

## Discussion Points

1. The FY 2014 Appropriations Act **redirected** some \$194.7 million **from the dedicated, off-budget Clean Energy Fund into the State General Fund**. In addressing BPU Discussion Point #5 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis the Board stated that the then anticipated \$194.7 million lapse (of which \$33.0 million was to come from the account holding Solar Alternative Compliance Payments) would not affect the FY 2014 Clean Energy Program. It did, however, keep BPU staff from recommending that fewer funds be raised from electric and natural gas ratepayers in support of the program.

The Governor's FY 2015 Budget now includes a proposal to lapse another \$117.4 million into the State General Fund in FY 2014 and FY 2015 combined. The table below shows the transfers authorized under the FY 2014 Appropriations Act and the Executive's proposed additional FY 2014 and FY 2015 redirections of funds as State revenue. The table excludes the annual transfers to the State General Fund to defray the administrative expenses related to State-funded positions of the BPU's Office of Clean Energy (\$2.0 million in FY 2014 and \$2.3 million in FY 2015), given that these expenses fall directly within the scope of the statutorily authorized spending purposes of the Clean Energy Program.

Fund Usage	FY 2014 Approp. Act (June 2013)	FY 2014 Proposed (Feb. 2014)	FY 2015 Proposed
State General Fund (unspecified)	\$152,185,000	\$162,185,000	\$0
State Utility Costs	\$42,500,000	\$42,500,000	\$42,500,000
NJ Transit Utility Costs	\$0	\$23,280,000	\$12,889,000
State Energy Efficiency Projects	\$0	\$15,820,000	\$9,200,000
Office of Sustainability and Green Energy (DEP)	\$0	\$0	\$3,700,000
<b>TOTAL</b>	<b>\$194,685,000</b>	<b>\$243,785,000</b>	<b>\$68,289,000</b>
<b>Fund Diversions Proposed in FY 2015 Governor's Budget</b>		\$49,100,000	\$68,289,000

The table below, in turn, shows the actual or estimated amounts of financial resources, program expenditures, General Fund transfers, and year-end fund balances for FY 2008 to FY 2015, as they are displayed in the pertinent annual Governor's Budget proposals. (Page 26 of the "Supplementary Information" section in the Governor's FY 2015 Budget, available in the online version only, exhibits the data for FY 2013, FY 2014, and FY 2015.)

Fiscal Year	Resources	Clean Energy Program Expenditures	General Fund Transfers	Year-End Fund Balance
2008	\$378,224,000	\$147,063,000	\$15,305,000	\$215,856,000
2009	\$463,600,000	\$154,658,000	\$10,932,000	\$298,010,000
2010	\$595,641,000	\$202,974,000	\$198,830,000	\$193,837,000
2011	\$497,330,000	\$226,174,000	\$53,689,000	\$217,467,000
2012	\$633,735,000	\$266,086,000	\$255,097,000	\$112,552,000
2013	\$112,552,000	\$193,908,000	\$133,441,000	\$165,895,000
2014 est.	\$165,895,000	\$191,614,000	\$245,808,000	\$106,094,000
2015 est.	\$106,094,000	\$235,278,000	\$70,611,000	\$144,990,000

As can be seen in the table, the Clean Energy Program has consistently produced significant surplus balances in recent years. BPU staff explain the technical reasons therefor in Section 2.3 of the "2<sup>nd</sup> Revised CRA Straw Proposal: Proposed Funding Levels FY14 - FY17," dated June 3,

## Discussion Points (Cont'd)

2013. On the macro level, the BPU allocates specific amounts to new programs that may take months or years to develop and implement. On the micro level, the BPU sets aside funding for 100 percent of financing commitments made to individual projects. Experience suggests, however, that project completion rates for many programs are inferior to 100 percent. The routine accumulation of significant excess balances prompted the BPU to include as a Clean Energy Program goal for FY 2014 that the BPU "[c]oordinate with Treasury to develop appropriate procedures to better match the collection of funds from ratepayers to actual program needs ..." (page 35 of the Board Order dated June 21, 2013, Docket number EO11050324V). It remains unclear how this initiative relates to the Board's goal of reducing the Clean Energy Program's reliance on the societal benefits charge as the program's funding mechanism and to inaugurate revolving loan funds as alternative funding vehicles (see Discussion Point #3).

New Jersey ratepayers finance the Clean Energy Program via the societal benefits charge included in their electric and natural gas bills. Operative since April 2001, the program was authorized as part of the "Electric Discount and Energy Competition Act," P.L.1999, c.23 (N.J.S.A.48:3-49 et seq.). Through the program the BPU seeks to promote increased energy efficiency and the use of renewable energy sources. The program no longer supports the installation of solar energy generation systems, as the State has adopted Solar Renewable Energy Certificates (SRECs) as the subsidy mechanism for solar power (see Discussion Point #16). The Offshore Renewable Energy Certificate (OREC) program attempts to do the same for offshore wind energy installations (see Discussion Point #18).

- **Questions:** Please comment on the likely impact on the Clean Energy Program of the Executive's proposed lapse of another \$117.4 million in fund balances into the State General Fund in FY 2014 and FY 2015 combined. Has the BPU raised or will it raise the Clean Energy Fund component of the societal benefits charge for FY 2015 to cover this additional expense? Absent the proposed FY 2015 diversion, how would the BPU expend the \$117.4 million? Will alternative resources be allocated for these purposes? To what extent will any shift in moneys among BPU programs, prompted by the proposed lapse, reprioritize energy efficiency and renewable energy programs? If the BPU did not anticipate expending the \$117.4 million on specific spending purposes, was it contemplating drawing the sum down to temporarily lower the Clean Energy Fund component of the societal benefits charge?

The "Year-End Fund Balance" figures in the chart represent funds that are necessarily maintained in the Clean Energy Fund (CEF) to account for program commitments made to individual projects, in accordance with generally accepted accounting principles. (Note that in the table above, the "Resources" amounts in FY 2013 and later represent beginning fund balance only, and do not include the SBC revenue received as is presented for prior years.) During the course of each fiscal year, some portion of prior-year commitments expire unpaid and new commitments are made, with the net result appearing on the year-end balance sheet as indicated above. (The specific commitments that expire in a given year cannot be identified in advance, hence the 100% funding of commitments noted above.) The amounts estimated for FY14 and FY15 are consistent with the ongoing operation of the NJCEP and do not represent unnecessary surplus. The higher ending balance in FY 2015 assumes a return to more robust program activity with the planned transition to a single Program Administrator along with an improving economic environment. The allocation of

## Discussion Points (Cont'd)

funding for State Budget purposes in FY 2014 and 2015 accounts for the year-end balances as proper funding of program commitments, not anticipated surplus.

The NJCEP is currently proceeding with its Comprehensive Resource Analysis (CRA) to establish funding levels for FY2015, taking into account the priorities established in FY15 Budget. When approved by the Board, the FY 2015 funding level will be allocated to programs through the Office of Clean Energy's (OCE) annual budgeting process, to establish individual program budgets and to fund administration and marketing needs of the NJCEP. Program budgets include new SBC funding plus any carryover from prior-year commitments. This process requires Board approval, tentatively scheduled for summer of 2014.

Staff estimates the total Societal Benefits Charge (SBC) for FY 2015 will remain at the FY 2014 level and, combined with anticipated carryover, will be sufficient to continue all existing programs to meet market demand. Consistent with the State Energy Master Plan, we regularly evaluate the amount of SBC collections required to manage the clean energy program.

- **Please comment on the BPU's progress in meeting the FY 2014 Clean Energy Program goal of "[c]oordinat[ing] with Treasury to develop appropriate procedures to better match the collection of funds from ratepayers to actual program needs." Has the Department of the Treasury been receptive? If so, what financial management changes does the BPU expect to incorporate in the program budget for FY 2015 to FY 2017 to reduce the accumulation of excess balances? How does the initiative to better align program resources with expenditures relate to the long-term objective of reducing the program's reliance on the societal benefits charge as its funding source and inaugurating revolving loan funds as alternative funding vehicles?**

The BPU and Treasury share the common goal of aligning NJCEP resources with needs, and the agencies continue to cooperate toward that end. Efforts at the BPU include a renewed focus on financial analysis and forecasting of program expenses, market-driven assessment of program needs, and more rigorous evaluation of program performance.

As part of the planned transition to a single Program Administrator (PA), the Board will conduct a thorough evaluation of existing programs, focusing on key performance metrics, to determine what combination of programs contributes most cost-effectively to EMP goals. The review will enable the NJCEP to identify and eliminate redundant programs, streamline program administration, and refine funding recommendations to minimize unanticipated surplus. Additionally, in cooperation with the new PA, the NJCEP will develop a Strategic Plan that will identify opportunities for transition toward financing programs and away from direct rebates supported by the Societal Benefits Charge. These efforts should yield opportunities to reduce the amount of funding required from ratepayers.

2. In addressing BPU Discussion Point #5 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis the Board stated that the then anticipated **\$196.2 million lapse of Clean Energy Program balances into the State General Fund in FY 2014** (of which \$33.0 million was to come from the Solar Alternative Compliance Payments account) prevented BPU staff from recommending that fewer funds be raised in support of the Clean Energy Program

## Discussion Points (Cont'd)

from electric and natural gas ratepayers through the societal benefits charge. The FY 2014 Appropriations Act enacted the lapse.

According to Section 5.6 of the "2<sup>nd</sup> Revised CRA Straw Proposal: Proposed Funding Levels FY14 - FY17," dated June 3, 2013, BPU staff proposed on April 17, 2013 that \$227.7 million be raised in FY 2014 through the societal benefits charge to finance the Clean Energy Program. Two months later, the BPU adopted a budget that raised that figure to \$344.7 million, marking a \$117.0 million, or 51.4 percent, increase over the BPU staff recommendation from two months prior (page 39 of the Board Order dated June 21, 2013, Docket number EO11050324V). In Section 5.7 of the "2<sup>nd</sup> Revised CRA Straw Proposal: Proposed Funding Levels FY14 - FY17" BPU staff identify nine components of the \$117.0 million increase. The table below lists them and indicates whether the spending categories are new to the Clean Energy Program or represent additional resources for program accounts that had already been included in the April 17, 2013 funding proposal.

<b>Additional Clean Energy Program Funding Authorizations over April 17, 2013 Proposal</b>	
New Program: Transfer to New Jersey Environmental Infrastructure Trust (NJIEIT) as Contribution towards Meeting 20 Percent State Match Requirement for \$229.3 Million in Federal Disaster Relief Appropriations Act Funds for New Jersey's Clean Water State Revolving Fund and Clean Drinking Water State Revolving Fund: the Super Storm Sandy-Related Funding Will Fund Energy Efficiency Upgrades and Combined Heat and Power Projects at Wastewater and Water Treatment Plants	\$30,000,000
Additional Funding: Combined Heat and Power (CHP) and Fuel Cell Program	\$20,000,000
New Programs: Multi-Family Finance and Retro-Commissioning Programs	\$15,000,000
Additional Funding: Unspecified Energy Efficiency Programs	\$10,000,000
Additional Funding: Renewable Energy Incentive Program (REIP)	\$10,000,000
Additional Funding: Marketing for Energy Efficiency Programs	\$3,600,000
Additional Funding: Expected Increase in Participation in Energy Efficiency Programs due to Increased Marketing Activities	\$16,300,000
Additional Funding: Program Evaluation	\$7,100,000
Additional Funding: Transition to New, Single Program Administrator	\$5,000,000
<b>TOTAL</b>	<b>\$117,000,000</b>

- Questions:** On June 21, 2013, the BPU adopted a FY 2014 Clean Energy Program budget that represented a \$117.0 million increase in the amount to be raised from electricity and natural gas ratepayers through the societal benefits charge over the amount BPU staff had proposed on April 17, 2013. Is the increase connected to the \$196.2 million lapse of Clean Energy Program balances into the State General Fund in FY 2014? Absent the lapse would the BPU not have recommended the \$117.0 million increase from April 2013 to June 2013? If the lapse is unrelated to the increase, please explain the factors that changed the assessment of the BPU between April 2013 and June 2013 as to the total amount that ratepayers should newly pay in support of the FY 2014 Clean Energy Program.

## Discussion Points (Cont'd)

The FY 2014 SBC funding level assumed completion of the transition to a single Program Administrator, which is expected to support an acceleration of activity across multiple programs. Once the new PA is in place, the NJCEP expects an enhancement of marketing activities to increase participation rates in existing programs, development of financing programs in support of EMP goals, and increased investment in program evaluation to better inform funding decisions. Funding in FY14 also assumed a stimulation of market demand for CHP and Fuel Cell programs in response to anticipated funding for Super Storm Sandy relief.

The FY 2014 funding recommendation in June reflected these assumptions for new and enhanced program activity, as indicated in the chart, along with the incremental cost of transitioning to the new PA. The subsequent delay in the transition, due to procurement issues discussed elsewhere in this document, has contributed to the unanticipated balances available for reallocation to State Budget offsets.

3. Taking up recommendations presented in the 2011 Energy Master Plan, the BPU is looking to **restructure the Clean Energy Program**, which is the umbrella for the State's energy efficiency and renewable energy programs. In its reply to BPU Discussion Point #8 in the OLS FY 2012-2013 Department of the Treasury Budget Analysis the Board stated that its long-term goal was to reduce the reliance of the Clean Energy Program on the societal benefits charge as the program's funding mechanism and to inaugurate revolving loan funds as alternative funding vehicles. Societal benefits charge collections would initially fund the revolving loan funds, however. Moreover, the BPU envisaged operating Clean Energy Program incentives more on a performance basis so as to reduce the incentives' costs and improve their effectiveness.

The restructuring initiative has been held up by a delay in the contract award to a single program administrator who would replace three existing administrators. On June 11, 2012, the Division of Purchase and Property in the Department of the Treasury had issued Request for Proposal 13-X-22546 for "Management Consulting – Program Administrator New Jersey Clean Energy Program (NJCEP)." The Board noted in its response to BPU Discussion Point #6 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis that the Treasury had issued Letters of Intent to Award the contract to Applied Energy Group Inc. on February 22, 2013. But two of the five rival bidders filed protests that the Treasury still has to adjudicate. The BPU anticipates the protests' resolution during FY 2014.

Upon contract award the selected contractor will have three months to develop a multi-year strategic plan for the Clean Energy Program in collaboration with the BPU that includes program funding levels from FY 2015 through FY 2017 and the aforementioned transition in the program's financing method. The BPU will perform program evaluations in FY 2014 so as to assist the program administrator in crafting the strategic plan. (BPU Discussion Point #6 in the OLS FY 2013-2014 Department of the Treasury Budget and pages 19 and 20 of the Board Order dated June 21, 2013, Docket number EO13050376V)

- **Questions:** Please provide a status report on the Request for Proposal 13-X-22546 for "Management Consulting – Program Administrator New Jersey Clean Energy Program (NJCEP)." Has the Department of the Treasury resolved the protests against

## Discussion Points (Cont'd)

**and finalized the contract award? If so, is Applied Energy Group Inc. the contractor? If not, by what date does the BPU expect the contract award to be finalized?**

On April 25<sup>th</sup> the Division of Purchase and Property (DPP) notified the firms that submitted proposals to the RFP for Program Management Services that the Director has determined that the procurement conducted under this RFP must be cancelled due to cogent and compelling reasons. BPU Staff has already begun working with DPP to develop a plan for a new RFP. At this time we do not have an estimate as to when a new contract award can be finalized.

- **Has the multi-year strategic plan for the Clean Energy Program been completed and adopted? If so, please a) provide a paper copy of the strategic plan or a link thereto on the Internet; b) describe the anticipated timetable for phasing in any new financing mechanism, such as revolving loan funds, and transitioning out of the societal benefits charge as a funding source; c) list all energy efficiency and renewable energy programs the BPU intends to end and provide a brief justification for the cull; and d) set forth any revisions to the performance metrics and targets for the Clean Energy Program. If no strategic plan has been approved, by what date does the BPU anticipate the adoption thereof?**

The Strategic Plan, which was intended to guide the NJCEP in its transition to financing, would be the first major deliverable of the new Program Administrator. As previously stated, this contract has not yet been awarded. However, as per Staff's recommendation in the 2014 CRA, Staff formed three work groups intended to begin the necessary comprehensive assessment of the NJCEP and utility-run programs, the data that is collected by the Energy Efficiency (EE) programs and current reporting requirements, and to create a schedule of program evaluations that are necessary to determine program performance and cost-effectiveness. The recommendations of these work groups are expected in late summer 2014 and are intended to inform a future Strategic Plan and restructuring of the NJCEP.

At this time, Staff has no target date for adopting a formal Strategic Plan given the status of the RFP.

4. The delays in the awarding of the single program administrator contract and the development of a strategic plan for the Clean Energy Program (see previous Discussion Point) have in turn held up the adoption of a **Clean Energy Program budget for FY 2015 through FY 2017**. Subsection (3) of section a. of N.J.S.A.48:3-60 requires that the BPU set the program's funding levels for a four-year period. A budget for FY 2014 through FY 2017 was due by July 1, 2013. The BPU, however, only approved a budget for FY 2014 that continued the program under the existing framework and did not commence the envisioned restructuring (Board Order dated June 21, 2013, Docket number EO13050376V). The Board deferred the production of a spending plan for FY 2015 to FY 2017 in the expectation that the envisioned strategic plan would be adopted in FY 2014 and guide program allocations from FY 2015 onward.

- **Questions:** Please indicate whether the new program administrator has had a sufficient amount of time to formulate the Clean Energy Program budget for FY 2015 through FY 2017. If not, does the BPU intend to only adopt a FY 2015 spending plan? Is the BPU using the FY 2015 program budget as the vehicle through which to implement the first phase of the envisioned restructuring of the Clean Energy Program

## Discussion Points (Cont'd)

**irrespective of the awarding of the program administrator contract? Please summarize the planned programmatic changes in FY 2015 and provide a brief justification for each change. If applicable, please provide a paper copy of or Internet link to the program budget for either FY 2015 or the period from FY 2015 to FY 2017. If unavailable, please indicate the date by which the BPU intends to adopt a new spending plan.**

Staff is currently completing the draft Straw Proposal for its 2015 CRA and expects to release it for public comment in the summer. NJCEP program budgets, which follow the CRA process, and combine the new funding determined through the CRA process with any program carryover (committed funds and unspent funds), will be released shortly after the release of the CRA.

It will be Staff's recommendation that the Board maintain the current portfolio of programs. This consistency lends itself to accurate and more thorough evaluations and creates market certainty for both contractors and applicants until a Strategic Plan is adopted and the program conducts further evaluations.

5. Taking up a 2011 Energy Master Plan recommendation, the BPU is significantly **expanding the evaluation of the performance of the Clean Energy Program** in FY 2014. The Board adopted an \$8.8 million FY 2014 allocation in support of that objective, some \$8.0 million more than the \$800,000 available for program evaluation in the 18-month period from January 2012 through June 2013 (Page 30 of Board Order dated June 21, 2013, Docket number EO13050376V). The BPU intended to use the resources to first form a working group charged with the development of a three-year evaluation plan by the end of 2013 and led by the Center for Energy, Economic and Environmental Policy (CEEPP) at Rutgers, the State University of New Jersey. In early 2014, the BPU would then commence evaluation activities, including cost-benefit analyses. The FY 2014 budget also includes funding for an audit of energy efficiency and renewable energy programs that electric and natural gas utilities administer independent of the Clean Energy Program. The audit may wind up informing the deliberations of the working group the BPU intended to convene to evaluate the effectiveness of the utility-run programs (page 34 of the Board Order dated June 21, 2013, Docket number EO11050324V).

The June 11, 2012 "Evaluation of New Jersey's Clean Energy Programs" benchmark study prepared by Applied Energy Group also added to the BPU's interest in program evaluation. In analyzing the benchmark data, the BPU noted an "apparent under-performance" of the Clean Energy Program in comparison to 25 electric and natural gas energy efficiency programs operated in nine reference states (Section 4.4 of the "2<sup>nd</sup> Revised CRA Straw Proposal: Proposed Funding Levels FY14 - FY17," dated June 3, 2013). Notably, the BPU calculates that while the Clean Energy Program's electric energy efficiency programs are relatively efficient by spending \$0.20 per kilowatt-hour of electricity saved (\$0.19 for the benchmark reference class), they are relatively ineffective in delivering electricity consumption savings of only 0.5 percent of total electricity sales (1.0 percent for the benchmark reference class). The Clean Energy Program's natural gas energy efficiency programs, in turn, are relatively inefficient and ineffective. While the Clean Energy Program spent \$5.03 per therm of natural gas saved (\$2.67 for the benchmark reference class), total consumption savings delivered by the suite of natural gas energy efficiency programs represent only 0.2 percent of total natural gas sales (0.6 percent for the benchmark reference class). Unable to explain the comparatively weak results of the Clean Energy Program, the BPU recommended a thorough review to determine their origins.

## Discussion Points (Cont'd)

- **Questions:** Please provide an update on the BPU's program evaluation initiative for the Clean Energy Program. Has the three-year evaluation plan been completed? If so, please present the timeline of planned evaluation activities and explain the extent to which the evaluation strategy differs from the one employed previously. If evaluation activities have already begun, please indicate the programs being evaluated, the performance metrics being assessed, as well as any available results. If the three-year evaluation plan has not yet been completed, please indicate by what date the BPU expects its completion. Does the BPU intend to post evaluation results on the Clean Energy Program website? How much does the BPU anticipate spending annually on program evaluation in the future?

The Evaluation Work Group formed in response to the 2014 CRA will be issuing a long-term plan of evaluations by the end of the summer, 2014.

At the same time, Rutgers' Center for Energy, Economic and Environmental Policy (CEEPP) who led the Evaluation Work Group process is currently drafting RFPs for (3) evaluations to be conducted in FY 15: a Benchmarking Study which will compare NJCEP Program savings to its peer state's to understand how to improve program performance; a Process Evaluation of the suite of NJCEP programs to better understand from market actors how to improve program participation; and an Energy Efficiency Baseline Study intended to inventory efficiency levels of existing equipment, lighting, motors, appliances, etc. currently in the State in order to determine future potential energy savings targets.

Evaluations have been performed or sub-contracted through CEEPP and results have been posted to both the CEEPP and Office of Clean Energy websites. All future results will be posted on both sites.

Regarding the annual spending for program evaluation:

In FY14, the NJCEP spent or committed \$2.6 million to ongoing or new program evaluations. In order to complete ongoing evaluations and conduct the additional evaluations listed above, spending will increase to approximately \$6 million in FY 15.

- **Have the audits of energy efficiency and renewable energy programs that electric and natural gas utilities administer independent of the Clean Energy Program been completed? If so, what are the findings? Has the BPU working group to evaluate the effectiveness of the utility-run programs concluded its task? If so, what are the group's findings and recommendations? Has the BPU begun to implement, or intends to implement, any of the recommendations? If the BPU is rejecting the implementation of any recommendations, please justify the rejection. If the working group has not yet completed its mission, please indicate by what date the BPU expects to receive the group's findings and recommendations.**

Per the 2014 CRA and previous response, Staff formed three working groups:

## Discussion Points (Cont'd)

The Utility Work Group intended to assess NJCEP and utility-run programs in order to better coordinate the programs and reduce contractor and customer confusion, reduce administrative redundancies and associated costs, and understand what administrative structure can best deliver all cost-effective energy savings to ratepayers.

The Evaluation Work Group is drafting a long-term schedule of program evaluations and has reviewed all NJCEP and Utility-run programs to insure that all data that is necessary for evaluations is being collected.

As Staff has repeatedly learned at EE financing conferences and symposiums, the industry suffers from a lack of standard metrics and data collection – the information that private capital requires to assess risk when securitizing loans. In response, the Data Work Group has conducted a thorough review of all data being collected by NJCEP and utility-run programs and its recommendations will focus on standardizing the data and coordinating this information with other states in order to attract private capital and create an EE market that leverages private investment.

- **Has the BPU determined the reasons for the “apparent under-performance” of the Clean Energy Program’s suite of electricity and natural gas energy efficiency programs relative to similar programs in the nine reference states that Applied Energy Group analyzed in its June 2012 benchmark study? If so, what are they? Is the Clean Energy Program’s comparatively lower rate of energy consumption savings as a percentage of total energy sales primarily evidence of relative underfunding? Specifically, what factors account for the Clean Energy Program’s natural gas energy efficiency programs expending \$5.03 per therm of natural gas saved, whereas the reference class averages \$2.67 per therm?**

CEEEP is currently working on the Scope of Work for this study.

6. The BPU Board Order dated June 21, 2013 Docket number EO13050376V shows that the Clean Energy Program’s total budget for FY 2014 is \$568.0 million. The allocation for oversight of the BPU’s Office of Clean Energy accounts for \$21.3 million, or 3.7 percent, of the total. But it appears that the amount only includes the administrative costs incurred by the Office of Clean Energy (\$19.3 million) and its contracted program coordinator, Applied Energy Group Inc (\$2.0 million). **Total management costs of the Clean Energy Program**, however, are substantially higher once the administrative expenses of the two contracted program administrators are included: Honeywell International Inc and TRC Environmental Corporation.

For example, the BPU estimated that the contractors’ administrative expenses, including those of Applied Energy Group Inc, would approach \$41.2 million, or 11.14 percent of a total program budget of \$369.7 million, in the 18-month period from January 2012 through June 2013. The equivalent administrative expenses were \$32.2 million, or 9.77 percent of the \$330.0 million total program budget, in calendar year 2011; and \$53.2 million, or 12.86 percent of the \$413.5 million program budget, in calendar year 2010. (This paragraph’s data are based on BPU answers to BPU Discussion Point #2 in the OLS FY 2010-2011 Department

## Discussion Points (Cont'd)

of the Treasury Budget Analysis and BPU Discussion Point #7 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis.)

Replying to BPU Discussion Point #7 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis, the BPU stated that the impending transition of the Clean Energy Program to a single program administrator would reduce annual administrative expenses by approximately \$8.5 million. (Discussion Point #3 addresses the single program administrator contract.)

BPU's Estimated New Jersey Clean Energy Program 2012-13 Revised Budget				
Program	Contractor	Total Budget	Direct Rebates	Administrative Cost
Residential Energy Efficiency Programs	Honeywell	\$125,996,892	\$108,081,752	\$17,915,140
Commercial and Industrial Energy Efficiency Programs	TRC	\$217,490,135	\$201,937,093	\$15,553,042
Renewable Energy Programs	Honeywell	\$23,224,184	\$18,506,384	\$4,717,800
Program Coordinator	AEG	\$2,985,499	\$0	\$2,985,499
<b>Total</b>		<b>\$369,696,710</b>	<b>\$328,525,229</b>	<b>\$41,171,481</b>

- Questions:** For the 18-month period from January 2012 through June 2013, please update the above table showing for each program class under the Clean Energy Program the actual total budget, the actual amount of benefits paid out, and the actual contracted program manager's administrative cost. For FY 2014, please update the above table showing for each program class the estimated total budget, the estimated amount of benefits paid out, and the contracted program manager's estimated administrative cost. Is last year's projection that the new single program administrator contract will reduce annual administrative costs by \$8.5 million still the current estimate?

The updated table is provided below. The expectation of \$8.5 million in administrative savings under the new program administrator contract, once fully implemented, remains valid.

<b>2012-13 (in thousands)</b>		<b>Budget</b>			<b>Estimated*</b>		
<b>Program</b>	<b>Contractor</b>	<b>Total</b>	<b>Direct Rebates</b>	<b>Admin Cost</b>	<b>Total</b>	<b>Direct Rebates</b>	<b>Admin Cost</b>
Residential Energy Efficiency	Honeywell	125,997	108,082	17,915	100,370	82,731	17,638
Commercial & Industrial Energy Efficiency	TRC	217,490	201,937	15,553	91,187	79,263	11,924
Renewable Energy	Honeywell	23,224	18,506	4,718	11,470	6,997	4,473

**Discussion Points (Cont'd)**

Program Coordinator	AEG	2,985	-	2,985	3,023	-	3,023
<b>Total</b>		<b>\$369,697</b>	<b>\$328,525</b>	<b>\$41,171</b>	<b>\$206,050</b>	<b>\$168,991</b>	<b>\$37,059</b>

<i>FY2014 (in thousands)</i>		<b>Budget</b>			<b>Estimated*</b>		
<b>Program</b>	<b>Contractor</b>	<b>Total</b>	<b>Direct Rebates</b>	<b>Admin Cost</b>	<b>Total</b>	<b>Direct Rebates</b>	<b>Admin Cost</b>
Residential Energy Efficiency	Honeywell	89,069	76,886	12,183	73,571	63,508	10,063
Commercial & Industrial Energy Efficiency	TRC	178,843	168,529	10,314	71,891	67,745	4,146
Renewable Energy	Honeywell	19,488	16,371	3,117	6,102	5,126	976
Program	AEG	1,863	-	1,863	1,863	-	1,863
<b>Total</b>		<b>\$289,263</b>	<b>\$261,787</b>	<b>\$27,476</b>	<b>\$153,426</b>	<b>\$136,379</b>	<b>\$17,047</b>

\*expenditures only; excludes funding of new program commitments

7. The BPU lists ten goals for the FY 2014 Clean Energy Program on pages 33 through 35 of the Board Order dated June 21, 2013, Docket number EO11050324V. Among them is the **promotion of Combined Heat and Power (CHP) systems and other types of distributed generation as a means to strengthen the resilience of the electric infrastructure of critical facilities during power outages.** BPU staff explain in Section 1.4 of the "2<sup>nd</sup> Revised CRA Straw Proposal: Proposed Funding Levels FY14 - FY17," dated June 3, 2013, that this objective represents a lesson learned from the extensive damage caused by Hurricane Sandy's landfall in New Jersey on October 29, 2012. BPU staff point out that within swaths afflicted by widespread power outages entities with CHP systems continued their operations after isolating their co-generation units from the electric grid. To assist other critical facilities in acquiring CHP systems as a reliable source of backup power the BPU convened a work group to inform the development of future CHP programs and budgets. (Discussion Point #8 addresses specifics of the State's CHP incentive programs.)

It is not clear, however, whether the hardening of the electric infrastructure of critical facilities complies with the Clean Energy Program's statutory mandate. Notably, subsection (3) of N.J.S.A.48:3-60 mentions only two uses of program resources: "demand side management" (i.e. energy efficiency) and renewable energy programs.

- **Questions:** Please indicate whether and in which manner the FY 2014 Clean Energy Program goal of hardening the electric infrastructure of critical facilities falls within the statutory mandate that Clean Energy Program resources be used for demand side management and renewable energy programs. Does the BPU need, and is it seeking, the enactment of legislation authorizing the use of Clean Energy Program resources for the strengthening of the resilience of the electric infrastructure at critical facilities before it can implement programs in pursuit of that objective?

## Discussion Points (Cont'd)

The Board believes that resilience and hardening of our infrastructure and critical facilities- which provides a benefit to ratepayers by ensuring the reliable delivery of power in the event of a disaster- is consistent with the mission and goals of the Clean Energy Program and falls within the statutory mandate.

The Board will continue to evaluate whether particular resilience projects fall within the scope of the statutory mandate to determine whether legislative adjustments or additions will be required.

8. The BPU deems effective **incentive programs for Combined Heat and Power and Fuel Cell (CHP-FC) systems** an important tool in: a) attaining the 2011 Energy Master Plan goal of developing 1,500 megawatts of CHP generation capacity over the next ten years; and b) strengthening the resilience of the electric infrastructure of critical facilities during power outages. The lack of a steady, sustainable funding source, however, has limited the State to devising a series of one-off CHP-FC incentive programs. (The setup for Economic Development Authority (EDA) Discussion Point #12 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis traces the programs' aleatory history.) The FY 2014 CHP-FC program is emblematic of the funding uncertainty. Although the program has \$65.6 million in resources from the Clean Energy Fund in FY 2014 (Board Order dated June 21, 2013, Docket number EO13050376V), the latter has been subject to repeated resource diversions to balance the State budget in recent years, affecting the CHP-FC program accounts.

To infuse stability and predictability into the CHP-FC incentive programs, the BPU has convened a working group whose findings and recommendations are to inform the development of future programs and budgets (Section 1.4 of the "2<sup>nd</sup> Revised CRA Straw Proposal: Proposed Funding Levels FY14 - FY17," dated June 3, 2013). To that effect the BPU is considering an energy efficiency portfolio standard for CHP-FC projects (Section 1.4 of the "2<sup>nd</sup> Revised CRA Straw Proposal: Proposed Funding Levels FY14 - FY17," dated June 3, 2013). The portfolio standard mechanism is already in use to impel solar energy capacity investments. The price support policy has three basic elements: a) the creation of demand for CHP-generated energy by obligating electric power suppliers and providers to meet specific quotas for CHP-generated energy; b) the issuance of certificates for every megawatt-hour of electricity generated by CHP installations, which are then sold separately from the generated electricity; and c) a trading platform on which electric power suppliers and providers can acquire from CHP energy generators the certificates they need to meet their annual CHP targets.

The BPU also intends to merge the two existing CHP-FC programs for New Jersey-based commercial and industrial ratepayers in FY 2014. Previously, the EDA and the BPU co-administered the Large-Scale CHP-FC program for projects involving at least one megawatt of CHP generation capacity. TRC, a contracted program administrator, in turn, managed the Small-Scale CHP-FC program for smaller projects. Starting in FY 2014, the two programs would meld into one under TRC's operational control. Available materials do not provide a justification for the consolidation. But in response to EDA Discussion Point #12 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis the EDA stated that the Large-Scale CHP-FC program's first solicitation round experienced a "lack of demand." Of the \$37.0 million available through the program from January 2012 through June 2013, only \$14.8 million was committed to specific projects. (Board Order dated June 21, 2013, Docket number EO13050376V).

## Discussion Points (Cont'd)

- **Questions:** Please provide an update on the strategy the Administration intends to employ to reach the 2011 Energy Master Plan target of developing 1,500 megawatts of Combined Heat and Power generation capacity over the ten years through the end of 2021. Has the working group whose findings and recommendations are to inform the development of future Combined Heat and Power and Fuel Cell (CHP-FC) programs and budgets completed its task? If not, by what date does the BPU anticipate its report? If the group has already submitted its recommendations, please outline them and indicate whether the BPU has taken any steps to implement them or is intending to implement them. Have the recommendations guided the formulation of the FY 2015 CHP-FC program budget? Will the financing source for CHP-FC project incentives be shifted to a portfolio standard mechanism or any other funding stream?

The BPU, together with other State agencies continue to promote the merits and value of CHP for specific facilities. Following Superstorm Sandy, the resilience benefits of CHP have been the focus of much attention and the BPU staff is working with numerous interested facilities.

If Federal funds become available the Board and the other agencies are prepared to more specifically reach out to our most critical public facilities to offer technical and financial assistance to develop resilient CHP facilities through an Energy Resilience Bank structure.

The BPU, through New Jersey's Clean Energy Program, has established several work groups that provide stakeholder input for the overall Energy Efficiency and Renewable Energy programs, one of which is the Combined Heat and Power/Fuel Cell (CHP/FC) workgroup. While the BPU, through the CHP/FC workgroup, has issued several straw proposals and discussed with the CHP/FC workgroup the merits and challenges of the different financing approaches, including a portfolio standard, at this time no formal financing proposal has been finalized. Currently the financing for CHP/FC project incentives will not be shifted to a portfolio standard and will be budgeted for rebate incentives within the FY 2015 Clean Energy Program budget.

- **Were the Large-Scale CHP-FC Program and Small-Scale CHP-FC Program merged? What was the rationale for the consolidation? For each of the two programs, please indicate the original program budget, the number of projects having qualified for incentives, the total amount of financial commitments the BPU has made, and the number of megawatt of CHP and fuel cell generation capacity created. For the merged CHP-FC Program, please set forth the number of applications received, the number of projects the BPU has approved for incentives, the total pecuniary amount of incentives approved, and the amount of megawatts of CHP and fuel cell generation capacity to be created by those projects. Is the \$65.6 million FY 2014 program budget sufficient to meet demand? What is the program's anticipated FY 2015 budget and spending level?**

Prior to FY14, the Large Scale CHP/FC program was administered through EDA. The first solicitation, issued in April 2012, resulted in 6 applications totaling 25MW of new generation and with total incentive value of \$11,109,860. Two of these projects have cancelled leaving 4 projects totaling 16

## Discussion Points (Cont'd)

MW with incentives of \$7,529,060 remaining. Of these applications, 1 project has been completed, resulting in 5.67 MW. A second application window, opened in January 2013 resulted in 4 applications totaling 20 MW of new generation and with a total incentive value of \$8,923,680. None of these second round applications have been completed.

At the same time, the Small Scale CHP program, administered by the NJCEP Market Manager, approved 13 applications totaling 680 kW of new generation and with incentive value of \$5,911,320.

In FY14, Staff sought to merge the two programs and standardize the eligibility requirements between the two programs, in order to streamline the application process and increase participation. The NJCEP saw only 4 applications to both programs in FY 14 to date, for a total of 5.6 MW of new generation and with an incentive value of \$3,632,913. Staff believes that the low participation rate can be attributed to two primary causes – the anticipated Energy Resiliency Bank that is being created with federal dollars to harden the State's infrastructure in response to Superstorm Sandy and build resiliency through the development of CHP and other forms of distributed generation; and CHP projects require significant investments in time and funding for engineering, permitting and project development prior to applying for incentives.

- **Is the Administration's proposed lapse of an additional \$117.4 million in Clean Energy Fund balances into the State General Fund in FY 2014 and FY 2015 combined affecting the CHP-FC incentive program account? If so, please set forth the amount of the reduction in the CHP-FC incentive program account. Does the lapse: a) jeopardize the State's ability to reach its target of developing 1,500 megawatts of CHP generation capacity over the ten years through the end of 2021; and b) impede the BPU from planning and implementing CHP-FC incentive program operations and specifications? How many awards for what amount of CHP-FC generation capacity does the BPU project: a) will it make in FY 2014 and FY 2015; and b) would it have made absent the proposed funding cut? Have previously awarded payments been deferred, scaled back or rescinded because of the proposed lapse? Has the BPU ceased accepting new applications or making new awards because of the proposed lapse? How long is any: a) wait list for program admittance; and b) backlog in disbursing approved assistance? Has the BPU tightened eligibility criteria or lowered assistance payments because of the proposed lapse?**

At this time, Staff has not yet made a formal recommendation for a CHP/FC funding level. Please see the previous response for actual participation in FY14.

The BPU remains committed to developing CHP/FC as an energy-efficient technology and believes there are opportunities to capitalize on synergies between EE and RE technologies when islanding capabilities are included in the projects, to build resiliency. As such, Staff anticipates that the FY15 budget for large and small-scale CHP, represent a significant percentage of the overall SBC funding. Additionally, federal funding for the ERB will present additional funding sources for CHP development at critical public facilities.

The lapses have not impacted payments or applications.

## Discussion Points (Cont'd)

9. In section 5.3 of the "2<sup>nd</sup> Revised CRA Straw Proposal: Proposed Funding Levels FY14 - FY17," dated June 3, 2013, the BPU reported that it would develop or explore the **development of new Clean Energy Program incentives in FY 2014 for three renewable energy technologies: energy storage systems, on-shore wind systems, and marine hydrokinetic renewable energy projects.**

The promotion of **energy storage systems** is one of ten enumerated FY 2014 Clean Energy Program goals (pages 33 to 35 of the Board Order dated June 21, 2013, Docket number EO11050324V). This is so because the systems turn renewable energy into a more reliable power source by alleviating the mismatch between electricity demand and the intermittent supply of solar and wind energy. In addition, energy storage technology temporarily enables critical facilities to continue operating during electric grid outages. In light of these benefits the BPU anticipated designing a new incentive program for energy storage systems in the second half of 2013, opening up a competitive solicitation in the first quarter of 2014, and awarding the first incentive in mid-2014 (Board Order dated June 21, 2013, Docket number EO13050376V). Although the FY 2014 Clean Energy Program budget does not specify the funding level for the new program in FY 2014, sections 5.3 and 5.7 of the "2<sup>nd</sup> Revised CRA Straw Proposal" suggest that it falls somewhere between \$2.5 million and \$12.5 million.

The BPU suspended the previous incentive program for **on-shore wind energy** installations in March 2011 over safety concerns regarding small-scale wind systems. In FY 2014, however, the BPU intends to develop a new incentive program for on-shore wind energy projects with a generation capacity of at least one megawatt. The Board did not provide any funding for the program in FY 2014, as it did not expect making any incentive awards that year. But the BPU anticipates that funding would be required in FY 2015.

The BPU also did not provide any funding for an envisioned incentive program for **marine hydrokinetic renewable energy** projects in FY 2014. Nevertheless, it planned to explore potential program options to support such projects in FY 2014. A form of hydropower, marine hydrokinetic renewable energy is generated from waves, currents, and tides in the ocean, an estuary or a tidal area as well as from the free-flowing water in a river, lake or stream.

- **Questions:** Please provide the following information for each of the incentive programs the BPU envisioned developing in FY 2014 for energy storage systems, on-shore wind systems, and marine hydrokinetic renewable energy projects: a) has the BPU adopted an inaugural program design (if not, by what date does the BPU expect doing so); b) what are the eligibility criteria and the sizes of individual incentives; c) by what date does the BPU anticipate accepting applications; d) by what date does the BPU anticipate making the first incentive awards; e) by what date does the BPU anticipate paying out the first incentive award; and f) what are the program's annual budgetary allocations from FY 2014 to FY 2017?

The NJCEP small wind rebate program has resulted in the installation of 42 wind projects totaling 9.65 MW, of which 7.5 MW is attributable to the system installed at the Atlantic City Utilities Authority. Following catastrophic failures of 3 wind systems located in New Jersey, the small wind rebate program was suspended in March 2011. A series of public stakeholder meetings on the development of a proper response to the failures were held, and in September 2011 Board Staff

## Discussion Points (Cont'd)

contracted with the National Renewable Energy Lab (NREL) for a forensics study of the turbine failures. In August 2013, NREL completed its investigation of the wind turbine failures and found that the failures were a result of manufacturing design. NREL also provided suggestions for wind incentive program improvements should the Board decide to reinstitute the small wind rebate program. NREL's report can be found at: <http://www.njcleanenergy.com/renewable-energy/technologies/wind/wind>

As part of the FY14 NJCEP program budget, the Board approved New Jersey's membership in the Interstate Turbine Advisory Council (ITAC) managed by the Clean Energy States Alliance. ITAC, composed of state wind rebate program administrators, has developed criteria and processes for certifying small wind turbines for use in state wind incentive programs. In 2013, ITAC developed a certification program for mid-sized wind turbines. Staff recommends maintaining membership in ITAC for FY15.

Staff anticipates reconvening the NJ Small Wind Working Group in FY 15 to discuss the findings of the NREL forensics study and the anticipated results of an energy impact evaluation of the performance of the 42 turbines installed with NJCEP incentives, toward making a recommendation to the Board on the future of the small wind rebate program. Staff anticipates recommending as part of the CRA for FY15 that no small wind incentive program be offered until the cost effectiveness of past ratepayer investments can be determined and program design changes developed to ensure safe, reliable, cost effective operations with any future investments.

For the first time in New Jersey, as part of the FY14 CRA, the Board approved an offer of incentives designed to develop a market for technologies which store electricity from renewable energy sources. The Board directed staff to convene a stakeholder process to design the Renewable Energy Incentive Program (REIP) Energy Storage incentive program and to provide incentives through a competitive solicitation. Since September 2013, staff has convened stakeholder meetings and issued straw proposals seeking input into the development of a solicitation for electricity storage equipment installed as part of a renewable energy system.

In February 2014, the BPU's Renewable Energy Market Manager issued a survey intended to gauge interest in the program. There were 19 responses to the survey with 13 respondents identifying themselves as developers. For the FY 14 solicitation, survey respondents anticipated proposing a total of 38 projects. Respondents identified the commercial and industrial (C&I) market sector as the predominant end-user of renewable electricity storage applications, followed by the public and government sector.

Survey respondents estimated 50 projects were likely to seek incentive in FY 15 and 57 projects in FY16 with C&I and public sectors being the two largest market segments. The most commonly estimated incentive was \$500,000 and the most common projected completion time was 12 months. Frequency regulation and emergency back-up were the most frequently mentioned purpose for installing a renewable electricity storage system, while load shifting and emergency back-up were cited as secondary purposes. Staff anticipates recommending to the Board that the first solicitation be issued in early FY15 with an offering of \$3 million.

The BPU has not seen demand for incentives for marine hydrokinetic renewable energy projects. The Renewable Portfolio Standard rules define marine hydrokinetic renewable sources of electricity

## Discussion Points (Cont'd)

generated within or delivered into the PJM electricity transmission region as eligible for NJ Class I RECs. There are currently no marine hydrokinetic renewable electricity generation facilities participating in the PJM-EIS Generation Attribute Tracking System. The Solar Act of 2012 redefined hydropower facilities with capacity of 3 MW or less placed in service after the effective date of the law as eligible for NJ Class I RECs. To date, the only interest in this rule change expressed by in-state stakeholders originated from an owner of an existing New Jersey hydropower facility less than 3 MW that was excluded from RPS eligibility as a result of the Solar Act.

10. In June 2011, the Administration established the **State Energy Office** in the BPU's Division of Economic Development and Energy Policy as the successor to the Office of Energy Savings in the Department of the Treasury. The State Energy Office is to identify opportunities for reducing the energy consumption in State facilities. Since inception the office implemented energy audits, negotiated lower prices on the State's electricity and natural gas supply contracts, assisted State agencies with the determination of their energy-related needs and capital budget requests, and reviewed energy funding requests with the Office of Management and Budget in the Department of the Treasury. The BPU replied to BPU Discussion Point #15 in the OLS FY 2012-2013 Department of the Treasury Budget that the office performed these tasks with three full-time employees who availed themselves of other Division of Economic Development and Energy Policy staff, as needed.

As part of its mission to identify opportunities for reducing the energy consumption in State buildings, the State Energy Office manages the **energy savings improvement program for State-owned and -operated buildings** in accordance with P.L.2009, c.4. The law strives to increase the number of energy conservation projects the State undertakes by allowing two financing mechanisms to defray the projects' up-front cost over a period not exceeding 15 years (or 20 years in certain cases). First, the State may contract with energy service companies that assume the up-front cost of infrastructure improvements with the State repaying its debt over time out of the energy cost savings it realizes from the investments. Alternatively, the State may enter into a lease-purchase financing agreement, whereby the State engages a contractor who will purchase certain energy conservation equipments on behalf of the State and lease them to the State in return for lease payments over a predetermined term. At the end of the term the State will assume ownership of the equipments. The BPU responded to BPU Discussion Point #10 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis that the State had not signed a single energy savings improvement contract with an energy service company, as the Department of the Treasury deemed lease-purchase financing more cost-effective. Accordingly, on October 7, 2013, the State awarded contract T-2872 to Banc of America Public Capital Corp. in response to Request for Proposal (RFP) 14-X-22599 for "Financial Services: Energy Master Lease Purchase Financing." Under the State's first ever lease-purchase financing agreement for energy conservation projects, the contractor will provide up to \$100 million for the State to draw down over a three-year period to finance energy conservation projects. In return, the

## Discussion Points (Cont'd)

contractor will receive fixed payments for twelve or fifteen years depending on the specific project. The RFP sets forth \$87.4 million worth of projects for which the State intends to use the raised capital:

1) Bayside Prison/Southern State Prison:	\$25.0 Million
2) Hunterdon Developmental Center/Edna Mahan Prison:	\$20.0 Million
3) Department of Transportation Headquarters:	\$12.0 Million
4) Trenton State Prison:	\$11.0 Million
5) Katzenbach School:	\$9.1 Million
6) Vineland Developmental Center:	\$5.3 Million
7) New Jersey State Police Headquarters:	\$5.0 Million

- **Questions:** Please describe the State Energy Office's activities since its response to BPU Discussion Point #10 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis. Please provide an updated estimate of the aggregate and annual cost savings the State Energy Office has negotiated since its inception under the State's electricity and natural gas supply contracts.
- Please provide a progress report on the State's energy savings improvement program for State-owned and -operated buildings. What is the amount of energy cost savings that each energy conservation project listed in RFP 14-X-22599 for "Financial Services: Energy Master Lease Purchase Financing" is projected to achieve annually and cumulatively over the project amortization period? What is each project's estimated outlay inclusive of financing costs? Is the State Energy Office developing a project list for a second energy master lease-purchase agreement or energy savings improvement contracts? If so, what projects are on the list and by what date does the office anticipate seeking the additional financing? If the State has changed its policy regarding energy savings improvement contracts, please detail for each contract signed the State building benefitting from energy-savings infrastructure improvements, the improvements being undertaken, their capital cost, the amortization period, the projected amount of energy cost savings over the amortization period, and the debt service payments the State is anticipated to make out of the projects' energy savings.

The State Energy Office (SEO) has conducted energy audits at the State's largest energy users – e.g. prisons, developmental centers, and state hospitals - and created a prioritized list of state facilities. Based on the results of these audits, the SEO is preparing to implement ESIP projects (Energy Savings Improvement Program) focusing on the 30 largest energy-consuming facilities, which consume nearly 54% of the total energy of all state facilities.

The first round of projects includes a total of 7 facilities, and is projected to reduce annual energy usage by approximately 20% and save approximately \$15 million annually. As with all Clean Energy programs, the SEO will measure and publish the State's progress, tracking reduced demand, reduced energy costs, reduced greenhouse emissions, and jobs created.

The State has secured a \$100 million dollar line-of-credit to fund these projects on a

**Discussion Points (Cont'd)**

performance contracting basis (with the savings repaying the loans). We are awaiting a closing date from the Dept. of Treasury. The first project will be ready for bid in July of 2014, with subsequent projects being released for bids on a quarterly basis thereafter.

Additionally, the SEO has continued to re-negotiate commodity supply contracts and, as a result, the State is saving \$2,275,569 annually for supply of natural gas and \$ 2,019,432 annually for supply of electricity.

Total annualized energy cost savings = \$ 5,884,002  
 Total savings Jan. 2012 through March 2014 = \$ 13,239,002

To date there have been no ESIP projects for State owned buildings. The Energy Master Lease financing has not been finalized and Treasury is working out the necessary details with the Bank. There are seven projects (listed above) anticipated in the initial financing request, totaling approximately \$87 million. Final cost and/or savings will not be determined until Investment Grade Audits have been completed at each facility.

11. Imposed pursuant to N.J.S.A. 48:3-60 as a component of the "Electric Discount and Energy Competition Act" (P.L.1999, c.23), the **societal benefits charge** is embedded in, but separately delineated on, electric and natural gas ratepayers' monthly utility bills. Proceeds finance nuclear plant decommissioning, manufactured gas plant remediation, utilities' uncollectible debts, energy consumer education, energy assistance programs to low-income utility customers via the Universal Services Fund (page 39 of the "Supplementary Information" section in the Governor's FY 2015 Budget, available in the online version only), and energy demand management programs including BPU's Clean Energy Program (page 26 of the "Supplementary Information" section in the Governor's FY 2015 Budget, available in the online version only). From calendar year 2009 to calendar year 2012, societal benefits charge collections fluctuated between a lower bound of \$776.6 million generated in calendar year 2011 and an upper bound of \$792.3 million generated in calendar year 2010. Depending on the utility, the charge represented between 3.59 percent (\$45.84) and 5.56 percent (\$68.15) of the annual bill of the average electric residential ratepayer as of April 2013 and between 5.82 percent (\$63.30) and 7.07 percent (\$83.70) of the annual bill of the average residential natural gas ratepayer.

- **Questions:** Please indicate the amount the societal benefits charge raised in calendar year 2013, as well as the amount of societal benefits charge collections that financed each program supported by the charge. Please list, by utility and by societal benefits charge component, the 2013 and 2014 rates of the charge and present the reasons for any increase. The charge represented what percentage of an average residential ratepayer's annual electricity and natural gas bills in calendar year 2013 and represents what estimated percentage in calendar year 2014?

Societal Benefits Charge (SBC) Rates - April 2013								
SBC Components	Electric (\$/kWh)				Gas (\$/Therm)			
	PSE&G	JCP&L	ACE	RECO	PSE&G	NJN	SJG	ETG

## Discussion Points (Cont'd)

Clean Energy Program/ Demand Side Management	0.004090	0.002831	0.003293	0.003255	0.022843	0.018972	0.022710	0.059907
Manufactured Gas Plant Remediation	0.000349	0.000130	0.000000	0.000000	0.008673	0.030280	0.035327	0.001121
Universal Service Fund w/ Lifeline	0.002865	0.002865	0.002865	0.002865	0.017200	0.017196	0.017196	0.017196
Nuclear Plant Decommissioning	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Uncollectibles/Social Programs	0.001325	0.000545	0.001636	0.000000	0.000000	0.000000	0.000000	0.000000
Consumer Education Program	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
<b>TOTAL (without Sales and Use Tax)</b>	<b>0.009099</b>	<b>0.006371</b>	<b>0.007793</b>	<b>0.006120</b>	<b>0.048716</b>	<b>0.066449</b>	<b>0.075234</b>	<b>0.078224</b>
<b>TOTAL (w Sales and Use Tax)</b>	<b>\$0.009736</b>	<b>\$0.006817</b>	<b>\$0.008339</b>	<b>\$0.006548</b>	<b>\$0.052126</b>	<b>\$0.071100</b>	<b>\$0.080500</b>	<b>\$0.083700</b>

## Societal Benefits Charge (SBC) Rates - April 2014

SBC Components	Electric (\$/kWh)				Gas (\$/Therm)			
	PSE&G	JCP&L	ACE	RECO	PSE&G	NJN	SJG	ETG
Clean Energy Program/ Demand Side Management	0.004090	0.002831	0.003592	0.003658	0.033286	0.039439	0.040654	0.071308
Manufactured Gas Plant Remediation	0.000349	0.000130	0.000000	--	0.008673	0.028037	0.025421	0.021402
Universal Service Fund w/ Lifeline	0.002961	0.002961	0.002961	0.002961	0.011800	0.011776	0.011776	0.011776
Nuclear Plant Decommissioning	0.000000	0.000000	0.000000		--		--	--
Uncollectibles/Social Programs	0.001325	0.000545	0.001620	--	--	--	--	--
Consumer Education Program	0.000000	0.000000	0.000000	--	--	--	--	--
<b>TOTAL (without Sales and Use Tax)</b>	<b>0.009195</b>	<b>0.006467</b>	<b>0.008172</b>	<b>0.006619</b>	<b>0.053759</b>	<b>0.079252</b>	<b>0.077850</b>	<b>0.104486</b>
<b>TOTAL (w Sales and Use Tax)</b>	<b>\$0.009839</b>	<b>\$0.006920</b>	<b>\$0.008744</b>	<b>\$0.007082</b>	<b>\$0.057522</b>	<b>\$0.084800</b>	<b>\$0.083300</b>	<b>\$0.111800</b>

## Definitions:

**Clean Energy Program/ Demand Side Management:** Includes costs for the Clean Energy Program, as approved by the BPU in the Comprehensive Resource Analysis, as well as other Board-approved demand side management programs.

## Discussion Points (Cont'd)

**Manufactured Gas Plant Remediation:** Includes the costs for investigations, testing, land acquisition, remediation and/or litigation expenses. Also includes third party claims.

**Universal Service Fund w/ Lifeline:** Low income energy assistance

**Nuclear Plant Decommissioning:** Includes the costs of safely removing nuclear plants from service.

**Uncollectibles:** Includes costs associated with uncollectible accounts

**Consumer Education Program:** Includes costs associated with the state- mandated Consumer Education Program

\*Note: Some utilities may not have a rate for a certain component because that component is not applicable to them. For example, JCP&L and PSE&G are the only electric companies that have Manufactured Gas Plant Remediation costs. This is because they held interests in this type of plant at some point, whereas ACE and RECO did not. For other components (Consumer Education) those without rates have recovered their costs and no longer need that specific rate component.

The Clean Energy portion increased for several of the utilities due to increases in the budget and under-recoveries that needed to be recovered.

Elizabethtown Gas Company's Manufacturing Gas Plant Remediation rate increased due to increases in costs and under-recoveries.

12. New Jersey ratepayers fund the **Universal Service Fund (USF)** via the societal benefits charge included in their electric and natural gas bills. The USF finances several State energy assistance programs: the USF, the "Fresh Start", and Lifeline credit programs, the Tenants' Assistance Rebate Program, as well as energy assistance payments under the Temporary Assistance for Needy Family (TANF) program. The Governor's FY 2015 Budget anticipates \$277.8 million in USF expenditures for FY 2015 (page 39, available in the online version of the Governor's FY 2015 Budget only). Of this amount, the Governor proposes \$196.7 million in direct fund expenditures as well as a transfer of \$81.2 million to other funds, of which \$63.8 million would finance the "Lifeline Credit Program" (N.J.S.A.48:2-29.15 et seq.) and the "Tenants' Lifeline Assistance Program" (N.J.S.A.48:2-29.31 et seq.), under which 308,781 low-income households would receive up to \$225 in electric and gas utility credits in FY 2015. An additional \$6.9 million would finance energy assistance payments for Work First New Jersey recipients (Work First New Jersey is the State's TANF program) and the Department of Community Affairs would receive another \$8.6 million to administer the USF and "Fresh Start" credit programs.

The USF credit program is an energy assistance program seeking to ensure that eligible utility customers pay no more than six percent of their annual income for their natural gas and electric service. The "Fresh Start" credit program, on the other hand, allows first-time USF credit recipients with at least \$60 in arrears on their energy bills to retire their outstanding balances by paying their USF-adjusted affordable energy bill in full for 12 consecutive months following program admittance. The BPU carries the financial responsibility for the programs, the Department of Community Affairs administers them, and the electric and natural gas utilities credit the benefits to customer accounts. In program year 2012, the two programs disbursed \$209.3 million in benefits and incurred \$7.9 million in administrative expenses, as related by the BPU in response to BPU Discussion Point #14 in the OLS FY 2013-2014 Department of the

## Discussion Points (Cont'd)

Treasury Budget Analysis. For program years 2010, 2011, and 2012 the tables on the following page display for each of the two credit programs the number of beneficiary households, total credit expenditures, and the average benefit per household. The timing of the program year was changed effective for program year 2012. The 2010 and 2011 program years started on November 1 and ended on October 31 the following year. Program year 2012, however, began on November 1, 2011 and ended on September 30, 2012, resulting in a one-time eleven-month program year. The 2013 program year then ran a full twelve months from October 1, 2012 to September 30, 2013. The average electric residential ratepayer paid \$16.01 in program year 2011 to support the USF, \$20.02 in program year 2012, and \$18.94 in program year 2013. In turn, the average natural gas residential ratepayer paid \$17.04 in program year 2011, \$16.08 in program year 2012, and \$16.32 in program year 2013.

Universal Service Fund Credit Program Metrics for 2010, 2011, and 2012 Program Years			
Program Year	Households Enrolled	Total Credit Cost	Average Benefit per Household
2009 - 2010	194,660	\$193,477,000	\$993.92
2010 - 2011	223,088	\$200,956,254	\$900.79
2011 - 2012	221,451	\$196,935,385	\$889.30
"Fresh Start" Credit Program Metrics for 2010, 2011, and 2012 Program Years			
Program Year	Households Enrolled	Total Credit Cost	Average Benefit per Household
2009 - 2010	23,359	\$13,447,945	\$575.71
2010 - 2011	26,770	\$15,299,127	\$571.50
2011 - 2012	24,360	\$12,411,258	\$509.49

- Questions:** For each of the USF credit and "Fresh Start" programs, please provide actual expenditures for the 2012-2013 program year and estimated expenditures for the 2013-2014 program year. What are the USF rates built into the societal benefits charge for those years and what does the program cost the average residential and non-residential energy utility customer? What is the number of USF credit and "Fresh Start" beneficiaries in program years 2012-2013 and 2013-2014? Did the shift in program year timing in program year 2012, which ran from November 1, 2011 through September 30, 2012 (instead of October 31, 2012) have the effect of lowering program year 2012 USF and "Fresh Start" expenditures and average benefit amounts by roughly  $\frac{1}{12}$  over program year 2011 levels? Did the return to a twelve-month program year cycle mean that program year 2013 expenditures and average benefit amounts were roughly  $\frac{1}{12}$  higher than in program year 2012? Has the BPU seen a drop in USF and "Fresh Start" participation rates and average benefit amounts that corresponds to the decline in electricity and natural gas prices in recent years?

The USF credit program is an energy assistance program seeking to ensure that eligible utility customers pay no more than six percent of their annual income for their natural gas and electric service. The "Fresh Start" credit program, on the other hand, allows first-time USF credit recipients with at least \$60 in arrears on their energy bills to retire their outstanding balances by paying their

## Discussion Points (Cont'd)

USF-adjusted affordable energy bill in full for 12 consecutive months following program admittance. The BPU carries the financial responsibility for the programs, the Department of Community Affairs administers them, and the electric and natural gas utilities credit the benefits to customer accounts.

**For each of the USF credit and “Fresh Start” programs, please provide actual expenditures for the 2012-2013 program year and estimated expenditures for the 2013-2014 program year. What is the number of USF credit and “Fresh Start” beneficiaries in program years 2012-2013 and 2013-2014?**

- Actual Combined Expenditures 2012-2013: \$191,446,119
- Estimated Combined Expenditures 2013-2014: \$186,432,266
  
- Fresh Start Expenditures 2012-2013: \$8,905,039
- Estimated Fresh Start Expenditures 2013-2014: \$8,300,930

### USF:

Program Year	USF Enrollment by Household	USF Enrollment by Utility Account	\$ USF Credits Provided to Clients
2012-2013	215,121	257,059	\$173,737,308
2013-2014*	161,825	238,641	\$68,980,925

\* October 2013 – February 2014 data from USFHEA database system and utility companies

### Fresh Start:

Program Year	Fresh Start Enrollment by Household (estimated)	Fresh Start Enrollment by Utility Account	\$ Fresh Start (Debt Forgiveness) Amount
2012-2013	17,210	21,093	\$8,631,532
2013-2014*	14,564	21,867	\$3,362,259

\* Based on October 2013 – February 2014 data from utility companies

**What are the USF rates built into the societal benefits charge for those years and what does the program cost the average residential and non-residential energy utility customer?**

### 2012-2013: Residential Rates and Bill Impact

Average Residential Customers	Gas	Electric	Total

**Discussion Points (Cont'd)**

Rates After Tax	\$0.0136	\$0.002428	
Monthly Bill Impact	\$1.36	\$1.58	\$2.94
Annual Bill Impact	\$16.32	\$18.94	\$35.26

**2013-2014: Residential Rates and Bill Impact**

Average Residential Customers	Gas	Electric	Total
Rates After Tax	\$0.065	\$0.002282	
Monthly Bill Impact	\$0.65	\$ 1.48	\$ 2.13
Annual Bill Impact	\$7.80	\$17.80	\$25.60

**Commercial & Industrial Customers (C&I) Gas**

Program Year	Total Gas <u>USF/Lifeline</u> Revenues from all gas customers	GAS Revenues from C&I: Apx 63.4% of total gas revenues	Bill Impact of USF and Lifeline*
2012-2013	\$77,174,021	\$37,502,005	Not available
2013- 2014**	\$53,577,298	\$25,110,643	Not available

**Commercial & Industrial Customers (C&I) Electric**

Program Year	Total Electric <u>USF/Lifeline</u> Revenues from all electric customers	ELECTRIC Revenues from C&I: Apx 52.3% of total electric revenues	Bill Impact of USF and Lifeline*
2012-2013	\$208,210,301	\$150,172,201	Not available
2013-2014**	\$219,167,412	\$134,851,958	Not available

\* Bill Impact on C&I customers is not available because jurisdictional volumes available are not broken down by residential and non-residential sales. Also the revenues listed above from C&I customers are for the USF and Lifeline utility assistance programs combined, not USF alone.

\*\* Atlantic City Electric provided actual revenues for October 1, 2013 through December 2013 and estimates from January 2014 through September 2014.

\*\* Rockland Electric provided actual revenues from October 1, 2013 through February 2014 and estimates from March 2014 through September 2014.

\*\*The remaining gas and electric utilities provided actual data from October 1, 2013 through March 2014 & estimates for April through September 2014.

**Has the BPU seen a drop in USF and "Fresh Start" participation rates and average benefit amounts that corresponds to the decline in electricity and natural gas prices in recent years?**

Fresh Start eligibility is based on: 1) first time household enrollment in the USF program and 2) an overdue balance of \$60 or more at the time of the household's enrollment in the USF program. The decline in Fresh Start participation and therefore cost of Fresh Start is a result of either 1) a decrease in first time enrollees in the USF program; and/or 2) a decline in energy debt of first time USF enrollees. Both or either of these declines could be in part due to a decline in energy prices.

## Discussion Points (Cont'd)

**Did the shift in program year timing in program year 2012, which ran from November 1, 2011 through September 30, 2012 (instead of October 31, 2012) have the effect of lowering program year 2012 USF and "Fresh Start" expenditures and average benefit amounts by roughly  $\frac{1}{12}$  over program year 2011 levels? Did the return to a twelve-month program year cycle mean that program year 2013 expenditures and average benefit amounts were roughly  $\frac{1}{12}$  higher than in program year 2012?**

Department of Community Affairs wished to change the LIHEAP Program Year start date from November 1<sup>st</sup> to October 1<sup>st</sup> to give applicants more time to apply and receive benefits; therefore it made sense to change the USF program year as well to keep the programs aligned. 2012 was simply a transition year. All program costs are built into rates decided through the compliance filing process between Board Staff and the utility companies at the beginning of the program year. The rates are based on historical costs, under-recoveries, over-recoveries and estimates of what the costs will be for the upcoming program year; therefore any fluctuation would be difficult to attribute to any single factor.

13. P.L.2009, c.207 directs the BPU to make a one-time \$25 million allocation out of unexpended and uncommitted societal benefits charge balances to an electric and gas utility assistance grant program for households experiencing a temporary financial crisis. The program has to be operated by a non-profit organization, which must submit a report to the Board detailing program statistics and other administrative information within one year of receiving the final tranche of the \$25 million program budget. In application of the law, the BPU established the **Temporary Relief for Utility Expenses (TRUE) program** and, in March 2011, selected the non-profit Affordable Housing Alliance (AHA) as the program administrator. For State budgeting purposes, the TRUE program has been placed under the banner of the Clean Energy Program.

According to the AHA website, the TRUE program is an assistance program designed to help low- and moderate-income households who newly face financial hardship. In order to qualify, applicants must meet income guidelines. For example, a three-person household must have an annual income ranging from \$38,196 to \$85,391. In addition, applicants must not have received energy assistance under the Universal Service Fund credit program and the Low Income Home Energy Assistance Program in the past 12 months. They must also demonstrate that balances in their electric and gas accounts are at least 45 days overdue or that they have received a disconnection notice for their electric or gas service. Lastly, they must demonstrate that they have made four electric or gas bill payments of at least \$25 each within the past six months. Replying to BPU Discussion Point #15 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis, the BPU noted that 10,319 households had received one or more TRUE grants as of March 28, 2013 and that \$13.6 million of the \$25.0 million program budget had been released to AHA through October 2012.

- **Questions: For the Temporary Relief for Utility Expenses (TRUE) program, please indicate, by program year, the number of beneficiary households, the average benefit amount, and the total budgetary outlay. Has the BPU transferred the full \$25 million**

## Discussion Points (Cont'd)

to the Affordable Housing Alliance (AHA)? If so, by what date must the alliance submit the program report required by P.L.2009, c.207? If not, what amount has the BPU already transferred to the program administrator and by what date does the BPU expect to transfer the final tranche? In what year does the BPU project the AHA to exhaust the \$25 million? Does the BPU intend to make the program permanent and find a permanent funding source?

Drawdown Schedule	# Grants Distributed by Account *	Average combined gas/electric benefit	Disbursement Amount
March 2011 <i>Initial payment</i>	--	--	\$4,625,500M
October 2011	3,003	\$894	\$3M
April 2012	7,085	\$898	\$3M
October 2012	10,307	\$886	\$3M
June 2013	12,523	\$873	\$3M
March 2014	15,413	\$895	\$3M
<b>Total</b>	<b>15,413**</b>		<b>\$19,625,500.00</b>

\* Reported cumulatively

\*\* 13,539 households have received one or more TRUE grants

**Has the BPU transferred the full \$25 million to the Affordable Housing Alliance (AHA)? If so, by what date must the alliance submit the program report required by P.L.2009, c.207? If not, what amount has the BPU already transferred to the program administrator and by what date does the BPU expect to transfer the final tranche?**

On December 19, 2012 the Board extended the TRUE contract with AHA through March 2015. As of March 2014 the Board has authorized the disbursement of \$19,625,500.00 to the AHA. It is estimated that funds will be exhausted by the end of the calendar year 2014. Reporting has been ongoing since the inception of the program as the AHA provides regular detailed financial and performance reports to Board Staff prior to receiving each \$3M drawdown from Treasury. The final report is due 90 days after the tasks of the contract are completed by AHA, the expiration of the contract, or the termination of the contract, whichever occurs first.

**In what year does the BPU project the AHA to exhaust the \$25 million?**

Calendar year 2014

**Does the BPU intend to make the program permanent and find a permanent funding source?**

No

## Discussion Points (Cont'd)

14. N.J.S.A.46:30B-74 created the off-budget Unclaimed Utility Deposits Trust Fund to hold unclaimed electric and natural gas utility customer deposits that escheat to the State. A contracted statewide non-profit energy assistance organization receives 75 percent of the fund's annual balances to provide assistance to utility ratepayers who have fallen behind on their electricity or natural gas bills. New Jersey Statewide Heating Assistance and Referral for Energy Services (NJ SHARES) had been the contractor since 2001 and had used the moneys in support of its general energy assistance program (Board Order dated February 2, 2001, Docket number EO00120976U). According to NJ SHARES' annual reports, it received \$1.4 million in calendar year 2012 for this purpose, \$2.5 million in calendar year 2011, and \$2.9 million in calendar year 2010. In March 2013, however, the Board opened a competitive bid process for the new **Payment Assistance for Gas and Electric (PAGE) program** that was to be funded out of the Unclaimed Utility Deposits Trust Fund. In July 2013, the BPU awarded the contract to the non-profit Affordable Housing Alliance (AHA) for FY 2014 to FY 2018 (Board Order dated July 19, 2013, Docket number EG13030195). NJ SHARES had submitted a rival bid but was not selected.

According to the Notice of Availability of Grants, the PAGE program is to help pay the electric and natural gas bills of low- and moderate-income households whose incomes are too high to qualify for federal and State energy assistance programs. Applicants must be behind on their energy and natural gas bills and must otherwise have a history of regular payments to their energy provider. NJ SHARES' similar energy assistance program, in turn, helps the same demographic pay their electric and heating fuel bills: up to \$700 for heating fuel and \$300 for electricity. NJ SHARES' applicants must be experiencing a temporary financial crisis, such as a job loss or illness, must be behind on their energy bill or in need of a heating fuel delivery, and must have a history of good-faith payments to their energy provider.

- **Questions:** Please enumerate the PAGE program's eligibility criteria and benefit levels. Is the program operational? If not, please indicate by what date the Affordable Housing Alliance (AHA) plans to have it up and running. Is the number of benefit applications roughly stable following the transition of Unclaimed Utility Deposits Trust Fund funding from NJ SHARES' energy assistance program to the PAGE program? Please share the number of applications in FY 2013 (NJ SHARES) and FY 2014 (AHA). Is the impression accurate from the Notice of Availability of Grants that the PAGE program allows applicants to seek assistance for the payment of their electric and natural gas bills but not for the purchase of heating oil, as they can under NJ SHARES' energy assistance program? Does the BPU offer any program to assist low- and moderate-income households with the purchase of heating oil?

AHA received their first payment in December 2013 in the amount of \$2,693,371.09 from the Unclaimed Utility Deposit Trust Fund. PAGE has been operational since January 2014 and AHA reports that 469 households have received a PAGE grant as of April 1, 2014. With only a few months of data, it is premature for a comparison with NJ SHARES, however the two programs are not 100% comparable as they have differing eligibility criteria. (See PAGE eligibility criteria and benefit levels below).

The PAGE program does not offer grants to oil customers. The Board does not regulate oil companies and the enabling legislation states "Such payments received from the administrator shall

## Discussion Points (Cont'd)

be used exclusively for the payment of expenses associated with the restoration of electric or gas service, or to prevent the termination of electric or gas service provided to utility ratepayers seeking assistance". However, the federal LIHEAP program, administered by the Department of Community Affairs provides heating grants to oil customers, as well as other deliverable fuel customers.

### PAGE Eligibility Criteria

1. Applicant must have electric or natural gas service with a utility company regulated by the Board of Public Utilities, or use a third party supplier who bills the customer through one of the utility companies regulated by the Board. (PSE&G, New Jersey Natural Gas, Elizabethtown Gas, South Jersey Gas, Jersey Central Power and Light, Rockland Electric, Atlantic City Electric)
2. Annual income per client household size must fall within the following range\*:

Household Size	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person	9 Person
Min. Annual Income	\$22,992	\$31,032	\$39,072	\$47,112	\$55,152	\$63,192	\$71,332	\$79,272	\$87,312
Max. Annual Income	\$54,003	\$70,618	\$87,235	\$103,852	\$120,468	\$137,085	\$140,200	\$143,317	\$146,432

\*Income Guidelines October 1, 2013 – September 30, 2014

3. Demonstrate that gas and/or electric account is currently 45 days or more past due and/or have received a disconnection notice.
4. Demonstrate that two payments of at least \$25 each have been made within the past six months onto the gas and electric account or one payment of \$100 or greater within the past 90 days.
5. Must not currently be receiving or have received any benefit through the USF program within the last 6 months or HEA program within the last heating season before the date of submitting a PAGE application.

### PAGE Benefit Levels:

PAGE grants are determined by the amount the utility company needs for the customer to avoid discontinuance of service. Grants are capped at \$700 per commodity in a one year period.

15. The 2011 Energy Master Plan reaffirmed the State's commitment to sourcing 22.5 percent of the electricity used in New Jersey from renewable energy sources by 2021. That percentage reflects the pre-existing objective under the State's **Renewable Portfolio Standards (RPS)**. P.L.1999, c.23 (N.J.S.A.48:3-49 et seq.) established the RPS, which prescribe a minimum percentage of total kilowatt-hours sold in New Jersey by each electric power supplier

## Discussion Points (Cont'd)

and basic generation service provider that must be generated from renewable energy sources. While the law prescribes specific minimum RPS targets for some years and forms of alternative energy, it leaves the formulation of the overall RPS schedule to the BPU's discretion (subsection d. of N.J.S.A.48:3-87). Current RPS targets are outlined in N.J.A.C.14:8-2.3. The regulatory RPS schedule does not specify solar energy targets, however, as they are set forth in permanent statutes in accordance with P.L.2012, c.24. In energy years 2010, 2011, and 2012 all electric power suppliers and basic generation service providers complied with the RPS requirements, according to the BPU's answer to BPU Discussion Point #2 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis. Had they not, they would have been subject to penalties, such as license suspension or revocation, fines, the disallowance of cost recoveries, and a prohibition on accepting new customers.

For energy years 2010 through 2021, the table on the following page lists the percentages of energy supplied in New Jersey that must be either from Class I or Class II renewable energy, with solar energy being a carve-out of the Class I percentage. The Class I and Class II targets reflect the RPS as delineated in N.J.A.C.14:8-2.3. The solar energy figures represent the RPS for energy year 2010; the gigawatthours-based (Gwhrs) targets for energy years 2011, 2012, and 2013 in accordance with P.L.2009, c.289; and starting in energy 2014 the percentage targets set forth in the superseding P.L.2012, c.24. Class I energy sources are solar technologies, wind energy, photovoltaic technologies, geothermal technologies, fuel cells, wave or tidal action, the combustion of methane gas captured from landfills or biomass facilities, and hydropower facilities with a capacity not exceeding three megawatts. Electricity from hydroelectric facilities with a capacity exceeding three megawatts constitutes a Class II energy source. As to the nomenclature for an energy year, energy year 2010, for example, started on June 1, 2009 and ended on May 31, 2010.

<b>Renewable Portfolio Standards: Percentage of Energy Sold in New Jersey that Must Be from Renewable Energy Sources</b>				
<b>Energy Year</b>	<b>Class I Energy</b>	<b>Solar Energy's Share of Class I Energy Targets</b>	<b>Class II Energy</b>	<b>Total Renewable Energy</b>
<b>2010</b>	4.685%	0.221%	2.50%	<b>7.185%</b>
<b>2011</b>	5.492%	306 Gwhrs	2.50%	<b>7.992%</b>
<b>2012</b>	6.320%	442 Gwhrs	2.50%	<b>8.820%</b>
<b>2013</b>	7.143%	596 Gwhrs	2.50%	<b>9.643%</b>
<b>2014</b>	7.977%	2.050%	2.50%	<b>10.477%</b>
<b>2015</b>	8.807%	2.450%	2.50%	<b>11.307%</b>
<b>2016</b>	9.649%	2.750%	2.50%	<b>12.149%</b>
<b>2017</b>	10.485%	3.000%	2.50%	<b>12.985%</b>
<b>2018</b>	12.325%	3.200%	2.50%	<b>14.825%</b>
<b>2019</b>	14.175%	3.290%	2.50%	<b>16.675%</b>
<b>2020</b>	16.029%	3.380%	2.50%	<b>18.529%</b>
<b>2021</b>	17.880%	3.470%	2.50%	<b>20.380%</b>

In addressing last year's BPU Discussion Point #2, the Board estimated that the RPS requirements for energy year 2021 are likely to be attained and stated that it would help develop cost-competitive renewable energy markets at the least cost to ratepayers. Moreover,

## Discussion Points (Cont'd)

the BPU shared that the average residential ratepayer paid \$15.3 in energy year 2010 to meet the RPS targets, \$24.3 in energy year 2011, and \$19.3 in energy year 2012, assuming an average annual energy consumption of 10,000 kilowatt-hours. All ratepayers combined paid \$118.4 million in energy year 2010 to comply with the RPS targets, \$197.5 million in energy year 2011, and \$148.6 million in energy year 2012.

- **Questions:** For energy year 2013, please indicate: a) the actual percentage of electricity sold in New Jersey that was generated from renewable energy sources; b) whether the electric power suppliers and basic generation service providers complied with the Class I, Class II, and solar energy targets of the Renewable Portfolio Standards (RPS); c) the breakout of the creditable components that electric power suppliers and basic generation service providers used to meet the Class I, Class II, and solar energy RPS requirements; and d) the RPS' total cost to ratepayers, and average cost per ratepayer. Has the BPU revised its estimate from last year that the attainment of the energy year 2021 RPS targets is likely?
  - a) In Energy Year 2013 (EY13), which ended May 31, 2013, third party electricity suppliers and basic generation service providers combined to sell slightly more than 76 million megawatt hours of retail electricity. The RPS requirements for EY13 were 596,000 SRECs or SACPs, 7.143% NJ Class I RECs or ACPs and 2.5% NJ Class II RECs or ACPs. The regulated entities supplied more than 596,000 SRECs (or 0.0078% of retail sales) to meet the aggregated solar obligation. The total RPS requirements summed to 9.65% of retail sales sold in EY13.
  - b) In aggregate, slightly more SRECs (596,143), NJ Class I RECs (5,448,631), and NJ Class II RECs (1,909,218) were retired than were required to meet the RPS obligation for EY13.
  - c) The predominant means of compliance by third party electric supplier and basic generation service provider was via the retirement of SRECs or RECs. One (1) Solar Alternative Compliance Payments, seven (7) Alternative Compliance Payments for the NJ Class I obligation, and twelve (12) Alternative Compliance Payments for NJ Class II obligation were received by the Board for EY13 compliance.
  - d) The total cost to ratepayers for compliance with the RPS in EY13 is estimated to be \$146.9 million; \$107 million for solar compliance, \$37.65 million for NJ Class I compliance and \$1.9 million for NJ Class II compliance. The BPU has not revised its estimate that attainment of the EY21 RPS target is attainable.

16. New Jersey must expand its solar energy generation capacity substantially to meet the gradually rising solar targets of the statutory Renewable Portfolio Standards (subsection d. of N.J.S.A.48:3-87): solar energy must comprise 2.05 percent of electricity sales in New Jersey in energy year 2014 (June 2013 through May 2014) and 4.1 percent by energy year 2028.

The State has set up a price-support system to impel the solar capacity investments needed to meet its solar targets. The system has three basic elements: a) solar targets, which create a demand for solar energy by obligating electric power suppliers and providers to meet specific solar quotas; b) **Solar Renewable Energy Certificates (SRECs)**, which are issued for every

## Discussion Points (Cont'd)

megawatt-hour (MWh) of electricity generated by solar power installations and are sold separately from the generated electricity; and c) a trading platform on which electric power suppliers and providers can acquire from solar energy generators the SRECs they need to meet their annual solar targets. To limit the cost of the price-support system to ratepayers, a gradually declining price ceiling applies to SRECs in the form of Solar Alternative Compliance Payments (SACP). Electric power suppliers and providers may make such alternative payments to the BPU in lieu of purchasing SRECs to meet their solar quotas. In reply to BPU Discussion Point #3 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis, the Board estimated that the solar targets would cost ratepayers \$164 million in energy year 2014, \$196 million in energy year 2015, and \$220 million in energy year 2016, assuming an SREC price of \$100 per MWh.

SREC prices have tumbled in recent years to the point that the authors of the 2011 Energy Master Plan expressed concern that the depressed price levels might deter the creation of additional solar capacity and thereby jeopardize compliance with the State's long-run solar targets. In fact, the weighted average monthly SREC price for December was \$612 per MWh in 2010, \$369 in 2011, \$215 in 2012, and \$176 in 2013. Prices have dropped in reaction to a significant oversupply of SRECs. The BPU estimated in response to last year's BPU Discussion Point #3 that the entire energy year 2013 demand for SRECs was fulfilled in the first three months of the energy year. Moreover, the Board projected that at the end of energy year 2013, there would be more unsold SRECs carried forward to energy year 2014 (787,779 MWh) than would be sold in that energy year (596,000 MWh). The unanticipated surge in solar energy supply has arisen from market responses to previously high SREC prices, the federal Business Energy Investment Tax Credit of 30 percent of a business' investment in solar facilities, and declining prices for photovoltaic panels.

P.L.2012, c.24 was then enacted to forestall a slowdown in the installation of additional solar energy generation capacity. The law imposed more aggressive solar targets starting in energy year 2014 that are supposed to increase the demand for, and prices of, SRECs. But the law also sought to control the solar targets' cost effect on ratepayers by replacing the previous regulatory ceilings on SREC prices with significantly lower statutory caps. Notwithstanding the enactment of P.L.2012, c.24, the BPU did not anticipate in its reply to last year's BPU Discussion Point #3 that the SREC oversupply would clear until energy year 2016, given the estimated growth in solar power generation capacity and the significant estimated overhang of unsold SRECs. As of the writing of its response, however, the BPU did not yet detect "any appreciable slowdown in the solar market that could hamper the creation of new solar capacity."

- **Questions: Please comment on the current state of the Solar Renewable Energy Certificates (SRECs) market. How many SRECs have and have not been traded in energy year 2014? By what month were all the SRECs sold that are required to meet the energy year 2014 solar quota? How much solar energy generation capacity has been added to the market in energy year 2014? Does the BPU detect a slowdown in the construction of new solar energy generation capacity? If so, is the slowdown attributable to plunging SREC prices? If not, does the lack of a deceleration suggest that solar generators find the creation of solar capacity still sufficiently profitable in spite of low SREC prices? What percentage of the energy year 2013 solar target of 596 gigawatt-hours did electric power suppliers and providers meet through SRECs and through the alternative SACP payments to the BPU?**

## Discussion Points (Cont'd)

The current state of the SREC market is robust. The latest, most reliable SREC spot market price, as reported by the EDC SREC auction, was \$180 which was paid for 44,000 SRECs in March 2014.

Energy Year 2014 (EY14) began on June 1, 2013 and runs through May 31, 2014. Thus far, through February 2014, over 800,000 SRECs have been issued by the PJM-EIS Generation Attribute Tracking System (GATS). While it is not a requirement that SREC owners submit their metered electricity production to GATS within a certain time period from generation, the 800,000 SRECs is a good approximation of the number of SRECs likely to be created during this period. And according to the PJM-EIS GATS, approximately 810,000 SRECs remain available from previous years. If retail electricity sales in EY14 are equivalent to EY13's 76 million MWh's then the EY14 solar obligation will be approximately 1.8 million MWhs. Therefore, NJ solar facilities have likely produced enough electricity to meet the EY14 RPS requirement

The New Jersey SREC market has seen approximately 167 MWdc of capacity complete construction and has joined the ranks of RPS eligible facilities since June 2013. GTM/SEIA reports that it forecasts the New Jersey solar market will regain its number two position among all US states for aggregate annual capacity additions in calendar year 2014 with 389 MWdc of new capacity (GTM/SEIA, US Solar Market Insight, 2013 Year in Review, Full Report, pg. 56). New Jersey had fallen to the number five spot among all US states for aggregate capacity additions in calendar year 2013 with 236 MW installed. However, this change is a direct result of several states installing very large scale utility installations, which is not anticipated to continue. New Jersey retained its number two position among US states for distributed, non-utility, residential, commercial and industrial solar capacity additions with 227 MWdc added in 2013 (GTM/SEIA, US Solar Market Insight, 2013 Year in Review, Full Report, pg. 55)

The SREC "plunge" referred in the question, is misleading in trying to understand solar market installation activity since it essentially compares the SREC price during a period of shortage to SREC prices during a period of oversupply. NJ SREC prices have apparently been sufficient to motivate continued investment in solar albeit not at the rate experienced during the period when federal investment tax incentives were offered as cash grants as part of the federal stimulus program. The relative pace of solar investment activity is difficult to explain due to the variety of factors that influence investment decisions in addition to SREC prices. Installation costs, federal incentives, electricity prices, the value of solar as a hedge against future price increases, investment alternatives, inflation, interest rates, and expectations about the future of these variables all play an important part in explaining solar investment activity. As stated in the answer to question 15, above, essentially all of the EY13 solar compliance was achieved through the retirement of SRECs.

- **What is the anticipated average SREC price in energy years 2015, 2016, and 2017? Does the BPU still project the overhang of unsold SRECs to clear in energy year 2016? If not, what is the most current projection? How significant is the risk that the SREC supply will be insufficient to meet the rising solar targets in energy years 2016 and 2017 and that electric power suppliers and providers will have to make alternative SACP payments to the BPU? What will be the estimated annual cost to the average residential ratepayer of meeting the energy year 2014, 2015 and 2016 solar quotas?**

## Discussion Points (Cont'd)

The BPU does not forecast SREC prices. Our SREC Registration Program managers do prepare SREC price reports based on PJM-EIS GATS trading data. These reports show the SREC price remaining remarkably stable since the market inversion from short to long occurred in 2012.

The anticipated expiration of the federal Investment Tax Credit is likely to motivate increasing numbers of NJ ratepayers to invest in solar electric generating facilities, likely putting downward pressure on SREC prices despite the annually increasing RPS obligations. Aside from a natural catastrophe negatively affecting the operations of thousands of solar facilities, the existing SREC market is likely to proceed in becoming even more oversupplied and retail electricity suppliers and providers should have no difficulty finding NJ SRECs on the spot market for the foreseeable future. There is virtually no risk that the SREC market supply would be insufficient. However, even during periods of abundant SRECs, some retail electricity suppliers and providers choose to purchase SACPs despite the significantly less costly alternative. BPU staff estimate that the RPS cost in EY14 will more than double to exceed \$280 million due in large part to the increased solar requirement for EY14 effective with enactment of the Solar Energy Act of 2012. The EY15 increase from 2.05 to 2.450 % would increase the cost of compliance by another \$56 million if retail sales and the SREC price remain constant or move in opposite directions. Similarly, the EY16 increase to 2.750% will boost ratepayer's SREC compliance costs by approximately \$40 million if retail sales and the SREC price is constant or each moves in the opposite direction proportionately.

17. On October 21, 2013, the **New Jersey Solar Grid Supply Association and ten solar energy grid-supply developers filed a lawsuit against the State and the BPU** in Burlington County Superior Court seeking \$500 million in compensatory damages (*New Jersey Solar Grid Supply Association v. State of New Jersey*). According to news reports, the plaintiffs challenged the BPU's implementation of P.L.2012, c.24, which had changed qualifying criteria for participation in the Solar Renewable Energy Certificates (SRECs) program. In applying the new law, the BPU had denied or deferred approval for participation in the SREC program for solar energy generation projects that the plaintiffs had planned or begun to realize based on previous eligibility criteria. The plaintiffs now reportedly seek compensatory damages for some \$43 million in stranded investments, some \$58 million in foregone development income, and some \$400 million in lost profits.

P.L.2012, c.24 intends to correct an SREC market experiencing a substantial oversupply of solar electric power generation and to newly discourage the construction of large-scale solar power generation facilities on farmland. The law does not exempt from the new requirements solar facilities on farmland that were in the planning stages or in the middle of construction on the date of the law's enactment and that still had to receive final BPU approval for SREC program participation. Nevertheless the law instituted a special application process for such projects under subsection s. of N.J.S.A.48:3-87. One of its three conditions was BPU project approval; however, the law did not stipulate any guidelines concerning the evaluation of project applications. The BPU then used its discretion in a manner it deemed consistent with two objectives of P.L.2012, c.24: "limiting solar development on farmland and mitigating [SREC price] volatility" (page 19 of the Board Order dated May 8, 2013, Docket numbers EO12080832V, EO12090880V, EO12121101V, EO12121106V, and EO12121142V). Concretely, it reviewed 57 applications for grid-supply solar projects on farmland under subsection s. of N.J.S.A.48:3-87. It approved three for SREC program participation owing to

## Discussion Points (Cont'd)

their advanced stage of development, deferred a decision on 20 projects, and denied 34 applications. The BPU pointed out that rejected projects could still seek approval for SREC market participation under a different provision of P.L.2012, c.24 that dealt with solar projects on farmland, namely subsection q. of N.J.S.A.48:3-87. (Board Order dated May 8, 2013, Docket numbers EO12080832V, EO12090880V, EO12121101V, EO12121106V, and EO12121142V concerns the three projects the BPU approved; and Board Order dated May 10, 2013, Docket numbers EO12090832V, EO12090880V, EO12121089V – EO12121144V the projects the BPU denied or deferred).

- **Questions:** Please indicate the current status of the lawsuit filed against the BPU by the New Jersey Solar Grid Supply Association and ten solar energy grid-supply developers (*New Jersey Solar Grid Supply Association v. State of New Jersey*). What was the SREC registration status of the projects that are the subject of the litigation prior to P.L.2012, c.24's enactment? What has been the State's cost to date of engaging in the court proceeding? Does the lawsuit create any uncertainty regarding the SREC market's viability that functions as a deterrent to the construction of additional solar power generation facilities in New Jersey?

The New Jersey Solar Grid Supply Association and nine solar developers with approximately 22 proposed projects filed suit against the State of New Jersey and the BPU for damages and injunctive relief based on the BPU's denial or deferral of the applications submitted under N.J.S.A. 48:3-87 (s)(2) for designation of the proposed solar generation projects on farmland as "connected to the distribution system" in the State. Designation is required for the proposed projects to qualify to earn SRECs once they are constructed. The case is assigned to the Honorable Janet Z. Smith, J.S.C. under docket number BUR-L-002552-13.

On November 21, 2013, the Division of Law, on behalf of the State and the BPU, moved to dismiss the complaint for lack of jurisdiction and for failure to state a claim on which relief can be granted or, in the alternative, for transfer of claims to the Appellate Division where appeals of the BPU orders are pending. The Plaintiffs have opposed the motion and several rounds of briefing have been submitted. Following oral arguments on February 14, 2014, and April 11, 2014, Judge Smith dismissed the complaint.

These projects had registered in the SREC registration program but had not progressed to the point that they had completed the steps needed to qualify for the SREC certification number which is provided only after completion of construction and submission of final paperwork, authorization to operate by the electric distribution company, and inspection of the completed project.

All legal work has been handled by the Division of Law. From 1/1/14 to 4/15/14, BPU has been billed approximately \$15,884.87 on this matter.

Because the lawsuit raises questions about the number of large solar grid supply projects that could be approved to generate SRECs, it does create a level of uncertainty in the SREC market. Any action compelling the BPU to approve all or most of these projects could increase the current oversupply of SRECs in the market which may act as a deterrent on further solar development.

## Discussion Points (Cont'd)

- **Have solar grid-supply developers submitted any applications for SREC market participation under subsection q. of N.J.S.A.48:3-87 for any solar power generation projects for which the BPU had denied approval under subsection s. of N.J.S.A.48:3-87? If so, how many projects fall into that category and by what date does the BPU anticipate ruling on the applications?**

Of the thirty four (34) Subsection s applications denied by the Board on April 29, 2013, eight (8) projects subsequently applied and were approved or conditionally approved by the Board pursuant to Subsection q. in one of the first two application rounds. Of the twenty (20) Subsection s applications deferred action by the Board on April 29, 2013, five (5) projects subsequently applied and were approved or conditionally approved by the Board pursuant to Subsection q in one of the first two application rounds. Therefore, of the 54 Subsection s applications denied or deferred by the Board on April 29, 2013, a total of eighteen (18) projects proposed for construction on property formerly taxed as farmland have been approved or conditionally approved by the Board in one of the two Subsection q application rounds.

18. The "Offshore Wind Economic Development Act," P.L.2010, c.57, directs the BPU to establish an **Offshore Renewable Energy Certificate (OREC)** program. A price-support system similar to the Solar Renewable Energy Certificate program addressed in Discussion Point #16 above, the OREC program is intended to contribute to meeting the 2011 Energy Master Plan goal of building at least 1,100 megawatts of offshore wind electric generation capacity. Under the OREC financing mechanism, the BPU would first determine an annual percentage of New Jersey electricity sales that must be from offshore wind installations. Electric power suppliers and providers would then have to source that percentage of their New Jersey electricity sales from offshore wind farms. They would do so through the purchase of ORECs, which represent power generated by owners of offshore wind electric generation systems at prices that reflect the higher cost of renewable energy. ORECs would be sold separately from the electricity actually generated by the wind farms. To limit the price-support system's cost to ratepayers, the BPU would set a *de facto* price ceiling for the certificates in the form of Offshore Wind Alternative Compliance Payments. Electric power suppliers and providers could make such alternative payments to the BPU in lieu of purchasing ORECs to meet their offshore wind requirements.

To date, the BPU has promulgated regulations on the OREC application process and retained Boston Pacific to set up the infrastructure for an OREC market. The OREC program, however, is not yet operational. This is so because P.L.2010, c.57 makes the establishment of offshore wind generation targets contingent on the prior BPU approval of offshore wind installations for program participation. But as the BPU has yet to approve the first program participant, the rules establishing the price-support mechanism have yet to be adopted. Two impediments commonly stand between prospective applicants and program approval. First, projects to be sited in federal waters, which begin three miles off the State's coast, must receive federal permits. The United States government, however, has been slow to issue rules and permits for offshore wind energy activity. Second, the "Offshore Wind Economic Development Act" requires that OREC-eligible projects yield positive economic net benefits to the State. But complying with the net benefit requirement poses a challenge, according to unidentified developers cited in the NJSpotlight January 22, 2013 article "New Funding Mechanism Could

## Discussion Points (Cont'd)

Stop State from Raiding Offshore Wind Revenue.” In fact, the only developer that has submitted an application to the BPU, Fishermen Energy for its planned 25-megawatt Atlantic City Wind Farm, failed the net benefit analysis in December 2012. This failure could reportedly not be remedied subsequently and so the BPU denied the project’s OREC program application definitively on March 19, 2014. Notwithstanding these complications, the Board reaffirmed its support for the statutory net benefit requirement as an “essential” ratepayer protection and did not recommend amending the enabling law to facilitate projects’ entry into the OREC program (BPU response to BPU Discussion Point #4 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis).

- **Questions:** Please report on the BPU’s progress in establishing the Offshore Renewable Energy Certificate (OREC) program. By which date does the BPU expect to have OREC rules promulgated, the market infrastructure set up, and the first certificates ready to trade? Please detail the reasons for rejecting Fishermen Energy’s program application for the Atlantic City Wind Farm. Has the BPU received any applications for OREC participation other than the one for Fishermen Energy’s Atlantic City Wind Farm? Based on its conversations with offshore wind developers and its application evaluations, does the BPU see a reasonable chance for proposed offshore wind energy installations to pass the economic net benefit test? What aspects of the current test impede program qualification?

On February 10, 2011, the Board adopted N.J.A.C. 14:8-6.1 et seq. providing for an application process for proposed projects and a framework under which the Board will review any application. On February 20, 2013, the Board readopted these rules with amendments to clarify the requirements and improve the application process. The offshore wind stakeholders were given the opportunity, through multiple stakeholder meetings prior to publication of the proposed re-adoption and through the public comment period, to provide input and recommendations regarding the rules.

BPU staff is developing the funding mechanism – the means by which payment for the OREC revenue will move from suppliers to the developers of operating facilities. In February 2013, Board Staff and its consultant Boston Pacific met with stakeholders to present an OREC funding mechanism proposal that provided for regulatory certainty and funding security. The stakeholders raised various objections to the proposal. During the public comment period, Board Staff received three competing proposals (demonstrating wide disagreement among stakeholders). Staff has worked to develop a revised proposal that would both be able to provide regulatory certainty to all OSW stakeholders consistent with State law and guidance of the Attorney General’s Office. Board Staff is close to completing this process and anticipates the distribution of a straw proposal to the stakeholders and the public in mid-2014. Following receipt and review of feedback on the straw proposal, Board staff anticipates presenting a rule proposal to the Board.

### **Question (2): Please detail the reasons for rejecting Fishermen Energy’s program application for the Atlantic City Wind Farm.**

The Board found that the project proposed by Fishermen’s Energy did not pass the economic net benefits and financial integrity tests proscribed by OWEDA. The Board’s order fully describing its

## Discussion Points (Cont'd)

findings can be found at <http://www.state.nj.us/bpu/pdf/boardorders/2014/20140319/3-19-14-8F.pdf>

### **Question (3): Has the BPU received any applications for OREC participation other than the one for Fishermen Energy's Atlantic City Wind Farm?**

No. The Board has not opened an application window for federal waters projects, pursuant to N.J.A.C. 14:8-6.3. Acquisition of a federal lease is a prerequisite for Board approval of a project in federal waters and the federal government has yet to conduct an auction for leases on the Outer Continental Shelf offshore New Jersey.

### **Question (4): Based on its conversations with offshore wind developers and its application evaluations, does the BPU see a reasonable chance for proposed offshore wind energy installations to pass the economic net benefit test? What aspects of the current test impede program qualification?**

Based on discussions with stakeholders and federal regulators, Board staff anticipates that up to a dozen developers will apply for funding under OWEDA. We have no information regarding whether any particular applicant, developer or proposed project will pass the net economic benefit test.

19. Hurricane Irene made landfall in New Jersey on August 28, 2011 and disrupted service to 1.9 million of the State's 3.9 million electric customers with some not having their electricity restored for eight days. Two months later, an October 29, 2011 snowstorm caused 1.0 million customers to lose power with the most unfortunate being without electric service for seven days. The **power restoration performance of electric distribution companies** in the wake of the two storms attracted the scrutiny of the Board of Public Utilities (BPU). On December 14, 2011, the Board released its "Hurricane Irene Electric Response Report" in which it found that all electric utilities experienced challenges in their storm response and that some practices established in accordance with prior BPU actions were ineffective in the face of large-scale extreme weather situations. Accordingly, the BPU issued several directives so as to avert similar widespread and lengthy power outages in the future. They touched electric utility practices in the areas of communications, estimating outage restoration, supplemental crew mobilization, and mitigation of tree-related damages. The BPU also hired Emergency Preparedness Partnerships to review the electric utilities' performance in-depth. On August 9, 2012, the contractor submitted its final report. Its findings and recommendations led to the issuance of a Board Order containing 103 additional BPU directives New Jersey's electric distribution companies must implement, mostly, by September 2013 to improve their preparedness for and restoration efforts following large-scale extreme weather events. The measures fall into five categories: preparedness efforts, communications, restoration and response, post event, and underlying infrastructure issues (Board Order dated January 23, 2013 Docket number EO11090543).

Prior to the Board Order's issuance, Hurricane Sandy made landfall in New Jersey on October 29, 2012 and took a significantly larger toll on the State's electric infrastructure than the 2011 storms. In response to BPU Discussion Point #1 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis, the BPU specified that 49 major substations were flooded, over

## Discussion Points (Cont'd)

3,000 distribution circuits damaged, and more than 100,000 trees and 9,000 utility poles felled. At its peak 2.9 million electric customers reported power outages. The Board stated that the restoration of utility services cost the State's electric and natural gas utilities an estimated \$1.1 billion. The investor-owned utilities, however, were ineligible for federal emergency aid to recoup their expenses. They could thus be expected to seek recovery from ratepayers in BPU base rate filings. Accordingly, the BPU directed all utilities that may request the recovery of major storm restoration expenses to file by July 1, 2013 a detailed report of their preparation, recovery, and restoration expenditures. The BPU would then examine the prudence, cost-efficiency, and effectiveness of the utilities' restoration activities (Board Order dated March 20, 2013 Docket number AX13030196). In general, though, in addressing BPU Discussion Point #1, the Board acknowledged improvements in the utilities' restoration performance relative to the 2011 storms. It found restoration efforts to have been more focused, the mobilization of supplemental mutual aid assets unprecedented, the level of preparedness and response higher, and communications between State and utility officials more fluid and functional. The BPU, however, continued to express misgivings regarding the accuracy of information the utilities transmitted to ratepayers.

- **Questions:** Please comment on the electric distribution companies' implementation of the 103 directives the BPU issued in the Board Order dated January 23, 2013, Docket number EO11090543, to improve the utilities' future preparedness for and restoration efforts following large-scale extreme weather events. By company, how many directives have been fully implemented to date? Please list the directives that have yet to be fully implemented and provide an estimate as to the expected date of full implementation. In light of the review of the electric distribution companies' handling of Hurricane Sandy, has the BPU issued, or does it plan to issue, any additional storm preparedness and recovery directives? If so, what are they?

In the aftermath of Hurricane Irene, the Board issued an Order dated January 23, 2013 containing 103 directives for the electric distribution companies to improve their preparedness for, and restoration following large scale weather events. The directives fall into five categories: preparedness efforts, communications, restoration and response, post event and underlying infrastructure issues. The vast majority of these directives were to have been completed and the remaining directives were to have at least been started by February 1, 2014. All of the electric utilities have implemented the directives contained in the January 23, 2013 Board Order.

In the aftermath of Superstorm Sandy, the Board issued an Order on May 29, 2013 directing the electric utilities to implement eight additional directives dealing specifically with communication issues that once again surfaced. While some improvement in communications was observed from Hurricane Irene in that restoration timelines were established and provided to the public, the accuracy and content of that information was lacking. The ordered new directives address these issues by enhancing the electric utilities outage websites, information given to municipal officials and individual customer estimated times of restoration. In addition, the electric utilities were directed to make outage status information available to customers via text messaging, mobile apps or other similar methods.

## Discussion Points (Cont'd)

The eight new directives are listed below: (Directives 1 and 8 have already been implemented. Directives 2-7 are due to be implemented by the Electric Distribution Companies (EDCs) by June 10, 2014)

1. EDC Municipal web pages (created pursuant to BPU-24 on page 48-49 of the Board's January 23, 2013 Order) shall include (or link to) information describing why customer calls and outage reporting are critical to the restoration process, a description of the damage assessment process and any repair prioritization process used by the utility.
2. EDC Municipal web pages (created pursuant to BPU-24 on page 48-49 of the Board's January 23, 2013 Order) shall include (or link to) an Estimated Time of Restoration (ETR), including, posting a global (ETR) within 24 hours and an individual ETR within the time period specified in item 3 below. When determining how to post ETRs, the EDCs should consider any appropriate security concerns.
3. ETR for Individual Customers shall be developed by the EDCs and made available as follows; within 48 hours for outages projected to last up to 7 days, within 72 hours for outages projected to last 8 to 10 days and within 96 hours for outages projected to last over 10 days.
4. Individual customers shall be able to obtain their ETR and the status of restoration efforts (e.g. damage assessed, crew assigned, crew on-site, repair complete) from the EDC Municipal web pages on the EDC's website. Additionally, this page shall include (or link to) a method to permit the customer to report an outage.
5. Within 24 hours after a weather event or other Major Event has exited the service territory, an EDC shall provide the following information to municipal officials, including daily updates: a Global ETR, the total number of customers out of service in the service territory, system wide number of substations out, system wide number of switching stations out, system wide number of circuits out, impact of flooding, and any other information useful to government in forming a common operating picture and situational awareness.
6. Within 48 hours after a , weather event or other Major Event has exited the service territory, EDCs shall make available to municipal officials; the number of customers out of service in the municipality, the number of circuits that provide service to the municipality and are damaged, the number of tree cutting locations in the municipality, the number of utility poles damaged in the municipality, the number of damage locations on the circuits that provide service to the municipality, the number of confirmed street closures due to

## Discussion Points (Cont'd)

wires down, the number of circuits scheduled to be worked on that day that provide service to the municipality, with a note on the webpage that the crews working on the circuits may actually be working in another municipality, the number of customers in the municipality to be restored per day until the restoration is complete based upon the individual ETRs and a link so the customer can find their individual ETR. (for outages lasting over 7 days this info would be provided based upon the schedule above).

7. In addition to the information posted on EDC Municipal web pages, EDCs shall make information regarding the status of an outage available to customers via at least one of the following methods: SMS text messaging, through mobile app and/or through another push or messaging notification. Participation in receiving such notifications shall be available to customers on an opt-in basis. Information available shall include: notice of the global ETR, customer specific ETR, and notification when the utility has completed the repair which it believes will restore service to that customer. EDCs may also use such technology to permit customers to confirm that service has been restored.
  8. EDCs shall submit a written report to Board Staff detailing the plans, including timetables for the specific technological advancements and upgrades to OMS and computerized support systems, workflow process and workforce changes for the technological upgrades necessary to capture and report damage and outages on a municipal basis.
- **Please indicate by electric and natural gas utility: a) the expenses each utility incurred in restoring service after Hurricane Sandy; b) the amount thereof that each utility has sought to recover from ratepayers; c) the recovery amount the BPU has already approved; and d) the impact on ratepayers of the requested and approved cost recoveries. Please set forth the timeline and process the Board intends to follow in reviewing and ruling on any outstanding Hurricane Sandy-related service restoration cost recovery request.**

<b><i>Superstorm Sandy Restoration: \$000 by Utility As Petitioned by Each Company</i></b>			
	<i>Expense</i>	<i>Capital</i>	<i>Total</i>
<i>PSE&amp;G – Electric</i>	<i>173,604</i>	<i>73,001</i>	<i>\$246,605</i>
<i>JCP&amp;L</i>	<i>247,003</i>	<i>333,185</i>	<i>580,188</i>
<i>RECO</i>	<i>16,820</i>	<i>4,426</i>	<i>21,246</i>
<i>ACE</i>	<i>25,800</i>	<i>22,600</i>	<i>48,400</i>
<i>PSE&amp;G – Gas</i>	<i>6,801</i>	<i>3,243</i>	<i>10,044</i>
<i>NJNG</i>	<i>14,700</i>	<i>24,100</i>	<i>38,800</i>
<i>ETG</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>SJG</i>	<i>719</i>	<i>0</i>	<i>719</i>

## Discussion Points (Cont'd)

The Board has approved the storm related recovery costs for ACE and JCP&L. The ACE storm related recovery costs are reflected in ACE's present rates. The Board Order approving the recovery of such costs in base rates was a ruling on a stipulation. That stipulation did not include the specific amount of costs related to Superstorm Sandy. Therefore, the specific rate impact of Superstorm Sandy is not available. The Board has approved the recovery of storm related recovery costs for JCP&L through approval of a stipulation among the parties that reduced the filed for recovery request by \$7,500,000. The Board has not ruled as to how those costs should be recovered through JCP&L's base rates. In all other cases the Board has not ruled on the prudence of the storm related recovery costs. Even after a ruling on prudence, costs will not be recovered through rates until after a base rate case.

20. Hurricane Sandy's large-scale damage prompted the BPU to examine the feasibility of different options to **enhance the resilience of utilities' infrastructure in future severe weather episodes**. In the Board Order dated January 23, 2013 Docket number EO11090543, the Board first highlighted four areas of interest concerning electric and natural gas distribution systems: 1) infrastructure improvements, particularly protective measures against substation flooding and the selective undergrounding of critical infrastructure; 2) the expansion of distributed generation; 3) smart grid technologies; and 4) best practices in transmission system vegetation management. To assist in the BPU's evaluation, the Board instructed electric distribution companies to provide detailed cost-benefit analyses for several specific infrastructure upgrades with deadlines varying by project type. It also directed the companies to examine their infrastructure and use data to determine more effective measures and procedures. The Board also intended to engage Rutgers' Center for Energy, Economic and Environmental Policy (CEEPP) for analytical support in the evaluation of the contemplated improvements, according to the BPU answer to BPU Discussion Point #1 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis. On March 20, 2013, the Board then opened proceedings inviting all regulated utilities, not just electric distribution companies, to submit, by September 3, 2013, proposals for capital investments that would strengthen the ability of the utilities' infrastructure to withstand major storm events, including detailed cost-benefit analyses for each proposed infrastructure upgrade (Board Order dated March 20, 2013, Docket number AX13030197).

On February 20, 2013, Public Service Electric and Gas Company (PSE&G) became the first regulated utility to petition the BPU for approval of capital investments intended to fortify its electric and natural gas distribution infrastructure (Board Orders dated March 20, 2013, Docket numbers EO13020155 and EO13020156). The "Energy Strong Program" consists of \$3.9 billion in capital investments that would be made over a ten-year time horizon. The two largest investments would raise, relocate or protect electric switching and substations affected by recent storms as well as those in newly designated flood zones (\$1.7 billion); and replace 750 miles of low-pressure cast-iron gas mains in or near flood areas (\$1.04 billion). According to news reports, a BPU decision on PSE&G's petition is not expected until spring 2014.

- **Questions:** Have the electric distribution companies complied with the deadlines set for the submission of cost-benefit analyses for specified infrastructure upgrades under the Board Order dated January 23, 2013 Docket number EO11090543? Are any cost-benefit analyses still outstanding? If so, which one(s)? By what date does the Board anticipate receiving the Center for Energy, Economic and Environmental

## Discussion Points (Cont'd)

**Policy's (CEEEP's) review of options to shore up the reliability of the electric distribution system in extensive, violent storms? If the review has already been completed, please provide a copy of the CEEEP's report, or if no report is available, itemize the measures the CEEEP recommends be taken to fortify the State's electric distribution infrastructure. Does the BPU intend to require electric distribution companies to implement the measures? Have any measures already been implemented? What compensation does the CEEEP receive for its services?**

PSE&G provided a cost-benefit analysis as part of the Energy Strong filing and subsequent discovery. RECO did not submit a cost-benefit analysis with its response, and plans to take a monitoring approach during major events. There was only a limited impact on its infrastructure during Irene (and Sandy). ACE provided a cost-benefit analysis with their submittal relying on the relative effectiveness of various mitigation measures. JCP&L provided its opinions on the effectiveness of varying mitigation options. Other than PSE&G, none of the other EDCs have made specific mitigation filings.

Review results of the CEEEP recommendations are still under consideration. The implementation of any measures recommended by GE/CEEEP will be evaluated once Board staff has completed a review of said recommendations by GE/CEEEP.

The cost of these services are covered under an existing contract.

- **Please detail any funding requests through the rate-setting process that the BPU has received from any of the regulated utilities for major capital investments to enhance the resilience of utilities' infrastructure in future severe weather events. Is the CEEEP reviewing the specific infrastructure investment proposals under the same contract that engaged the CEEEP to review options to shore up the reliability of the electric distribution system in extensive, violent storms? By what date does the BPU anticipate ruling on the infrastructure upgrade proposals? Is a decision on PSE&G's "Energy Strong Program" imminent?**

In addition to PSE&G's Energy Strong proposal, Elizabethtown Gas, South Jersey Gas Company and New Jersey Natural Gas Company have filed mitigation proposals. Elizabethtown proposes to spend \$15 million over the next year on various storm mitigation measures. South Jersey Gas Company proposes to spend \$280 million over the next seven years on storm mitigation measures. New Jersey Natural Gas Company proposes to spend \$102.5 million over the next five years. Each of those companies has asked for special (outside of a normal base rate case) rate treatment with all costs, including return of and on the investment being charged to ratepayers.

A Settlement was reached on the Energy Strong matter this week. Formal Board action on this matter is required.

**By what date does the Board anticipate receiving the Center for Energy, Economic and Environmental Policy's (CEEEP's) review of options to shore up the reliability of the electric distribution system in extensive, violent storms?**

## Discussion Points (Cont'd)

GE, sub-contractor of CEEEP, is currently reviewing the submissions by the EDCs related to the Irene Order recommendations applicable to infrastructure reliability. That analysis is not expected until the end of May 2014. The cost of these services is covered under CEEEP an existing contract with the Board.

21. On October 11, 2013, the United States District Court for the District of New Jersey ruled that the **Long-Term Capacity Agreement Pilot Program (LCAPP)** violated the Supremacy Clause of the United States Constitution and was therefore “null and void.” The Supremacy Clause establishes the primacy of federal law whenever state and federal law clash. Specifically, the court held that in establishing electricity capacity prices for participating power generators LCAPP breached the Federal Power Act through which the United States Congress had granted the Federal Energy Regulatory Commission the exclusive jurisdiction over the regulation of wholesale electricity sales and the transmission of energy in interstate commerce. (*PPL EnergyPlus, LLC v. Hanna*, Civil Action No. 11-745, 2013 U.S. Dist. LEXIS 147273 (D.N.J. Oct 11, 2013)) On November 20, 2013, the BPU notified the United States Court of Appeals for the Third Circuit that it would appeal the adverse lower court decision.

The State enacted P.L.2011, c.9 to foster the construction of new electric generation facilities through the LCAPP. The BPU later selected three gas-fired combined cycle projects for program participation: NRG Energy Inc.’s Old Bridge Clean Energy Center, Competitive Power Ventures LLC’s Woodbridge Energy Center, and Hess Corp.’s Newark Energy Center. The projects were supposed to add 1,950 megawatts to New Jersey’s generation capacity and provide an estimated \$1.8 billion in net economic benefits on a present value basis over 15 years. In general, combined cycle power facilities produce electric power via the combustion of fuel and use the resulting waste heat by-product to generate additional electric power.

To subsidize the projects, P.L.2011, c.9 provided for “Standard Offer Capacity Agreements” (SOCAs). A SOCA is a contract in which participating power generators would receive BPU-approved payments from electric public utilities for a defined amount of electric capacity at a fixed price for a term not to exceed 15 years. But in order to ultimately qualify for SOCA payments, the BPU-selected generation companies had to succeed at selling their capacity in interstate electricity auctions conducted by PJM Interconnection LLC, the regional transmission organization operating the wholesale competitive electricity market and power grid across thirteen Mid-Atlantic and Midwestern states and the District of Columbia. Two of the three projects cleared the 2012 capacity auction: the Woodbridge Energy Center and Newark Energy Center. NRG Energy’s Old Bridge Clean Energy Center, however, failed the 2012 and 2013 capacity auctions. As a result, NRG Energy had already abandoned the project prior to the ruling by the United States District Court for the District of New Jersey.

The adverse court decision therefore only affects the other two projects. According to published news reports, Hess Corp. began the construction of the Newark Energy Center in late 2012 and planned to finish it in 2015, the court decision notwithstanding. As to Competitive Power Ventures LLC’s Woodbridge Energy Center, news reports indicate that two weeks after the court decision construction commenced and is expected to be complete by early 2016. In response to BPU Discussion Point #8. b. in the OLS FY 2013-2014 Department of the Treasury Budget Analysis, the BPU stated that the power plant operators would bear the financial risk of the courts possibly invalidating the LCAPP statute, and that were the courts to do so, the State would have difficulty offering financial incentives to develop new generation capacity.

## Discussion Points (Cont'd)

- **Questions:** Please indicate the current status of the appeal the BPU filed in the United States Court of Appeals for the Third Circuit of the October 2013 decision by the United States District Court for the District of New Jersey that declared the Long-Term Capacity Agreement Pilot Program (LCAPP) to be in violation of the United States Constitution. What is the status of the BPU's appeal? Have briefing or filing deadlines and oral arguments been scheduled? What are the expected decision date and the BPU's expectation of likelihood of success on appeal?

BPU and LCAPP generators CPV and Hess appealed from the District Court's determination that the Federal Power Act preempts the LCAPP under the Supremacy Clause of the United States Constitution, and the United States Court of Appeals for the Third Circuit ("Third Circuit") eventually consolidated the three appeals. Hess's appeal was subsequently dismissed after it had been granted intervenor status; LCAPP generator NRG was denied intervenor status.

The Third Circuit had established a briefing schedule ending on March 5, 2014, and all appellants and various *amici curiae* filed briefs on the preemption issue. On February 21, 2014, the Third Circuit, invited the Federal Government to file a brief on the issue of whether the Federal Power Act preempts the LCAPP. On March 20, 2014, the United States of America and the Federal Energy Regulatory Commission filed a joint brief, contending that the Third Circuit should affirm the District Court's ruling that the Federal Power Act preempts the LCAPP. The Third Circuit conducted oral argument on March 27, 2014, and the transcript of the argument was filed with the court on April 8, 2014.

A companion case involving Maryland's contract for differences for electric capacity sales is pending in the United States Court of Appeals for the Fourth Circuit, which has currently scheduled oral argument on May 13, 2014. It is uncertain if the pending Maryland matter may affect the timing of the Third Circuit's decision on the LCAPP appeal.

We cannot predict the decision of the Court.

- **Please comment on the effects of the district court decision. Will the Woodbridge Energy Center and Newark Energy Center be built, the court ruling notwithstanding? Does the BPU perceive the projects to be economically viable absent the LCAPP price-support system? Have the project operators sued, or have they made known their intention to sue, the State for damages because of the invalidated price support? Is the BPU providing financial support of a different nature to the two projects after the adverse court ruling? In the BPU's estimation, does the court decision leave any room for the State to offer financial incentives or price-support mechanisms to develop new generation capacity in the State?**

According to the Hess NEC LLC, the Newark Energy Center is targeted to be operational in June 2015. Competitive Power Ventures broke ground on the Woodbridge Energy Center in October 2013 and, according to the company, the plant will be operational by June 2017. The BPU has no information that either power plant will not be economically viable absent the LCAPP price-support system. Neither project operator has sued, or made known their intention to sue, the State for damages. The BPU is providing neither plant with financial support of a different nature. The

## Discussion Points (Cont'd)

court's decision does not allow the State to offer financial incentives or price-support mechanisms to new gas-fired generation units.

22. The Oyster Creek nuclear power plant in Lacey Township, Ocean County, is expected to be decommissioned at the end of 2019. Its 615 megawatt (MW) capacity represents 15 percent of 4,108 MW in total statewide nuclear power generation capacity from four licensed nuclear power plants. In 2011, nuclear power accounted for 51.9 percent, or 39 million megawatt hours (MWh) of the 75 million MWh of electricity generated in New Jersey.

Because nuclear power is a carbon-free electricity generation resource the authors of the 2011 Energy Master Plan contend that Oyster Creek's closure jeopardizes meeting the greenhouse gas reduction targets of the Global Warming Response Act, P.L.2007, c.112: 2020 New Jersey greenhouse gas emissions are not to exceed their 1990 level and 2050 emissions 20 percent of their 2006 level. The plan's authors state that, consequently, "the Christie Administration supports the consideration of new nuclear generation as a potential baseload resource." They relate further that a planning process has begun to explore **substitution options for Oyster Creek's generation capacity** and that a State agency panel will be established to assess the **role of nuclear power in New Jersey's future in-state electricity generation**.

As to the region around the Oyster Creek nuclear power plant, the State intended to craft a specific redevelopment plan after holding two public information sessions in May 2013, according to the Board's response to BPU Discussion Point #9 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis. The redevelopment was likely to include the construction of a new power plant. According to a footnote on page 84 of the 2011 Energy Master Plan, the new plant could be another nuclear power plant, as the location benefits from the presence of a highly-skilled workforce, community support for such an initiative, and the existing electrical transmission infrastructure. But a 650 to 850 MW natural gas-fired combined cycle generating plant was the most likely option, as maintained in a PowerPoint presentation on the webpage of the Office for Planning Advocacy in the Business Action Center in the New Jersey Department of State.

- **Questions: Please provide a status update on the work of the committee that is to develop a redevelopment plan for the region around the Oyster Creek nuclear power plant. What State agency leads the committee? By what date is the planning process supposed to yield a redevelopment strategy? If already available, please explain the strategy and the reason(s) for its selection. Is the committee considering erecting a new nuclear power plant at Oyster Creek? Does the October 2013 decision by the United States District Court for the District of New Jersey that the Long-Term Capacity Agreement Pilot Program violated the United States Constitution affect the redevelopment plan with regards to the construction of a new power plant? Would it be legal for the State to offer financial incentives to develop new generation capacity at Oyster Creek?**

The Energy Master Plan (EMP) references a planning process designed to "explore how the state will replace Oyster Creek's capacity."

Meetings were held in May, 2013 to solicit public input on the redevelopment plan for that area. These meetings included representatives from the Office of Planning Advocacy, BPU,

## Discussion Points (Cont'd)

DEP, Labor and Workforce Development, DCA, the Pinelands Commission as well as local officials and residents from Lacey, Barnegat and Ocean Townships.

Development of an action plan for the redevelopment of this site is ongoing and no decisions have been made to date. The State's Office of Planning Advocacy is the lead for the effort.

Regarding the impacts of the LCAPP District Court decision, this decision only impacts any potential redevelopment plan to the extent that it precludes action by the State to sponsor, or subsidize, new generation. State is actively appealing this court decision.

- **Has the State agency panel been established that is supposed to assess the role of nuclear power in New Jersey's future electricity generation pursuant to the 2011 Energy Master Plan? If so, please outline the composition of its membership and set forth by which date the panel is supposed to submit a report or make recommendations. Is the panel the same body as the committee charged with the redevelopment of the region around the Oyster Creek nuclear power plant?**

The EMP also states that a "state agency panel will be established to assess how or whether nuclear energy will play a role in the future diversified portfolio of in-state generation."

This panel has not yet been established, and would not as discussed more fully above deal with economic redevelopment of one region of the State. The BPU requested PJM to conduct an analysis of the state's energy requirements in light of the retirement of Oyster Creek the potential transmission solutions, and the impact of both on in state generation and transmission projects (new and expanded) currently under development. Given the changes to PJM's tariff, approved by FERC after the publication of the EMP, the state has limited ability to promote new generation of any type. Accordingly, the PJM analysis can help guide how such a panel would focus their efforts.

23. In conjunction with the Office of Information Technology, the BPU has undertaken the **"BPU Database Re-engineering Project"** to develop a new comprehensive database system that would support all of the BPU's existing programs and data. The BPU's previous database hardware did not allow for E-government functionality, such as electronic filing, secure file transfer protocols or remote access to the databases. The database software, in turn, was last upgraded in 1996 and still used technology in a character-based environment. In its August 2007 audit report on the BPU, the State Auditor specifically criticized the state of the computer applications the BPU used in the management of underground utility safety programs. The State Auditor deemed inadequate the application tracking data on the location of interstate gas pipelines and their inspection status under the Pipeline Safety Program. The State Auditor also stated that meaningful analysis of incidents with underground facilities under the "Underground Facility Protection Act" pursuant to P.L.1994, c.118 (N.J.S.A.48:2-73 et seq.), was impossible because the computer application could not provide adequate data. The law requires excavators to call a toll-free number three days prior to excavation and companies to mark their underground facilities near the excavation to prevent damage.

Answering BPU Discussion Point #16 in the OLS FY 2013-2014 Department of the Treasury Budget Analysis, the Board conveyed that the "BPU Database Re-engineering Project" was nearing completion. Specifically, BPU staff were in the middle of performing final testing of the

## Discussion Points (Cont'd)

new database and case management system software. Subsequently, the Pipeline Safety unit and Customer Assistance Division were to begin the staggered rollout of the new technology in late April of 2013. The BPU expected enhancements in its effectiveness, efficiency, and responsiveness to ensue from the implementation of the new system and the “significant operational changes” it would foster. For example, the new online pipeline safety system would improve the ease of entering, locating, printing, and sharing safety inspection records relative to the old manual, paper-based system. It would also facilitate data analysis tasks and the generation of reports. CSI Technologies was awarded the \$1.2 million contract in October 2011. As of the writing of its response, the BPU did not anticipate any cost overruns.

- **Questions:** Please provide an update on the status of the “BPU Database Re-engineering Project.” Has the BPU completed the project and fully rolled out the new database and case management system software? If not, at which development stage is the project currently and by which date does the BPU expect its completion? If the project has been completed, please comment on the BPU’s experiences with the new technology. Has staff productivity improved as intended? What problems has the BPU encountered with the new technology, if any, and what amount would have to be expended to correct the problems? Did the project come in at the contractual \$1.2 million cost? If applicable, what factors account for any cost overrun?

Yes, the project has been deployed and is in production. The new system from CSI is now serving all of the planned business areas: Customer Assistance & Slamming, Case Management, Pipeline Safety, Cable-TV, and One Call. The deployment to production began in September of 2013 and was phased-in along these business units. The external portal (whereby utilities can electronically respond to customer complaints and upload Pipeline reports/ data), is also in production and leverages the MyNJ Portal with the CSI software and is hosted by the NJ-Office of Information Technology.

The remaining tasks underway are signing up the One Call facility operators and Cable-TV, external users, so that the level of electronic, web-based damage report filing and complaint responses will be complete. We are also working on the electronic filing function which will branch across all modules. The prior system, called BPU-6, is now decommissioned and turned off. The new technology provides substantially easier use, and near real-time case and complaint updates. Response times have improved dramatically. Reports and queries may now be run directly by the users and executives of the BPU, instead of making requests of the IT staff for same.

There have been no cost over-runs for the contract.

**Productivity Metrics, Example 1:** Estimates show that with the new system, a normal/average customer complaint can now be entered by a BPU-

## Discussion Points (Cont'd)

representative in less than half the time of the old system (approximately 4-5 minutes now, vs 10+ minutes with the old system.) More significant, however, is the improved accuracy. The new system uses "Master-Name-Index" technology, which provides more accurate location information and identification of a customer, including his/her address and previous interactions with the BPU.

**Productivity Metrics, Example 2:** Since going live with the new system (2.5 months) the staff in the One Call business unit has created 114 Damage cases with Letters of Inquiry, Damages, fines, etc. This is a 300% improvement to last year's totals. These cases are now managed in a much more granular manner, with a case work-flow that takes a case through its life-cycle from the initiation, approvals, correspondence, generated fines, and onto the Board Agenda. The new system scans and integrates documents directly into a case, so that a paperless operation is enabled.

Since the implementation of the new system, and now that it is operating on a new and efficient platform and database, a number of areas have been identified by BPU staff and management that will streamline operations further, and will remove or reduce processing 'silos' within the BPU's divisions. This will include enhancements to transactions that cross the existing modules, enhancements to the external Customer portal, and some are oriented to data analysis, GIS/mapping, etc. The CIO is planning expansion of this system into other business units of the BPU. We will procure these services through the existing state contracts and the usual procurement process as the RFP will be complete prior to this expansion.

Computer Square Inc. FY2013 Database Re-Engineering Project

Milestone 6      \$100,000.00      Payment 07/17/13