

Local Finance Notice

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Direct Install (Open Network) Energy Efficiency Program for Public Sector Entities

On July 16, 2025, the New Jersey Board of Public Utilities (BPU) released an [Order](#) focusing on the “open network” model of Direct Install energy efficiency program offered by many electric and gas utilities throughout the State. The Order established various parameters to ensure that local governments, boards of education, and county colleges (collectively, “contracting units”) can participate in the program consistent with public procurement laws. Through this Notice, the Division of Local Government Services (Division) provides further guidance on the Direct Install program as it pertains to contracting units, in particular detailing the process a contracting unit must follow in utilizing a Direct Install open network program offered by their electric or gas utility.

The Direct Install Program

The Direct Install program implements “turnkey” energy savings measures in areas such as lighting, refrigeration, and HVAC that would be eligible for substantial incentives and repayment options with 0% interest. Direct Install is tailored to existing small and mid-sized non-residential facilities with an average annual energy demand of less than 300 kilowatts/40,000 therms. Specifications for the work to be performed are generated from an energy usage assessment (i.e. a non-investment grade energy audit) of the contracting unit’s facilities.

Open Network vs. Closed Network

There are two different models through which a utility can implement Direct Install; “open network” and “closed network.” Under the open network model, a contracting unit procures a contractor that, together with any necessary subcontractors, will perform the work recommended in the energy assessment. The contracting unit must procure the contractor through competitive bidding if the dollar value of the contract exceeds the contracting unit’s bid threshold, with the contract awarded to the lowest responsible, responsive bidder.

Bidding cannot be restricted solely to trade allies of the utility serving the contracting unit; however, only a contractor that is a “trade ally” of the utility would be eligible to offer the utility’s Direct Install incentives under the open network model and apply those incentives towards reducing its bid price. A trade ally is a contractor with which the utility enters into an agreement for delivery of energy efficient products and expertise directly to customers. A trade ally will include any subcontractors engaged by the trade ally contractor to perform work for customers under the Direct Install program.

By contrast, in the “closed network” model, the utility itself serves as the general contractor, preselecting through a competitive solicitation the subcontractors performing all work according to standard pricing schedules. Under the closed network model, a utility could meet the exceptions to competitive bidding in N.J.S.A. 40A:11-5(1)(f) (Local Public Contracts Law or “LPCL”), 18A:18A-5.a(7) (Public School Contracts Law or “PSCL”), or 18A:64A-25.5.a(8) (County College Contracts Law or “CCCL”), as applicable to the contracting unit, if the charges were in accordance with “tariffs and schedules...made, charged and exacted, filed with [BPU].” However, the above-referenced bid exception can only be utilized for an individual utility at such time as BPU issues an Order approving a tariff submitted by the utility for this purpose. As of the date of this Notice, no utilities have been approved by BPU in accordance with this exception. The Division will provide updated guidance once BPU issues such an Order to any utility which would permit this exception to bidding.

Process for Utilizing Open Network Direct Install

Energy Audit

The contracting unit must obtain an energy audit before procuring a contractor to undertake an open network Direct Install project. This energy audit requirement shall be satisfied through either obtaining an ASHRAE Level 1 or 2 audit¹ through the BPU’s [Local Government Energy Audit](#) program or by separately contracting for an ASHRAE Level 1, 2, or 3 audit, with the audit completion date being no more than three (3) years from the date the contracting unit solicits bids for work recommended in the audit. Utilities may provide an ASHRAE Level 1, 2, or 3 audit free to the contracting unit as part of Direct Install program participation. For any customer/project that has applied to the Direct Install program prior to the effective date of the July 16, 2025 BPU Order, the audit completion date shall be no more than five (5) years before the date the contracting unit solicits bids for work.

The contractor undertaking the energy audit must be qualified and approved by, and shown on, the State Treasury’s Division of Property Management and Construction (DPMC) certification list

¹ ASHRAE, or the American Society of Heating, Refrigerating and Air-Conditioning Engineers, is a global organization focusing on building systems, energy efficiency, and indoor air quality. Further information about ASHRAE can be found on their website at www.ashrae.org. *ASHRAE Standard 211-2018 (RA2023): Standard for Commercial Building Energy Audits*, as well as the ASHRAE publication *Procedures for Commercial Building Energy Audits*, details the procedures for the various energy audit level procedures, including Level 1 – Walk-Through Survey; Level 2 – Energy Survey and Analysis; and Level 3 – Detailed Analysis of Capital-Intensive Modifications.

in the category P051 – Energy Auditing. DPMC’s certification list is on their [consultant search webpage](#) and lists all contractors qualified under this category.

Software used for all audits on and after September 1, 2025 shall be BuildingSync compliant.² Any audits that are completed prior to September 1, 2025 are not required to be BuildingSync compliant.

Energy audit recommendations shall include energy efficiency measures and detail the related energy savings and potential cost reductions based on the most current Technical Reference Manual calculation methods.³

Project Procurement

Once complete, the energy audit recommendations are used as the basis for the Direct Install project specifications. If the estimated dollar value of the project is expected to exceed the contracting unit’s bid threshold, a competitive bid solicitation, subject to LPCL, PSCL, or CCCL, as applicable, for the project shall be open to not only the energy utility’s trade allies but to all other interested bidders. However, the contractor that performed the contracting unit’s underlying energy audit is not eligible to respond to the bid solicitation for the project.

Contracting units should encourage eligible bidders to participate in a pre-bid conference and walk-through to inspect areas covered within the audit. This will allow potential bidders to understand the site conditions, clarify any uncertainties about the project requirements, and ultimately ensure accurate bid submissions.

The competitive bid solicitation must include the audit as an attachment to ensure all eligible bidders can review the audit findings and recommendations. Project specifications shall be limited to the energy audit’s recommendations and shall not include additional measures other than necessary enabling costs. Necessary enabling costs include costs of elements that are needed to install the energy-efficient equipment but do not directly produce energy savings, such as structural support for rooftop HVAC units, breaker or electrical distribution upgrades to code, cosmetic finishes that do not add efficiency, roof curbing, and other necessary elements to install the equipment that are not directly related to the energy savings or the measure thereof.

Consistent with the BPU Order, a Direct Install contractor, and any subcontractors performing work for any contracting unit, need to possess at the time of bid any DPMC certifications corresponding to the work that will be performed by the contractor or subcontractor related to the craft work being done. This is the case regardless of whether the bidder is a trade ally. LPCL contracting units do not need to undertake the prequalification process under N.J.S.A. 40A:11-25

² BuildingSync® is a registered trademark of the Alliance for Sustainable Energy, LLC. It is “a common schema for energy audit data that can be utilized by different software and databases involved in the energy audit process. It allows data to be more easily aggregated, compared, and exchanged between different databases and software tools.” For more information, see <https://buildingsync.net>.

³ The most recent Technical Reference Manual is available at <https://njcleanenergy.com/main/public-reports-and-library/market-analysis-protocols/market-analysis-baseline-studies/market-an> under the “Technical Reference Manuals” heading.

before incorporating the DPMC certification requirement into its bid specifications for these projects. Examples of Direct Install-relevant classifications may include, but are not necessarily limited to:

C008 General Construction	C009 General Const./Alterations	C017 Insulation	C030 Plumbing
C032 HVAC-R	C033 Boilers (new repair)	C041 Insulation Mechanical	C043 Control Systems
C047 Electrical	C062 Pumping Stations	C098 Energy Management Systems	C104 Food Service Equipment

DPMC's [contractor search webpage](#) lists all firms classified under each DPMC-established category.

Eligible bidders who are trade allies must provide in their bid response the total project cost, along with an itemization of any applicable utility incentives estimated using the standardized statewide utility energy assessment tool available to trade allies. These incentives shall be clearly delineated in the trade ally's bid response. Per the LPCL, PSCL, and CCCL, the bid shall be awarded to the lowest responsible, responsive bidder.

Any Direct Install projects over the prevailing wage threshold are considered "public work" and are subject to the requirements of the Prevailing Wage Act. At the time of bid, a Direct Install contractor must possess a current Public Works Contractor Registration (PWCR). The BPU Order states that the contractor must not be debarred by any State or Federal agency and must also not be among the firms listed as doing prohibited business with Iran or Russia/Belarus. [Local Finance Notice 2021-20](#) contains further information on debarment for public works contractors, including searching for debarred public works contractors on the Department of Labor's [prevailing wage debarment list](#) and the federal System for Award Management (SAM) exclusions database. Review [Local Finance Notice 2024-18](#) concerning the prohibition on contract awards to contractors appearing on [The Workplace Accountability in Labor List \(The WALL\)](#). Construction and vendor debarment lists for New Jersey State agencies can be found [here](#) and [here](#). Given the BPU Order, contracting units shall follow the procedure detailed in Local Finance Notices [2023-11](#) and [2024-04](#) regarding vendor certification and review of the Iran and Russia-Belarus lists.

On-Bill Repayment

Contracting units may finance Direct Install projects through 0% interest repayment on their monthly utility bills, subject to such laws as may pertain to financing agreements entered into by local units, boards of education, and county colleges, respectively. Any contract including an on-bill repayment financing mechanism must include a clause that makes financing subject to the availability and appropriation annually of sufficient funds by the contracting unit as may be required to meet the extended obligation. The Local Authorities Fiscal Control Law (N.J.S.A. 40A:5A-1 et seq.) would still require local authorities to come before the Local Finance Board

(LFB) for issuance of findings prior to entering into a contract for on-bill repayment. Local units that may be subject to special debt issuance provisions requiring LFB action should consult with their bond counsel.

Direct Install projects implemented as part of the Energy Savings Improvement Program (ESIP) may not utilize financing provided by an energy utility because of the specific financing requirements of the ESIP.

Approved: Michael F. Rogers, Director

Document	Internet Address
7/15/25 BPU DI Order	https://www.nj.gov/dca/dlgs/programs/lpcl_docs/7-16-25-8F.pdf
Local Govt. Energy Audit	https://www.njcleanenergy.com/lgea
DPMC Consultant Search	https://www.nj.gov/treasury/dpmc/consult_search.shtml
DPMC Contractor Search	https://www.nj.gov/treasury/dpmc/contract_search.shtml
LFN 2021-20	https://www.nj.gov/dca/dlgs/lfns/2021/2021-20.pdf
NJDOL Prevailing Wage Debarment List	https://www.nj.gov/labor/wageandhour/registration-permits/register/debarmentlist.shtml
LFN 2024-18	https://www.nj.gov/dca/dlgs/lfns/2024/2024-18.pdf
The WALL	https://www.nj.gov/labor/ea/osec/wall.shtml
LFN 2023-11	https://www.nj.gov/dca/dlgs/lfns/2023/2023-11.pdf
LFN 2024-04	https://www.nj.gov/dca/dlgs/lfns/2024/2024-04.pdf
ASHRAE Level Audits	http://www.ashrae.org/
BuildingSync	https://buildingsync.net/
BPU Tech. Ref. Manual	https://njcleanenergy.com/main/public-reports-and-library/market-analysis-protocols/market-analysis-baseline-studies/market-an