduce demand during peak times.

Program Specifications and Eligibility

Eligible State entities seeking to perform energy upgrades and/or retrofits on State-owned and operated facilities may apply for a loan under the EE RLF. The maximum loan amount for one (1) project under this program will be \$2,000,000 and the minimum loan amount will be \$300,000.

The proposed program structure is based on two (2) rounds of application periods. The first application period, Application Period A, will be open to eligible State entities to perform work on State-owned and operated facilities located in disadvantaged communities.²⁰ The first application period will open no later than January 28, 2025 and will close after a three (3) month period or if the available funds total less than \$300,000. If sufficient available funds remain after three (3) months, Application Period B will begin and be open to any eligible state entity to perform work on any State-owned and operated facility. Application Period B will remain open until available funding is exhausted. Within each application period, applications will be evaluated on a first-come first-serve basis so long as a submitted application is deemed substantially complete.

It is anticipated that future application periods will become necessary as the fund is replenished by scheduled loan payments from the original awardees. When the available funds total more than \$300,000, Staff will begin the process of opening up a new phased application period in line with the process described above.

A successful applicant will have to enter into a promissory note agreement with BPU which will include a Memorandum of Understanding ("MOU") setting forth the terms of the loans. All MOUs are subject to approval of the Board and do not constitute loan funding until executed by all parties.

The terms of the loan set forth in the MOU will include but are not limited to the following:

- Loan repayment and interest rate: 1.5% interest for the duration of the loan with repayments on January 1 and July 1 until the loan has been fully repaid. Money that is repaid will go back into the EE RLF and be available to loan out again.
 - For retrofit/upgrade loans, the maximum duration will be the shorter of fifteen (15) years or the useful life of the upgrade or retrofit.
 - Loans will also be available as an advance on federal Direct Pay tax credits that are related to specific upgrades or retrofits being performed. The federal Direct Pay tax credit is a mechanism created by the BIL that allows entities normally exempt from income tax, such as state governments, to receive a direct payout from the Internal Revenue Service for the amount equal to certain clean energy tax credits they would otherwise qualify for. The EE RLF will provide loans to eligible State entities as an advance of these expected payments which relate to the retrofits and upgrade being performed under the EE RLF. For these BIL Direct Pay loans, the duration of the loan will be up to one year post construction. Upon the applicant's receipt of the BIL Direct Pay tax credit for the measures installed, the loan will be repaid.
- Loan payout structure: BPU Staff will work with the New Jersey Department of the Treasury and loans will correspond to a New Jersey Division of Property Management and Construction ("DPMC") Project for all executive branch departments that use DPMC for construction projects. All invoices being paid by DPMC will be submitted to BPU for review prior to Treasury payment. For

²⁰ "Disadvantaged communities" are census tracts that meet certain thresholds for environmental, climate, socio-economic, or other burdens as identified by the Climate and Economic Justice Screening Tool (CEJST) available at <https://screeningtool.geoplatform.gov/en/#3/33.47/-97.5>. For more information regarding the methodology behind this determination, see <https://screeningtool.geoplatform.gov/en/methodology#3/33.47/-97.5>

executive branch departments not using DPMC, the money will be held in escrow for BPU to pay out to vendors that are in NJStart upon submission of the project invoice.

- The project must comply with the USDOE's Special Terms and Conditions including compliance with the Davis-Bacon Act, Build America, Buy American Act and the National Environmental Policy Act and reporting requirements as dictated by USDOE.²¹

Applicants may leverage additional sources of funding for these projects including other federal, state and utility programs. Any non-EE RLF funds that are braided into the project must be accounted for separately.

Projects that are selected will be notified via email. No project will be considered committed until an MOU has been signed by both agencies.

All selected recipients will be responsible for bi-annual reports until project completion to the BPU and immediate notification of any issues arising with implementation of project.

Staff anticipates that the program may evolve in conformance with future guidance from USDOE or changes to the federal program. Staff plans to share any such guidance that may be relevant to potential applicants on the Board's website at www.nj.gov/bpu.

DISCUSSION AND FINDINGS

New Jersey has set forth a bold vision for the clean energy transition and part of that is upgrading state facilities. The establishment of the EE RLF for State agencies will allow the State to lead by example by conducting energy efficiency retrofits and upgrades on state buildings and will save taxpayer resources. The required commercial energy audit will establish that anticipated savings from each project will cover the cost of the loan, and the replenishment of funding through loan repayments will allow additional projects within State government to occur.

The Board **FINDS** the design of the proposed EE RLF comports with the federal program requirements and will advance New Jersey's goals with regards to building electrification and energy efficiency.

After review of Staff's proposed program design, the Board **HEREBY ORDERS** the establishment of an EE RLF pursuant to the award by the US Department of Energy.

The Board **HEREBY ORDERS** that the program be implemented as described in this order and in accordance with all terms, conditions, and requirements of the USDOE award.

The Board **HEREBY DIRECTS** Staff to develop all program documents and resources that shall be necessary for the operation of the EE RLF including but not limited to program application, website information, checklists, a sample MOU, and guidance. The Board **FURTHER DIRECTS** Staff to post this information on the Board's website at www.nj.gov/bpu prior to the opening of the first funding cycle, and to continue updating the web page with any subsequent guidance deemed necessary. The Board **HEREBY DIRECTS** Staff to open the first funding cycle by January 28, 2025.

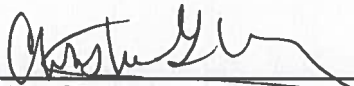
²¹ See, e.g., Attachment 1 "Special Terms and Conditions," Term 7, 13, 55, 56.


The Board **FURTHER DIRECTS** Staff to communicate the establishment of the EE RLF program to all eligible entities. Communication shall include email messages to Agency Energy Managers, website notices, and other such methods as shall be appropriate.

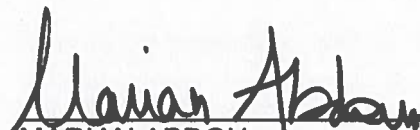
The effective date of this order is January 15, 2025.

DATED: January 15, 2025

BOARD OF PUBLIC UTILITIES
BY:



CHRISTINE GUHL-SADOVY
PRESIDENT

DR. ZENON CHRISTODOULOU
COMMISSIONER

MARIAN ABDOU
COMMISSIONER

MICHAEL BANGE
COMMISSIONER

ATTEST:



SHERRIL L. GOLDEN
BOARD 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 ESTABLISHMENT OF AN ENERGY EFFICIENCY REVOLVING LOAN FUND PROGRAM

DOCKET NO. QO24110852

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