PHIL MURPHY
GOVERNOR

TAHESHA L. WAY
LT. GOVERNOR

State of New Jersey
BOARD OF PUBLIC UTILITIES
44 South Clinton Avenue
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/
(609)777-3300

Christine Guhl-Sadovy
President

Dr. Zenon Christodoulou
Commissioner

Marian Abdou
Commissioner

Michael Bange
Commissioner

NOTICE OF REQUEST FOR COMMENTS[1]

IN THE MATTER OF PROPOSED UPDATES TO NEW JERSEY'S CLEAN ENERGY PROGRAM STATE ENERGY PROGRAM FOR NON-INVESTOR-OWNED UTILITIES

Docket No. QO24020127

TAKE NOTICE that Staff of the New Jersey Board of Public Utilities ("Board") ("Staff") hereby gives notice and invites all interested parties and members of the public to submit comments on a revised proposed State Energy Program ("SEP") for Non-Investor-Owned Utilities ("Non-IOUs") to be added to New Jersey's Clean Energy Program ("NJCEP").

Historically, NJCEP's funding has derived primarily through collection of a Societal Benefits Charge from the customers of the state's investor-owned utilities ("IOUs"). Accordingly, NJCEP's financial incentives have been made available only to those IOU customers that contributed to the NJCEP fund, i.e., those electric incentives were not available to the customers of the state's non-investor-owned, including the state's municipally-owned electric utilities ("Non-IOUs").

To address that gap, the Board has in the past utilized separate U.S. Department of Energy SEP grant funds to pay financial incentives to Non-IOU customers who implemented energy efficiency ("EE") measures, through a program operated on a basis virtually identical to specified parallel NJCEP programs. However, as those parallel NJCEP programs transitioned to the state's IOUs beginning in fiscal year 2022, the statewide Non-IOU Legacy SEP expired.

Accordingly, in March 2024, Staff proposed a new SEP that would again use separate SEP funds to make incentives payable to Non-IOU customers implementing certain electric EE measures. The proposed new SEP would operate in coordination with the state's gas distribution companies, which are already managing parallel programs to which SEP incentives could be added and implemented.

In response to the initial proposal, Staff received comments, including comments suggesting the expansion of the new SEP to include NJCEP's recently approved New Construction Energy Efficiency Program ("NCP"). Staff agrees with the subject comment, and Staff has summarized and responded to that comment and the other comments it received regarding its initial proposal in **Attachment A** to this Notice. In addition, after the initial proposal, Staff has identified an additional $1,500,000 in

[1] Not a paid legal advertisement.

funding that it now proposes to allocate to the proposed new SEP. A revised proposed Compliance Filing reflecting the expansion and the allocation of the additional $1,500,000 is available here.

The deadline for comments on this matter is 5 p.m. on September 30, 2024.

Please submit comments directly to the specific docket listed above using the "Post Comments" button on the Board's Public Document Search tool. Comments are considered "public documents" for purposes of the State's Open Public Records Act. Only public documents should be submitted using the "Post Comments" button on the Board's Public Document Search tool. Any confidential information should be submitted in accordance with the procedures set forth in N.J.A.C. 14:1-12.3. Confidential information may be submitted in paper form or filed electronically via the Board's e-filing system or by email to the Secretary of the Board. Please include "Confidential Information" in the subject line of any email. Instructions for confidential e-filing are found on the Board's webpage. https://www.nj.gov/bpu/agenda/efiling/

Emailed and/or written comments may also be submitted to:

Secretary of the Board
44 South Clinton Ave., 1st Floor
PO Box 350
Trenton, NJ 08625-0350
Phone: 609-292-1599
Email: board.secretary@bpu.nj.gov

Dated: September 11, 2024

Sherri L. Golden
Secretary of the Board

ATTACHMENT A

In response to Staff's March 2024 proposal, MaGrann Associates, EAM Associates, and ReVireo ("Raters"); the Energy Efficiency Alliance of New Jersey ("EEA-NJ"); and the New Jersey Division of Rate Counsel ("Rate Counsel") submitted written comments.

Expanding the Scope of the Non-IOU SEP

Comment: The Raters and EEA-NJ commented that the Board should expand the number of programs whose non-IOU customers could be eligible to participate in the Non-IOU SEP Program.

First, they commented that the Board should expand the program's eligibility criteria to include non-IOU customers who would otherwise participate through the Residential New Construction ("RNC") Program and the new comprehensive New Construction Program ("NCP"). They argued that it is at best incongruous for the State to be promoting electrification and decarbonization and at the same time fail to provide incentives for a new home simply because it is not using any IOU fossil fuels and is in a territory served by a Non-IOU electric utility. They stated they currently are working with at least one all-electric residential development in an area served by a Non-IOU electric utility that apparently falls into this programmatic crevice and will not be eligible for any NJCEP incentives even though it will meet the Passive House standards and achieve the highest levels of energy performance through the adoption of fully electric technologies.

Second, EEA-NJ commented that the Non-IOU SEP Program's eligibility should also be expanded to include rebate incentives for customers who convert from delivered fossil fuels (e.g., home heating oil or propane) to all electric heat pumps but who reside in a territory served by a Non-IOU electric utility.

Response: Staff agrees with the comments regarding NCP. It notes, among other things, that the implementation of a Non-IOU SEP that includes NCP could follow closely along the lines of the current proposal for implementing the Non-IOU SEP by simply incorporating the standards and incentives of the NCP, i.e., that the Non-IOU SEP would simply pay incentives awarded through existing programs already managed by TRC. Thus, the administrative costs of an expansion of the Non-IOU SEP to include NCP would be minimal.

Staff also notes that it is not necessary to expand the Non-IOU SEP to include RNC because RNC is in the process of being replaced with NCP. Staff expects the Non-IOU SEP and the new NCP to launch at approximately the same time, and it submits that any value in including the expiring RNC in the Non-IOU SEP for what would be at most a few months is outweighed by the cost and complexity of doing so.

As to the proposed expansion to include customers converting from delivered fossil fuels, such an expansion could be more complicated and expensive to administer in that no programs currently exist to serve customers converting to heat pumps in Non-IOU electric service territories since these customers are not, and will not be, served by an IOU electric utility. In other words, Staff believes the cost of setting up a new self-standing program would be prohibitive relative to the level of funds available through the SEP grant.

In conclusion, Staff proposes expanding the Non-IOU SEP to include NCP but, at least for now, not expanding it to include HVAC equipment rebate incentives for converting customers. That said, Staff remains open to reconsidering the latter expansion as the Non-IOU SEP matures. Staff has also determined not to propose EEA-NJ's suggestion to expand the Non-IOU SEP to include the expiring RNC Program.

Participant Loans

Comment: Rate Counsel commented that 0% financing should not be available through a program like the Non-IOU SEP that does not have income eligibility caps. It also commented that the Board should align the terms of the participant loans for this program with the Triennium 2 Energy Efficiency ("Tri-2") programs currently under review before the Board.

Response: Any financing provided by the Gas Distribution Companies ("GDCs") will be consistent with the income and other requirements approved by the Board for the existing GDC-sponsored Home Performance with Energy Star ("HPwES") and Direct Install ("DI") programs. Staff further notes that the proposed Non-IOU SEP includes a provision that would automatically modify the Non-IOU SEP to be consistent with any changes to the HPwES and DI Programs approved by the Board. Thus, any changes to the financing components of the HPwES and DI Programs approved for Tri-2 would automatically flow through to the Non-IOU SEP. If Rate Counsel objects to the 0% financing, Staff respectfully submits that it should submit appropriate comments in the appropriate GDC proceedings.

Administrative Costs

Comment: Rate Counsel commented that the 9% of the total budget allocated to administrative costs could potentially be lowered.

Response: Staff strives to keep administrative costs as low as possible, and it respectfully submits that the proposed administrative costs are reasonable and low compared to most other clean energy programs in New Jersey and in the U.S. It also notes that the final budget allocation reduces the percentage allocated to administration to less than 8% [768,521/9,847,540 = 0.078].