Discussion Points

1. The Governor's FY 2017 Budget recommends an appropriation for the New Jersey Board of Public Utilities (BPU) of $98.1 million, including $92.5 million in State, $1.7 million in federal, and $3.9 million in all other funds. The Board of Public Utilities is an independent regulatory authority allocated "in but not of" the Department of the Treasury with a statutory mandate to ensure safe, adequate, and proper utility services at reasonable rates for customers in New Jersey. Accordingly, the board regulates critical services such as natural gas, electricity, water, and telecommunications and cable television. The board addresses issues of consumer protection, energy reform, deregulation of energy and telecommunications services, and the restructuring of utility rates to encourage energy conservation and competitive pricing in the industry. The board also is responsible for monitoring utility service, responding to consumer complaints, and administering certain energy assistance programs.

- ***Questions*: For FY 2015 and FY 2016 to date, please provide performance data for the board, other than the evaluation data included on pages D-376 and D-377 of the Governor's FY 2017 Budget, including the number of cases adjudicated, customer complaints resolved, licenses issued and fees collected. Please segregate the performance data by each of the several divisions within the board. Please also identify any major projects or initiatives that have been undertaken or completed by the board in FY 2015 and FY 2016. What are the major accomplishments the board is looking to achieve in FY 2017 and over the next five-year period beginning in FY 2017? What major challenges is the board currently facing? Has the board encountered any difficulties in filling current vacancies or retaining existing personnel? Please provide an organizational chart for the board.**

Response:

The Secretary of the Board is responsible for managing the Board's agenda process and serves as the agency's Custodian of records to ensure compliance with information requests and the Open Public Records Act. Furthermore, the Board Secretary also oversees the following: the Division of Customer Assistance, which handles constituent inquiries; management of the Board's middle-and low-income energy assistance programs, TRUE/PAGE and the Universal Service Fund (USF); the Division of Case Management ,which oversees all record management activities; and miscellaneous constituent letters.

	FY 2015	FY 2016
OPRA requests	82	71

The Division of Customer Assistance, headed by Eric Hartsfield, receives and handles all complaints and inquiries from utility customers across the state. The incoming complaints come through several different channels, and are tracked as follows:

Discussion Points (Cont'd)

	FY 2015	FY 2016
Verbal complaints	18,095	11,348
Written complaints	1,191	816
Informational calls	6,324	4,903
Formal calls	64	57
Slamming calls	32	10
e-mailed complaints	9,237	5,901
Walk-in complaints	73	55
Total calls received	109,759	75,280

The Division of Case Management tracks and records every action taken in each petition and matter filed with the Board; manages all open and closed case files; and archives closed files.

	FY 2015	FY 2016
Formal petitions filed	615	750
Board Orders Issued	370	360
Licenses issued	250	211
Total	1,235	1,321

	FY 2015	FY 2016
Adjudicated cases	1,303	646

The BPU Division of Case Management also issues licenses. :

	FY 2015	FY 2016
Total Licenses Issued	250	211

	FY 2015	FY 2016
Energy License Fees	$128,050	$139,100
Regular Cable TV Fees	$5,400	$5,400

Discussion Points (Cont'd)

Total	$133,450	$144,500

Finally, in FY 2016, the Secretary's Office has taken on the responsibility of receiving and addressing all other constituent letters sent to the agency. Constituent letters are received by this office and forwarded on to the appropriate Divisions for timely responses.

	FY 2015	FY 2016
Constituent letters	168	359

Major accomplishments this year have included the continued push to keep rates low while ensuring significant opportunity for investment in infrastructure throughout the State The Board has fought for ratepayers at all levels of Government, and has continued to take the opportunities at the Federal Energy Regulatory Commission and before PJM to advocate, time and again, for the maximization of ratepayer benefits for the lowest possible cost. The Board has held another successful BGS auction, helped ensure restitution for customers overcharged by energy providers, streamlined and consolidated the Clean Energy program under a single contract to reduce costs and increase services, and been instrumental in bringing about successful resolution to any number of mergers, rate requests, infrastructure programs, and programs designed to ensure safe, adequate, and proper service at reasonable rates, in keeping with the Board's statutory mandate.

Over the next five years, the Board will continue to develop and implement new and innovative methods for incenting development and infrastructure investment while keeping costs low and ensuring the highest level of customer service and consumer protection. Major challenges will continue to be the encroachment on the State's authority by the federal government, and the imposition of costs from onto New Jersey outside of the proportion of the benefit to the State. Additionally, the Board will continue to work to transition the Clean Energy program to a market program that provides appropriate signals for innovative development in the State.

The Board is continuing to build and develop its personnel, and continues to seek to bring on strong individuals in the industry. The Board has been successful in bringing in new and talented individuals, and looks forward to continued success in FY2017. An organizational chart is attached.

Discussion Points (Cont'd)

2. In a March 2016 order (BPU Docket No. A016030196, Order Dated March 18, 2016) the BPU adopted certain cybersecurity requirements for the regulated electric, natural gas, and water/wastewater utilities as part of ongoing efforts to further reduce the potential of cyber threats disrupting the reliability and resiliency of utility service and to protect customers' information. The requirements placed on the regulated utilities were developed in consultation with experts in utility cybersecurity, the New Jersey Cybersecurity and Communications Integration Cell (NJCCIC), and the Federal Bureau of Investigation.

According to the order, the electric, natural gas, and water/wastewater utilities must implement certain cybersecurity requirements, including the following: 1) develop a cybersecurity program that defines and implements organizational accountabilities and responsibilities for cyber risk management activities, and that establishes policies, plans, processes, and procedures for identifying and mitigating cyber risk to critical systems; 2) conduct risk assessments and implement appropriate controls to mitigate identified risks; 3) maintain situational awareness of cyber threats and vulnerabilities; 4) report cyber incidents and suspicious activity to Board Staff via the NJCCIC; 5) create and exercise Incident Response and Recovery Plans; and 6) provide cybersecurity awareness and training programs.

According to the BPU, these new requirements were in addition to previous approved measures that were enacted to address the potential of cyber threats. In 2011, the BPU directed the regulated utilities to identify their use of industrial control systems, including Supervisory Control and Data Acquisition, to monitor and remotely control utility facilities and to report certain security events. Subsequently, the Board worked with the NJCCIC and utility workgroups to develop Cyber Best Practices. However, in a press release following the issuance of the order the BPU asserted that the newly imposed requirements entailed a more comprehensive risk management approach to cybersecurity among the regulated utilities in New Jersey.

- ***Questions*: Please provide an update on the implementation of the new order. What unit within the BPU will be responsible for working with regulated utilities to comply with the new requirements? What additional cost is expected to be incurred by the unit, in terms of staff and resources, to coordinate compliance? What steps has the unit taken to notify regulated utilities of the requirements imposed by the order? What safeguards has the unit put in place to ensure confidential information submitted by regulated utilities is protected? Has the BPU entered into a memorandum of understanding with the NJCCIC to address how cybersecurity information submitted to the NJCCIC will be handled and shared with the BPU as required by the order? If so, what are the major tenants of the agreement?**

- **How have regulated utilities affected by the order responded to the new requirements? Have any regulated utilities created a cybersecurity incidence reporting process? Is it expected that all affected utilities will do so in accordance with the 60-day time frame mandated by the order? What challenges do regulated utilities face in complying with the new requirements?**

Response

The new order provides for phased implementation to allow utilities at least one budget cycle to acquire resources and to develop new processes and procedures necessary to meet compliance. The first implementation milestone is June 1, 2016. The Reliability,

Discussion Points (Cont'd)

Security, and Emergency Management division, headed by James Giuliano, is responsible for working with utilities in this matter. Although no additional staff is anticipated at this time, the potential expansion of BPU's cybersecurity compliance activities may necessitate the need for additional subject matter expertise. Additional resources may be required to establish a confidential reporting portal for utilities to submit required compliance reports. Existing technologies will be leveraged to the extent possible to minimize costs. Upon the Board's approval of the new order on March 18, 2016, each regulated utility was notified via the U.S. postal service. Electronically filed compliance reports will be stored in access-controlled and encrypted file folders. Reports submitted via registered mail will be stored in locked file cabinets. Access to those file cabinets will be limited to personnel with a documented need to know.

The BPU is entering into an MOU with the NJCCIC regarding cyber security incident reporting. The tenets are as follows:

- NJCCIC will notify pre-vetted BPU personnel when a regulated utility has reported a cyber security incident pursuant to the Board's Cyber Security Order.
- NJCCIC will devote personnel and other resources to investigating cyber security incidents reported by regulated utilities.
- NJCCIC will provide 24x7 access to all incident reports as well as materials developed by NJCCIC in the course of investigating those incidents. Access will be limited to pre-vetted BPU personnel.
- NJCCIC will treat all incident reports submitted by public utilities pursuant to the Board Order as confidential and will not share them beyond the limits set forth in the MOU.

Response from regulated utilities has been favorable. This owes to the collaborative development process in which regulated utilities were active participants. All regulated utilities must create a cyber security incident reporting process no later than June 1, 2016. Regulated utilities may face personnel and other resource challenges necessary to meet full compliance by October 1, 2017, but it is the BPU's opinion that utilities will address any such challenges in a timely and effective fashion.

Discussion Points (Cont'd)

3. The FY 2016 Appropriations Act redirected some $120.9 million from the dedicated, off-budget Clean Energy Fund into the General Fund as State revenue. In responding to BPU Discussion Point #1 in the OLS FY 2015-2016 Department of the Treasury Budget Analysis the Board did not address questions related to the use the BPU would have made of the diverted Clean Energy Fund balances absent the transfer of revenues to the State's General Fund in FY 2015 and FY 2016. In prior years, the board has stated that the anticipated transfer of revenues would not affect the operation and administration of the Clean Energy Program. The transfers did, however, keep staff from recommending that fewer funds be raised from electric and natural gas ratepayers in support of the program.

The Governor's FY 2017 Budget includes a proposal to transfer another $121.1 million into the State General Fund in FY 2017. The table below shows the transfers authorized under the FY 2016 Appropriations Act and the Executive's proposed additional FY 2017 redirections of funds as State revenue. The table includes 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, although these expenses fall directly within the scope of the statutorily authorized spending purposes of the program. The table also includes the amount proposed to be used to finance the operations of the Department of Environmental Protection's Office of Sustainability and Green Energy although presumably that amount also falls within the scope of the authorized spending purposes of the program.

Fund Usage	FY 2016 Est. (Feb. 2016)	FY 2017 Proposed (Feb. 2016)
State Utility Costs	$52,500,000	$52,500,000
NJ Transit Utility Costs	$62,089,000	$62,089,000
Office of Sustainability and Green Energy (DEP)	$3,700,000	$3,700,000
BPU Clean Energy Fund Administrative Expenses	$2,585,000	$2,765,000
TOTAL	**$120,874,000**	**$121,054,000**

The table below shows the actual or estimated amounts of financial resources, program expenditures, General Fund transfers, and year-end fund balances for FY 2008 to FY 2017, as they are displayed in the annual Governor's Budget proposals. (Page 70 of the "Supplementary Information" section in the Governor's FY 2017 Budget, available online, exhibits the data for FY 2015, FY 2016, and FY 2017.)

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	$493,244,000	$193,908,000	$133,441,000	$165,895,000
2014	$543,750,000	$167,193,000	$273,660,000	$102,896,000
2015	$447,853,000	$187,137,000	$136,419,000	$124,298,000

Discussion Points (Cont'd)

2016 est.	$469,354,000	$197,956,000	$120,594,000	$150,805,000
2017 est.	$495,765,000	$218,276,000	$120,789,000	$156,699,000

As illustrated above, the Clean Energy Program has produced surplus balances in recent years. In the past, BPU staff has explained that these surplus balances are due to the fact that the BPU allocates specific amounts to new programs that may take months or years to materialize. In addition, BPU typically sets aside funding for 100% of financing commitments made to individual projects.

Experience suggests that completion rates for many programs are below 100%. The accumulation of excess balances prompted the BPU to include as a program goal for prior years that the BPU coordinate with Treasury to develop appropriate procedures to better match collections from ratepayers with program needs. The BPU specified in reply to BPU Discussion Point #1 in the OLS FY 2015-2016 Department of the Treasury Budget Analysis that these efforts to coordinate would be continued, and that BPU staff would work with the Department of the Treasury to more closely align budget allocations and program needs.

New Jersey ratepayers finance the Clean Energy Program through the societal benefits charge included in their electric and natural gas bills. In operation 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 promotes increased energy efficiency and the use of renewable energy sources.

- ***Questions:*** **Please comment on the impact on the Clean Energy Program of the Executive's proposed transfer of another $121.1 million in fund balances into the State General Fund in FY 2017. Has the BPU increased or will it increase the Clean Energy Fund component of the societal benefits charge for FY 2017 to cover this additional expense? Absent the additional proposed diversions, how would the BPU spend the $121.1 million? Will alternative resources be allocated for these purposes? To what extent will any shift in money among BPU programs, prompted by the proposed transfer, reprioritize energy efficiency and renewable energy programs? If the BPU did not anticipate expending the $121.1 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?**

- **Have the measures the BPU implemented to better align the collection of funds from ratepayers with Clean Energy Program needs been effective in reducing the size of accumulated excess balances in the Clean Energy Fund? Does the BPU expect to take any additional steps in FY 2017 to improve the financial management of the program? If so, please specify the additional steps expected to be taken.**

Response:

The BPU expects to have sufficient resources to fund all Clean Energy Program (CEP) needs in FY16 and FY17, taking into account the proposed transfers to the General Fund, including significant growth for high-priority programs. The BPU's Office of Clean Energy (OCE) is proceeding with its Comprehensive Resource Analysis (CRA) to establish CEP funding levels for FY17. Once approved by the Board, CEP funding will be allocated according to program

Discussion Points (Cont'd)

need through the OCE's annual budgeting process. For FY17, the OCE is proposing no change to the CEP's portion of Societal Benefits Charge funding ($344,665,000).
The BPU continues to improve the alignment of ratepayer funding with program needs. FY17 program needs are identified based on a review of prior-year performance, with no assumed carryforward of uncommitted funds, along with market and program design changes anticipated for the budget year. Year-end committed balances are required for contractual obligations to make future incentive payments, which vary in duration based on project type and complexity. In the normal course of business, commitments that are paid or cancelled during a fiscal year are replaced by new commitments driven by market demand. Year-end balances shown above reflect the net impact of increasing demand across several key programs, particularly Combined Heat and Power.

The transition to a single Program Administrator will support continuous improvement in financial management of the CEP, including more rigorous analysis of program performance.

Discussion Points (Cont'd)

4. In November 2015, the BPU announced that Applied Energy Group (AEG), a New York-based consulting business, had been selected as the next Clean Energy Program administrator. According to the BPU, the selection of AEG will create an improved customer experience by streamlining program management, increasing program flexibility, and updating the information technology system used in connection with the program.

In making the selection, the BPU noted that the contract with AEG would streamline program management from an organizational structure, which prior to the award of the new contract had three separate contractors (a program coordinator and two separate market managers) to a single program administrator responsible for the operation of most phases of the program. Under the previous organizational structure, program responsibility was broken into three distinct areas of responsibility, residential energy efficiency, commercial and industrial programs, and renewable energy, that were assigned separately to the two market managers. According to the BPU, this structure was cumbersome and created customer confusion and project delays.

As the single program administrator, AEG will be required to establish a streamlined administrative structure to manage residential energy efficiency, commercial and industrial energy efficiency, renewable energy and municipal and other local government energy audit programs. The BPU expects the single contract will improve program flexibility, reduce administrative costs, and offer an improved customer experience. Additionally, as program administrator AEG will assist BPU staff in preparing a strategic development plan to transition the Clean Energy Program from incentives and rebates to new, market-based programs. The responsibility for quality assurance and quality control will continue to be administered by BPU staff.

The Clean Energy Program is the umbrella program for the State's portfolio of energy efficiency and renewable energy programs. The program was established by the "Electric Discount and Energy Competition Act," P.L.1999, c.23 (C.48:3-49 et al.), and currently provides financial and other incentives to the State's residential customers, businesses, and schools that install high-efficiency or renewable energy technologies. The overall goals of the program are to reduce energy usage, lower customers' energy bills, and reduce environmental impacts.

The contract award to a single Clean Energy Program administrator had been planned for a number of years, but was subject to considerable delays. These delays were in part related to protests filed in connection with previous letters of intent to award the contract to AEG. According to news reports, formal protests were filed that alleged the previous selection as AEG as the single program administrator was the result of favoritism and manipulation. The protests necessitated further review and substantive changes to the selection processes that delayed the awarding of the contract until last November.

- ***Questions*: Please provide a status update on the organizational shift to AEG as the sole Clean Energy Program administrator. What steps have been taken by AEG and the BPU to facilitate the transition to a single program administrator in FY 2016 to date, and what steps are expected to be taken in FY 2017? How have stakeholders affected by the change responded to the transition? Please describe any actions AEG or the BPU has taken to engage stakeholders affected by the change since the contract was awarded. Are any actions to engage stakeholders planned for FY 2017? If so, please describe the actions that are expected to be taken.**

- **What is the current status of the strategic development plan for the Clean Energy Program? Has AEG worked with BPU staff on a plan to transition the Clean Energy**

Discussion Points (Cont'd)

> **Program from incentives and rebates to new, market-based programs? If so, please describe the tenants of the plan and the expected timeframe for implementation. Please also describe the new, marked-based programs that are expected to replace the existing program of incentives and rebates, and describe generally how those market-based programs will help the BPU achieve the overall goals of the program.**

Response:

On December 1, 2015 the BPU awarded a contract to AEG to serve as the single Program Administrator for the NJCEP. The contract provided for a 90 day transition period during which AEG would establish all of the systems, processes and procedures required to manage the programs. The transition was successfully completed on time and AEG commenced management of the programs on March 1, 2016.

The BPU, in coordination with AEG, developed an ongoing communication plan to keep stakeholders apprised of the status of the transition. Beginning in the fall of 2015 and continuing through March of 2016, the BPU and AEG communicated with various stakeholder groups through monthly public meetings, web site announcements, emails to various listservs and conference calls. Messages posted on the web site can be found at: http://www.njcleanenergy.com/transition-updates

AEG's proposal included the development of an on-line portal for program applications which replaced what were primarily paper applications. The transition to on-line applications has been favorable received by stakeholders. Stakeholders are able to track the progress of their applications on-line, eliminating the need to call the program managers for such information. The shift to the on-line portal also eliminates the need to process and store the tens of thousands of applications received by the program each year. BPU is unaware of any major issues or complaints related to the transition.

In FY17 the BPU anticipates ongoing monthly stakeholder meetings as well as ongoing communications through web site posting, emails and conference calls. The BPU anticipates that the Strategic Planning process discussed below will also include public stakeholder meetings to provide the BPU with input regarding the development of the plan.

BPU began discussions about the strategic planning process in January 2016, following AEG's contract effective date of December 2015. Since then, BPU has met with AEG frequently about proposed short-term changes as well as the process for establishing a long-term plan. It is anticipated that strategic planning process will take approximately one year and be completed by 3Q FY17.

As required by RFP 16-X-23938 for NJCEP Program Administration services, AEG included a Strategic Plan in its proposal. The proposal submitted with the bid is not the final strategic plan, but was one of many factors that the evaluation committee considered when evaluating AEG's bid response. Although BPU is at the initial stages of the strategic planning

Discussion Points (Cont'd)

process, AEG's proposal provides insights as to its vision for the NJCEP. (Available at http://www.njcleanenergy.com/files/file/Section%205%20FINAL.pdf)

For example, AEG's bid proposal included proposed short term changes to the programs that could be implemented in FY17 and a process for the development of a long-term plan that, upon approval by the BPU, would establish new programs, funding levels, and long-term goals for the NJCEP. There will be six steps to the strategic planning process:

1. Set prioritized policy objectives: Clear objectives drive all subsequent activities and determine the structure of programs. Examples of policy objectives include the reduction of energy usage, peak demand reduction, job creation, reduce carbon emissions, etc.
2. Establish policy guidance to advance those objectives. Provides key information regarding roles and responsibilities to all market actors and provides continuity and stability to programs over time.
3. Conducting market research on opportunities and barriers to achieving policy objectives. Market research can include a variety of studies including baseline studies, potential studies, process and impact evaluations, and customer surveys.
4. Establishing portfolio-level goals and performance metrics consistent with policy objectives. Goals can either be a standard where the NJCEP would be required to reduce X% of energy by year Y, or a non-binding goal set by legislation or policy making.
5. Designing a portfolio of programs that can meet those goals. Programs will be designed to achieve policy objectives laid out in step one utilizing past program experience and relying heavily on the market research from step 3. Part of the program design will include a detailed evaluation plan to measure key metrics and program performance in order to inform program management on a continuing basis.
6. Once programs are designed, they must be well implemented and managed. Implementation includes the delivery of programs to the end customers and is vitally important because it is generally the only contact the general public has with NJCEP programs.

The plan to transition from incentives and rebates to new, market based programs, will be accomplished in several steps. BPU recently expanded financing options for the Home Performance with Energy Star program to include financing from Credit Unions and has recently expanded on-bill financing options offered by several utilities. In FY16 the BPU approved a new financing pilot program known as the Investor Confidence Project. In FY17 the BPU will explore additional opportunities to expand financing options available to other programs.

Generally, financing programs will result in customers paying a higher percentage of program costs, thereby enabling the program to reduce rebate levels over time. However,

Discussion Points (Cont'd)

it is unclear what the impact on program participation would be if the NJCEP eliminated all rebates and offered only financing.

Discussion Points (Cont'd)

5. In a press release describing the selection of Applied Energy Group (AEG) as the new Clean Energy Program administrator, the BPU asserted that AEG would establish a "streamlined" administrative structure to manage the residential energy efficiency, commercial and industrial energy efficiency, renewable energy, and local/municipal government energy audit programs. According to the BPU, this structure would improve flexibility, offer an improved customer experience, and reduce administrative costs associated with the program.

The BPU noted that AEG would operate under a three-year contract worth approximately $25 million annually to administer the program. The BPU also indicated that in accordance with the contract, AEG would be responsible for program development, technical support, rebate processing, inspections and other quality control measures, training and sales support, and maintain the customer call center.

However, the amount paid to the contractor represents only one portion of the total administrative costs that are incurred on an annual basis to administer the Clean Energy Program. The BPU also incurs its own costs in administering the program, which are projected to be $2.6 million in FY 2016 and $2.8 million in FY 2017.

- ***Questions*: Please describe the fees that will be paid to AEG to administer the Clean Energy program. What is the total amount that will be paid to AEG in each year over the three-year term of the contract? Are there any bonus awards or incentive fees that (in addition to the base amounts) can be paid to the contractor if certain efficiencies are achieved or other conditions are met? Are there amounts that can be deducted or withheld from the base amounts if certain efficiencies are not achieved or other conditions are not met? If so, please describe the conditions that trigger these payments or deductions.**

- **Please provide an updated program budget for the Clean Energy Program in FY 2015 that displays for each program class under the program the actual total budget, the actual amount of benefits paid out, and the contracted program manager's actual administrative costs. For FY 2016 please provide a program budget for the Clean Energy Program that projects for each program class the estimated total budget, the estimated amount of benefits that are expected to be paid out, and an estimate of the program manager's administrative costs.**

Response:

The fees above paid to AEG are for the services that it provides, including the services of its subcontractors – ICF, TRC, CLEAResult, and Energy Futures Group (collectively the "AEG team"). The AEG team assists BPU with implementing the NJCEP programs, program design, and strategic planning. Specifically, AEG is responsible for program development, technical support, rebate processing, inspections and other quality control measures, training and sales support, and maintaining the customer call center.

The fees paid to AEG are based on the prices submitted with its proposal. The fees are generally broken down into two categories: 1) fixed monthly fees for tasks such as administering the programs, maintaining the data system and operating the call center; and 2) per unit fees for tasks such as processing an application or performing an inspection. The

Discussion Points (Cont'd)

estimated fees are a combination of the fixed monthly fees and the unit prices multiplied by the estimated number of applications to be processed and inspections performed for each program.

The estimated fees paid to AEG are as follows:

1. Contract year 1: $22 million
2. Contract year 2: $25.2 million
3. Contract year 3: $25.5 million

There are no bonus awards or incentive fees included in the contract with AEG nor is there any clause in the contract that allows fees to be deducted or withheld if certain efficiencies or conditions are not met.

Expenses for contracted programs in FY15 and FY16, including incentive payments and program expenses, are provided below.

Clean Energy Program
Contracted Expenses by Category
($000)

	FY15 Actual			FY16 Forecast		
Category	**Incentives**	**Program Expenses**	**Total Expenses**	**Incentives**	**Program Expenses**	**Total Expenses**
Energy Efficiency	$163,571	$ 24,305	$187,877	$155,746	$ 23,496	$179,242
DER	2,380	69	2,448	7,671	500	8,171
Renewable Energy	204	4,496	4,700	-	2,629	2,629
Program Coordinator	-	1,862	1,862	-	1,321	1,321
NJCEP Total	**$166,155**	**$ 30,732**	**$196,887**	**$163,417**	**$ 27,946**	**$191,363**

Excludes programs managed by NJEDA and the BPU's Office of Clean Energy.
DER includes CHP, fuel cells, RE energy storage.
Program Expenses include: rebate processing, inspections, and other quality control; sales, call centers, marketing and website; training; administration and program development.

Discussion Points (Cont'd)

6. 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 electric and natural gas ratepayers' 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, and energy demand management programs including BPU's Clean Energy Program. 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 $910.3 million generated in calendar year 2013. Depending on the utility, the charge represented between 2.77% ($41.17) and 5.36% ($56.67) of the annual bill of the average electric residential ratepayer as of April 2015 and between 5.37% ($76.20) and 8.77% ($89.10) of the annual bill of the average residential natural gas ratepayer.

- ***Questions:*** **Please indicate the amount the societal benefits charge raised in calendar years 2014 and 2015, and 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 2015 and 2016 rates of the charge and provide the reasons for any increase. The charge represented what percentage of an average residential ratepayer's annual electricity and natural gas bills in calendar years 2014 and 2015 and represents what estimated percentage thereof in calendar year 2016?**

Response:

SBC collections by utility and program component are provided below.

CY2014 SBC Revenues, including SUT
($ millions)

	ACE	JCP&L	PSE&G (Electric)	RECO	SJG	PSE&G (Gas)	NJNG	ETG	Total
DSM/Clean Energy	$34.707	$66.875	$162.000	$6.030	$26.642	$97.200	$30.034	$12.124	$435.612
USF	$20.431	$46.331	$90.300	$3.576	$4.298	$23.600	$5.530	$3.874	$197.940
Lifeline	$7.872	$17.869	$34.700	$1.377	$3.527	$18.400	$4.301	$3.138	$91.184
Uncollectible	$16.518	$12.412							$28.930
Nuclear Decommisioning		$0.000							$0.000
RAC		$2.889	$16.300		$14.519	$27.600	$21.351	$11.381	$94.040
Social Programs			$62.600						$62.600
Total Amount Billed	$79.528	$146.376	$365.900	$10.983	$48.986	$166.800	$61.216	$30.517	$910.306

CY2015 SBC Revenues, including SUT
($ millions)

	ACE	JCP&L	PSE&G (Electric)	RECO	SJG	PSE&G (Gas)	NJNG	ETG	Total
DSM/Clean Energy	$35.116	$80.021	$146.000	$4.180	$22.762	$79.300	$25.241	$7.736	$400.356
USF	$19.052	$43.245	$85.300	$3.340	$5.496	$27.900	$6.679	$5.026	$196.038
Lifeline	$6.886	$15.646	$30.700	$1.210	$3.202	$16.700	$4.018	$2.961	$81.323
Uncollectible	$16.273	$13.463							$29.736
Nuclear Decommisioning		$0.000							$0.000
RAC		$2.956	$18.000		$4.643	$26.200	$16.850	$9.481	$68.649
Social Programs			$64.500						$64.500
Total Amount Billed	$77.327	$155.331	$344.500	$8.730	$36.103	$150.100	$52.788	$25.204	$850.083

Discussion Points (Cont'd)

SBC Rates by utility and program component are provided below.

Societal Benefits Charge (SBC) Rates - April 2015

SBC Components	Electric ($/kWh)				Gas ($/Therm)			
	PSE&G	JCP&L	ACE	RECO	PSE&G	NJN	SJG	ETG
Clean Energy Program/ Demand Side Management	0.003047	0.003517	0.003466	0.002380	0.026449	0.039439	0.044299	0.022804
Manufactured Gas Plant Remediation	0.000349	0.000130	0.000000	0.000000	0.008692	0.028037	0.011121	0.029626
Universal Service Fund w/ Lifeline	0.002553	0.002553	0.002552	0.002553	0.015794	0.015794	0.015794	0.015794
Uncollectibles/Social Programs	0.001347	0.000592	0.001724	0.000000	0.000000	0.000000	0.000000	0.000000
TOTAL (without Sales and Use Tax)	0.007683	0.006792	0.007742	0.004933	0.050935	0.083271	0.071215	0.068224
TOTAL (w Sales and Use Tax)	$0.008220	$0.007267	$0.008284	$0.005278	$0.054500	$0.089100	$0.076200	$0.073000

Societal Benefits Charge (SBC) Rates - April 2016

SBC Components	Electric ($/kWh)				Gas ($/Therm)			
	PSE&G	JCP&L	ACE	RECO	PSE&G	NJN	SJG	ETG
Clean Energy Program/ Demand Side Management	0.002849	0.003517	0.003529	0.003055	0.022617	0.024019	0.024711	0.022804
Manufactured Gas Plant Remediation	0.000434	0.000130	0.000000	0.000000	0.008972	0.012523	0.000459	0.000000
Universal Service Fund w/ Lifeline	0.002763	0.002763	0.002763	0.002763	0.010093	0.010093	0.010093	0.010093
Uncollectibles/Social Programs	0.001103	0.000592	0.001546	0.000000	0.000000	0.000000	0.000000	0.000000
TOTAL (without Sales and Use Tax)	$0.007507	$0.007002	$0.007837	$0.005818	$0.041682	$0.046636	$0.035264	$0.032897
TOTAL (w Sales and Use Tax)	0.008032	0.007492	0.008386	0.006225	0.044600	0.049900	0.037732	0.035200

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.

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

Uncollectibles: Includes costs associated with uncollectible accounts

*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.

Annual budgets are set by the Board for Clean Energy/Demand Side Management programs, as well as USF/Lifeline programs. Each utility is given a specific dollar amount to collect in rates and the utility must adjust their rates for these annual budgets. Similarly, utilities incur expenses related to manufactured gas plant remediation, uncollectible accounts, and nuclear plant decommissioning. Annually, utilities file their SBC filings with the Board to adjust rates to recover projected budget/expenses for these programs for the upcoming year, as well as reconcile the previous year's collections and actual expenses.

The impact of SBC rates on average residential bills are estimated below. Major components of the SBC are established as total dollar amounts to be collected; therefore, year-to-year variation in energy usage will lead to variation in rates per unit of energy.

Discussion Points (Cont'd)

Annual Impact of SBC Rates

Electric {1}	Apr-14	Apr-15	Apr-16
ACE			
SBC Portion of Annual Bill	$ 68.20	64.62	$ 65.41
Average Annual Bill	$1,332.33	1452.96	$ 1,460.84
SBC% of Annual Bill	5.12%	4.45%	4.48%
JCP&L			
SBC Portion of Annual Bill	$ 53.97	56.67	$ 58.43
Average Annual Bill	$1,080.35	1058.05	$ 1,085.05
SBC% of Annual Bill	5.00%	5.36%	5.39%
PSE&G- Electric			
SBC Portion of Annual Bill	$ 76.74	64.12	$ 62.65
Average Annual Bill	$1,408.07	1456.59	$ 1,343.18
SBC% of Annual Bill	5.45%	4.40%	4.66%
RECO			
SBC Portion of Annual Bill	$ 55.24	41.17	$ 48.56
Average Annual Bill	$1,332.33	1486.39	$ 1,372.71
SBC% of Annual Bill	4.15%	2.77%	3.54%

Gas{2}	Apr-14	Apr-15	Apr-16
ETG			
SBC Portion of Annual Bill	$ 111.80	$ 73.00	$ 35.20
Average Annual Bill	$1,197.54	$ 992.36	$ 847.73
SBC% of Annual Bill	9.34%	7.36%	4.15%
NJNG			
SBC Portion of Annual Bill	$ 84.80	$ 89.10	$ 49.90
Average Annual Bill	$1,114.50	$1,016.40	$ 978.70
SBC% of Annual Bill	7.61%	8.77%	5.10%
PSE&G- Gas			
SBC Portion of Annual Bill	$ 57.52	$ 54.46	$ 44.54
Average Annual Bill	$1,041.68	$ 631.15	$ 861.30
SBC% of Annual Bill	5.52%	8.63%	5.17%
SJG			
SBC Portion of Annual Bill	$ 83.30	$ 76.20	$ 37.73
Average Annual Bill	$1,290.09	$1,418.03	$1,227.03
SBC% of Annual Bill	6.46%	5.37%	3.07%

*NOTE: The rates and bill impacts include Sales and Use Tax of 7%
{1}- The following usage was used: Residential- 7800 kWh per year
{2}- The following usage was used: Residential- 1000 therms per year

Discussion Points (Cont'd)

7. 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 certain State energy assistance programs: the USF, the "Fresh Start," and Lifeline credit programs, the Tenants' Assistance Rebate Program, and energy assistance payments under the Temporary Assistance for Needy Family (TANF) program. The Governor's FY 2017 Budget anticipates $270.9 million in USF expenditures for FY 2017 (page 113, available in the online version of the Governor's FY 2017 Budget only). Of this amount, the Governor proposes $187.8 million in direct fund expenditures and a transfer of $83.1 million to other funds, of which $67.7 million will 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 283,312 low-income households are expected to receive up to $225 in electric and gas utility credits in FY 2017. An additional $6.9 million is expected to 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 is expected to receive another $8.5 million to administer the USF and "Fresh Start" credit programs.

The USF credit program is an energy assistance program dedicated to ensuring eligible utility customers do not pay more than 6% of their annual income for their natural gas and electric service. The "Fresh Start" credit program allows first-time USF credit recipients with at least $60 in arrears on their energy bills to retire their balances by paying their USF-adjusted 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 2014, the two programs disbursed $178.6 million in benefits and incurred $22.3 million in administrative expenses (reported program expenditures less reported benefit payments), as related by the BPU in response to BPU Discussion Point #12 in the OLS FY 2015-2016 Department of the Treasury Budget Analysis.

For program years 2010-2014 the tables below 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. In contrast, program year 2012 began on November 1, 2011 and ended on September 30, 2012, resulting in a one-time, 11-month program year. The 2013 program year then ran a full 12 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, $18.94 in program year 2013, $17.80 in program year 2014, and $15.55 in program year 2015. The average natural gas residential ratepayer paid $17.04 in program year 2011, $16.08 in program year 2012, $16.32 in program year 2013, $7.80 in program year 2014, and $13.20 in program year 2015.

Universal Service Fund Credit Program Metrics for Program Years 2010 through 2014			
Program Year	**Households Enrolled**	**Total Credit Cost**	**Avg. 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
2012-2013	215,121	$173,737,308	$807.63
2013-2014	212,898	$170,578,473	$801.22

Discussion Points (Cont'd)

"Fresh Start" Credit Program Metrics for Program Years 2010 through 2014			
Program Year	**Households Enrolled**	**Total Credit Cost**	**Avg. 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
2012-2013	17,210	$8,631,532	$501.54
2013-2014	19,161	$7,991,585	$417.08

- ***Questions:*** **For each of the USF credit and "Fresh Start" programs, please provide actual expenditures for the 2014-2015 program year and estimated expenditures for the 2015-2016 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 2014-2015 and 2015-2016?**

- **What factor(s) contribute to the continued annual decline in the average USF household benefit and the average "Fresh Start" household benefit? To what extent do the decreases in average household benefits reflect improving household incomes and falling prices for electricity and natural gas? Were the participation and benefit declines more pronounced for benefits paid towards beneficiaries' electricity or natural gas bills? What factor(s) contributed to the increase in the number of households enrolled in the "Fresh Start" program in program year 2013-2014 compared to the number of households enrolled in the prior program year?**

Response:

Actual USF expenditures for the 2014-2015 program year were $175,066,074.00, which includes $7,288,308.00 for the Fresh Start Program. Estimated expenditures for the 2015-2016 USF Program Year are $175,215,830.00, which includes $6,657,977 for the Fresh Start Program

2014-2015: USF Residential Rates and Bill Impact

Average Residential Customers	Gas	Electric	Total
Rates After Tax	$0.0110	$0.001993	
Monthly Bill Impact	$1.10	$ 1.30	$ 2.40
Annual Bill Impact	$13.20	$15.55	$28.75

Discussion Points (Cont'd)

2015-2016: USF Residential Rates and Bill Impact

Average Residential Customers	Gas	Electric	Total
Rates After Tax	$0.0051	$0.002232	
Monthly Bill Impact	$0.51	$ 1.45	$ 1.96
Annual Bill Impact	$6.12	$17.41	$23.53

Commercial & Industrial Bill Impact - Gas

Program Year	Total Gas USF/Lifeline Revenues from all gas customers	GAS Revenues from C&I:	Bill Impact of USF and Lifeline
2014 -2015	$80,057,224	$37,516,827	Not available*
2015 - 2016**	$42,403,170	$20,659,843	Not available*

* There is no average size C&I customer to derive average bills from

**SJG revenues include actual data from October 2015-march 2016 and estimated data for April 2016-September 2016

** NJNG revenues include actual information for October 2015 through March 2016 and forecasted information for April 2016 through September 2016.

** Etown revenue includes actual data through March 2016

**PS data comprised of actuals through March 2016

Discussion Points (Cont'd)

Commercial & Industrial Bill Impact – Electric

Program Year	Total Electric USF/Lifeline Revenues from all electric customers	Electric Revenues from C&I:	Bill Impact of USF and Lifeline
2014 -2015	$191,987,901	$116,210,516	Not available*
2015 - 2016**	$197,508,756	$122,937,777	Not available*

* There is no average size C&I customer to derive average bills from

** RECO revenue includes actual data for 10/1/15 - 3/31/16 and estimates for 4/1/16-9/30/16

** JCP&L data for the period of 10/15 – 9/16 included 6 months actual (October 2015 – March 2016) and 6 months forecast (April 2016 – September 2016)

** ACE data comprised of actuals from October 2015- March 2016 and forecasted data from April 2016-September 2016

** PS data comprised of actuals through March 2016

Program Year	USF Households Enrolled	Fresh Start Households Enrolled**
2014-2015	204,255	16,340
2015-2016*	173,538	14,297

**data only available October 2015-March 2016*

***estimates*

In Fresh Start, eligibility for enrollment is based on first time USF participation and also having $60 or more in arrearages at the time of program enrollment. Therefore decreased enrollment can be explained by: 1) a decrease in USF enrollment; 2) a decrease in first-time participation in USF (more repeat enrollment than first time enrollment); 3) or a decrease in overdue balances when entering USF for the first time. Furthermore, Fresh Start credits are equal to the amount of energy debt forgiveness the customer "earns" on pre-existing arrearages they had incurred at the time of USF enrollment. If a client pays their USF-supplemented bill on time and in full each month for 12 months, they can achieve 100% forgiveness of their pre-USF program energy debt. However, the amount of Fresh Start credit (energy debt actually forgiven), is based on the client's ability or choice to pay their current bills on time and in full during their first year of enrollment in USF. One client may achieve 100% forgiveness of their energy debt and another client may only achieve 60% energy debt forgiveness because they did not meet the program requirements. It would be very difficult to make a direct link between Fresh Start participation rates/payment compliance to gas and electric prices alone; however it is possible that falling energy prices

Discussion Points (Cont'd)

(or a warm winter) can help a customer already in Fresh Start meet the requirements of the program and achieve energy debt forgiveness.

Discussion Points (Cont'd)

8. 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 non-profit energy assistance organization receives 75% 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) was the contractor from 2001-2013. According to NJ SHARES' annual reports, it received $1.4 million from the Unclaimed Utility Deposits Trust Fund in calendar year 2012 for its general energy assistance program, $2.5 million in calendar year 2011, and $2.9 million in calendar year 2010. In July 2013, the BPU awarded the contract instead to the non-profit Affordable Housing Alliance (AHA) for the operation of the new Payment Assistance for Gas and Electric (PAGE) program from FY 2014 to FY 2018. The PAGE program received its first $2.7 million Unclaimed Utility Deposits Trust Fund payment in December 2013 to finance calendar year 2014 program operations. In January 2015, PAGE was provided with an additional $4.0 million Unclaimed Utility Deposits Trust Fund payment. Combined with unspent balances remaining from the first payment in December 2013, total calendar year 2015 program revenues were $4.3 million.

The PAGE program helps 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. To qualify, applicants must meet certain income guidelines, and must not have received energy assistance under the Universal Service Fund credit program in the past six months and the Low Income Home Energy Assistance Program in the last heating season before applying for PAGE grants. They also must demonstrate that balances in their electric and gas accounts are at least 45 days overdue or that they received a disconnection notice for their electric or gas service. Lastly, they must demonstrate they made two electric or gas bill payments of at least $25 each within the past six months or one payment of at least $100 within the past 90 days. According to information provided by the BPU, PAGE grants per household equal the amount the utility company needs to not discontinue the household's utility service, limited to $700 each for electricity and natural gas service in a one-year period.

- ***Questions:*** **For the Payment Assistance for Gas and Electric (PAGE) program, please indicate the number of applications for assistance submitted, the number of grants applied to eligible applicants' gas and electric accounts, the number of households benefiting from the awarded grants, and the average benefit amount for program year 2014 and 2015. What is the total budgetary outlay for program year 2016? What factor(s) contributed to the increased January 2015 Unclaimed Utility Deposits Trust Fund payment to the program compared to the December 2013 payment?**

Discussion Points (Cont'd)

Response:

PAGE Program	Jan 2014 - Sept 2014*	Oct 2014 - Sept 2015	Oct 2015 - March 2016
Applications Submitted	7,949	8,047	4,110
Households Assisted	415	2,566	644
Grant$ distributed	$1,683,554	$2,195,730	$519,820
# of Grants applied to accounts	2,215	3,090	765
Average Benefit Gas	$580	$562	$480
Average Benefit Electric	$565	$579	$588
Average Benefit Gas & Electric	$990	$898	$848

* PAGE was established in January 2014

PAGE was provided $4,580,567.41 by Unclaimed Property in December 2015. Unclaimed Property will need to provide the answer for the question "What factor(s) contributed to the increased January 2015 Unclaimed Utility Deposits Trust Fund payment to the program compared to the December 2013 payment?"

Discussion Points (Cont'd)

9. 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; assisted State agencies with the determination of their energy-related needs and capital budget requests; reviewed energy funding requests with the Office of Management and Budget in the Department of the Treasury; and negotiated lower prices on the State's electricity and natural gas supply contracts.

As part of its mission to identify opportunities for reducing 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 seeks 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). 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. The State also may enter into a lease-purchase financing agreement, whereby the State engages a contractor who will purchase certain energy conservation equipment 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 equipment.

In response to prior discussion point questions, the BPU has indicated that the State was implementing a multi-year energy savings project plan for State facilities that was to be financed through a series of lease-purchase financing agreements. The State Energy Office intended to implement energy conservation projects at the 30 most energy-consuming State facilities that together accounted for 54% of the State's energy usage. The first project round comprised seven facilities and was projected to reduce annual energy use by 20% and save $15 million per year. To finance the capital improvements, the State awarded a contract to Banc of America Public Capital Corp. on October 7, 2013 in response to Request for Proposal (RFP) 14-X-22599 for "Financial Services: Energy Master Lease Purchase Financing." Under the State's first lease-purchase financing agreement for energy conservation projects, the contractor provides up to $100 million for the State to draw down over a three-year period to finance energy conservation projects. In return, the contractor receives fixed payments for 12 or 15 years depending on the specific project.

The State Energy Office also entered into its first energy savings improvement contract with an energy service company. On December 23, 2014, the Division of Property Management and Construction in the Department of the Treasury awarded project number A1204-00 to Johnson Controls following a competitive bid solicitation under a September 2, 2014 "Request for Proposal to Select an Energy Services Company to Develop and Implement an Energy Savings Plan through an Energy Savings Improvement Program for the New Jersey State Police Headquarters." According to the BPU, the energy efficiency projects undertaken at the State Police Headquarters as a result of the solicitation are in progress, and additional energy savings improvement projects targeting the State's largest energy users were to be identified in the near future.

- ***Questions*: Please provide an update on the activities and initiatives of the State Energy Office since it responded to a BPU Discussion Point #10 in the OLS FY 2015-2016 Department of Treasury Budget Analysis. In doing so, please describe the major goals and objectives that have been achieved by the office and identify any major objectives it seeks to accomplish over the next five years. What steps has the office identified to accomplish those objectives? Has the office implemented any energy audits, initiated**

Discussion Points (Cont'd)

any new energy efficiency projects, or negotiated a reduced rate for electricity and natural gas supply to any State agencies over the last year?

- **Please provide a status update on the implementation of the energy savings improvement program since last year. Have any of the energy conservation projects undertaken through the lease-purchase finance agreement with Banc of America Public Capital Corp. been completed? Are any new projects expected to be initiated through the agreement? What is the total projected savings to the State as a result of the completed projects?**

Response:

The major goals and objectives were to implement ESIP projects and energy audits on a consistent basis, based on the energy profiles of the largest State facilities. A plan and schedule was implemented with DPMC based upon prior preliminary audits to implement additional Energy Savings Improvement Projects (ESIPs) on a quarterly basis for the next three years. SEO is achieving its project goals and is currently up to date according to the schedule.

The State has secured a $100 million line of credit (LOC) to fund energy efficiency projects in State facilities, and the first project (New Jersey State Police Headquarters) is in progress. The Energy Savings Improvement Program (ESIP) projects have been implemented at the following facilities:

1. New Jersey State Police HQ - West Trenton
2. Dept of Transportation HQ - Ewing
3. Katzenbach School - West Trenton

A forth project is currently in the bidding phase at the NJ State Prison in Trenton.

Additional audits are ready for implementation, or are in progress, or completed for the following facilities:

1. Bayside State Prison - Leesburg
2. Southern State Prison - Leesburg
3. Edna Mahan Correctional facility - Clinton
4. Trenton Psychiatric Hospital - Trenton
5. Ancora Psychiatric Hospital - Hammonton

None of the ESIP projects have been completed as of the current date and projected savings cannot be determined until plans have been reviewed and approved by an independent third party engineering firm as required by statute. The SEO has initiated LED lighting projects at seven State facilities using ARRA funding. In addition, BPU received approval

Discussion Points (Cont'd)

from USDOE to use remaining ARRA funding for LED lighting projects in Atlantic City and on the Battleship New Jersey in Camden. In Atlantic City, the funds will be used to convert over 2,000 streetlights to LED technology, resulting in an annual savings of over $250,000. On the Battleship, nearly 2,500 LEDs will be installed, resulting in an estimated savings of $30,000 in annual energy costs.

There were no remaining options for negotiations of electricity or natural gas under the prior contract until FY2016. In the first two quarters of FY2016, Staff and BPU consultants provided technical expertise for Treasury in bidding, negotiating and procuring electric and natural gas supply for State agencies and facilities that elected to participate in the State Energy Procurement program. After analysis, the State locked into 3 year contracts with several vendors for natural gas and electric supply that will save an estimated $3,633,130 and $11,576,155 respectively on an annual basis from January 1, 2016 through December 31, 2018.

The overall goal of the Office over the next few years will be to continue to identify energy savings measures at state facilities utilizing ESIP projects, audits and projects recommended by the Energy Conservation Committee. The Office has created a preliminary plan for totaling over $36M in projects the next several years with the hope of saving $17.5M annually at state facilities. While the projects and priorities are always fluid, the goal remains as long as funding is available.

Discussion Points (Cont'd)

10. The Governor's FY 2017 Budget Recommendation includes an appropriation of $65.8 million in State funds to pay for energy assistance program benefits provided to certain residents under 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.). The budget recommendation also includes a separate appropriation of $1.9 million that will be used to reimburse the Department of Human Services for its cost of administering the programs.

The Lifeline Credit Program provides combined gas and electric utility credits of up to $225 a year to New Jersey residents who are eligible for Pharmaceutical Assistance to the Aged and Disabled, Supplemental Security Income (SSI), NJ FamilyCare only or Lifeline only. The Tenants' Assistance Rebate Program provides a cash payment of up to $225 a year to tenants who would be eligible for the Lifeline Credit Program except that they do not pay their own utility bills. Individuals receiving SSI who are eligible for this program receive monthly utility supplements totaling up to $225 a year included in their SSI checks.

According to program evaluation data published in the Governor's FY 2017 Budget Recommendation, there were 122,961 recipients of Lifeline Credit Program benefits and 158,824 recipients of Tenants' Assistance Rebate Program benefits in FY 2015. In FY 2016, the BPU estimates that 123,235 individuals will receive benefits under the Lifeline Credit Program and 161,165 individuals will receive benefits under the Tenants' Assistance Rebate Program. For FY 2017, the BPU assumes 122,558 individuals will receive benefits under the Lifeline Credit Program and 160,754 individuals will receive benefits under the Tenants' Assistance Rebate Program.

- ***Questions*: What factors account for the projected decrease over FY 2016 in Lifeline Credit Program and Tenants' Assistance Rebate Program beneficiaries in FY 2017? If the total number of beneficiaries is expected to decrease in comparison to the prior fiscal year by 1,088, why is the Administration requesting an appropriation for FY 2017 to fund the benefits that is $313,000 more than the adjusted FY 2016 appropriation? Is the average benefit amount projected to increase?**

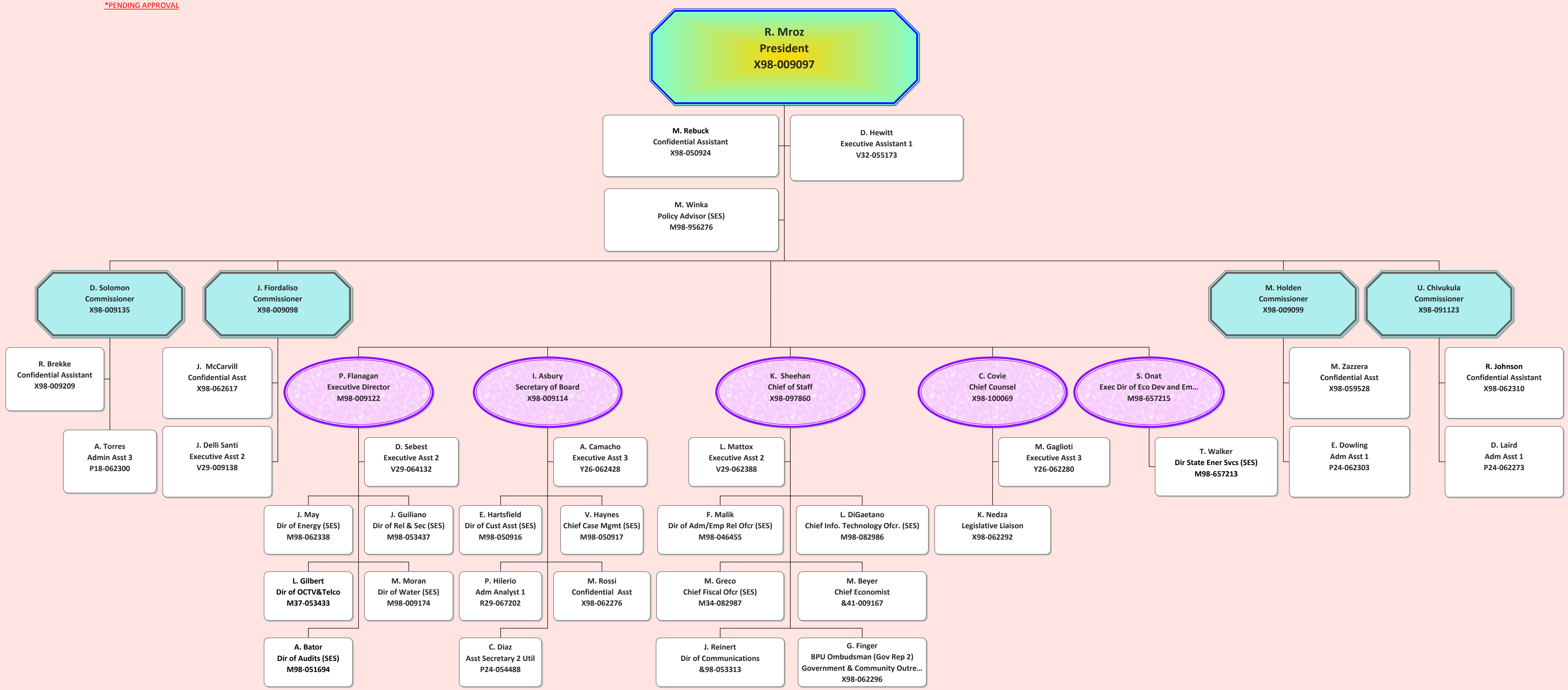
- **How does the BPU estimate the annual number of Lifeline Credit Program and Tenants' Assistance Rebate Program beneficiaries? Does the forecasting methodology employed by the BPU for these two programs differ from the methodology used to project the number of beneficiaries for other assistance programs? If so, please describe the differences.**

Response:

The Lifeline Credit Program and Tenants' Assistance Rebate Program are administered directly by the Department of Human Services and provides an annual energy benefit to seniors and the disabled who meet the PAAD eligibility requirements or who receive SSI. The benefit is also available to those tenants whose utilities are included in their rent. The Office of Support Services for the Aged administers the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program and the Lifeline Utility Assistance program, among others. BPU does not administer the program or set parameters, but collects the appropriate revenue from utilities on behalf of other agencies.

OFFICE OF THE PRESIDENT

*PENDING APPROVAL



RDW (02-10-2016)