

Discussion Points

1. The New Jersey Board of Public Utilities (BPU) 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.

The Governor's FY 2018 Budget Recommendation provides for a \$98.5 million appropriation for the BPU, including \$92.5 million in State, \$2.3 million in federal, and \$3.8 million in all other funds. Of the \$92.5 million in State funds, \$65.8 million is a Grants-in-Aid appropriation to support two energy assistance programs (i.e. the Lifeline Credit Program and the Tenants' Assistance Rebate Program) and \$26.7 million is a Direct State Services appropriation that funds the administrative expenses of each of the several divisions that comprise the BPU. The BPU's administrative activities are entirely funded through revenue collected from assessments imposed on the industries it regulates and federal funding.

The \$65.8 million appropriation to support energy assistance programs and the \$26.7 million appropriation to fund the several divisions of the BPU for FY 2018 are identical to the amounts that were appropriated for those purposes in the FY 2017 Appropriations Act. The flat level of funding over the two fiscal years, however, overshadows a shift in funding available to support the administrative expenses of the several divisions.

While the appropriation to fund the administrative expenses of the several divisions of the BPU is, in the aggregate, the same in FY 2018, there is a budget-neutral shift in funding totaling \$316,000. This shift increases the recommended appropriation for Administration and Support Services by \$316,000 in FY 2018, but results in offsetting decreases of: 1) \$295,000 to the line-item appropriation used to fund the Divisions of Energy, Water, Telecommunications, and Reliability and Security; 2) \$4,000 to the line-item appropriation that funds the Office of Cable Television; and 3) \$17,000 to the line-item appropriation for various Regulatory Support Services.

- **Questions: What factor(s) account for the \$316,000 shift in funding among the various line-items that comprise the \$26.7 million Direct State Service appropriation in FY 2018? What is the basis for the recommended increase in funding for Administration and Support Services? How would the recommended decrease in funding for Utility Regulation be absorbed by the various divisions that are supported by that line in the budget?**

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The Budget Recommendation is intended to align division funding levels with recent historical need and budget year outlook. The recommended amounts will provide all units with sufficient resources to support core regulatory functions and improve agency performance. Funding reallocated to Administration and Support Services will cover increased spending for information technology, legal and other services that support all divisions.

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, water, and 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, water, and 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 the BPU 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 previously approved measures 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 March 2016 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.

In responding to BPU Discussion Point #2 in the OLS FY 2016-2017 Department of the Treasury Budget Analysis, the BPU indicated that implementation of the new requirements specified by the order would be coordinated by the Division of Reliability and Security using

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existing staff (but may necessitate the need for additional subject matter expertise), and would result in a memorandum of understanding between the BPU and the NJCCIC to establish cybersecurity incident reporting processes. At that time, the BPU also indicated that the new requirements imposed on regulated utilities would be phased in between June 1, 2016 and October 1, 2017 so as to allow utilities at least one full budget cycle to acquire resources and develop new processes and procedures necessary to meet compliance.

- **Questions: Please provide an update on the implementation of the cybersecurity requirements specified by BPU Docket No. A016030196, Order Dated March 18, 2016. What steps have been taken by the BPU to implement the requirements in FY 2017 to date? What steps does the BPU anticipate taking in FY 2018? Has the memorandum of understanding between the BPU and the NJCCIC been finalized? Does the BPU expect all regulated utilities will achieve full compliance by October 1, 2017? If not, why not and what factor(s) account for the delay?**

The BPU anticipates full compliance. Per the implementation schedule included in the Order, regulated utilities were required to file a report describing their progress toward compliance and identifying any barriers they foresee to achieving full compliance by the October 1, 2017 deadline. Each utility reported that it expected to be in full compliance by October 1, 2017.

The MOU between the BPU and NJCICC was signed by both parties in May 2016.

The BPU expects to fully implement its Cyber Security Assessment Program in 2018. A sampling of electric, natural gas, and water utilities will be selected for review in 2018 and each year thereafter.

- **Has the BPU been able to implement the new requirements using existing staff and resources allocated to the Division of Reliability and Security? If not, have additional costs been incurred and to what extent do they reflect the reassignment of staff or resources from other divisions? Has the division hired or retained outside experts to fill any gaps in knowledge or subject matter expertise? If so, please specify what outside experts were hired or retained and the costs incurred by the BPU to do so.**

The Reliability and Security Division is in the midst of hiring one additional staff member to facilitate the implementation of the BPU's Cyber Security Assessment Program. The position was approved for posting in January 2017. The new hire is expected to be on board by mid-summer.

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The division has not hired or retained outside experts. The partnership with the NJCCIC as described in the MOU signed in May 2016 will leverage knowledge and expertise as needed.

- **Has the BPU been made aware of any cybersecurity incidents or suspicious activities involving regulated utilities that have been reported in accordance with the new requirements? If so, please indicate the number of incidents by industry affected, and generally characterize the nature of the incidents or activities that have been reported. By industry, please indicate the number of cyber attacks that have succeeded and failed penetrating the information technology infrastructure and systems of regulated utilities for FY 2017 to date.**

No cyber security incidents as defined in the BPU Order have been reported to date. The Reliability and Security Division maintains cyber situation awareness and monitors reports of emerging and evolving threats in New Jersey, the United States, and around the globe that may impact electric, gas, and/or water utility sectors.

3. 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 from the charge are to be used to 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 2015, 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 2014. Depending on the utility, the charge represented between 3.54% (\$48.56) and 5.39% (\$58.43) of the annual bill of the average electric residential ratepayer as of April 2016 and between 3.07% (\$37.73) and 5.17% (\$44.54) of the annual bill of the average residential natural gas ratepayer as of April 2016.

- **Questions: Please indicate the amount the societal benefits charge raised in calendar year 2016, 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 2017 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 year 2016 and represents what estimated percentage thereof in calendar year 2017?**

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Table 1: 2016 SBC Collections by Company:

CY2016 SBC Revenues, including SUT									
(\$million)									
	ACE	JCP&L	PSE&G (Electric)	RECO	SJG	PSE&G (Gas)	NJNG	ETG	Total
Consumer Education									\$0.000
DSM/Clean Energy	\$33.509	\$78.205	\$136.800	\$4.980	\$9.856	\$67.200	\$14.603	\$10.902	\$356.055
USF	\$19.436	\$45.510	\$90.600	\$3.470	\$2.684	\$16.200	\$3.837	\$2.543	\$184.280
Lifeline	\$6.499	\$15.237	\$30.600	\$1.170	\$2.625	\$15.200	\$3.613	\$2.502	\$77.446
Uncollectible	\$14.678	\$13.152							\$27.830
Nuclear Decommissioning			\$22.000						\$22.000
RAC		\$5.262	\$53.600		\$2.371	\$26.700	\$9.073	-\$0.296	\$96.710
Social Programs									\$0.000
Total Amount Billed	\$74.122	\$157.366	\$333.600	\$9.620	\$17.536	\$125.300	\$31.126	\$15.651	\$764.321

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Table 2: 2016 and 2017 SBC Rates:

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
Societal Benefits Charge (SBC) Rates - April 2017								
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	0.003644	0.003979	0.022606	0.015626	0.011905	0.022830
Manufactured Gas Plant Remediation	0.000472	0.000436	0.000000	0.000000	0.009688	0.013567	0.009803	(0.001497)
Universal Service Fund w/ Lifeline	0.002589	0.002589	0.002589	0.002589	0.011900	0.011883	0.011883	0.011883
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)	\$0.007374	\$0.007134	\$0.007778	\$0.006568	\$0.044194	\$0.041076	\$0.033591	\$0.033216
TOTAL (w Sales and Use Tax)	\$ 0.00788	\$ 0.00762	\$ 0.00831	\$ 0.00702	\$ 0.04723	\$ 0.04390	\$ 0.03590	\$ 0.03550
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.								

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Table 3: Annual Impact of SBC Rates:

Annual Impact of SBC Rates				Annual Impact of SBC Rates			
Electric (1)	Apr-15	Apr-16	Apr-17	Gas(2)	Apr-15	Apr-16	Apr-17
ACE				ETG			
SBC Portion of Annual Bill	\$ 64.62	\$ 65.41	\$ 64.84	SBC Portion of Annual Bill	\$ 73.00	\$ 35.20	\$ 35.50
Average Annual Bill	\$ 1,452.96	\$ 1,460.84	\$ 1,496.18	Average Annual Bill	\$ 992.36	\$ 847.73	\$ 834.18
SBC% of Annual Bill	4.45%	4.48%	4.33%	SBC% of Annual Bill	7.36%	4.15%	4.26%
JCP&L				NJNG			
SBC Portion of Annual Bill	\$ 56.67	\$ 58.43	\$ 59.48	SBC Portion of Annual Bill	\$ 89.10	\$ 49.90	\$ 43.90
Average Annual Bill	\$ 1,058.05	\$ 1,085.05	\$ 1,100.47	Average Annual Bill	\$ 1,016.40	\$ 978.70	\$ 1,070.18
SBC% of Annual Bill	5.36%	5.39%	5.40%	SBC% of Annual Bill	8.77%	5.10%	4.10%
PSE&G- Electric				PSE&G- Gas			
SBC Portion of Annual Bill	\$ 64.12	\$ 62.65	\$ 61.47	SBC Portion of Annual Bill	\$ 54.46	\$ 44.54	\$ 47.23
Average Annual Bill	\$ 1,456.59	\$ 1,343.18	\$ 1,353.14	Average Annual Bill	\$ 631.15	\$ 861.30	\$ 852.57
SBC% of Annual Bill	4.40%	4.66%	4.54%	SBC% of Annual Bill	8.63%	5.17%	5.54%
RECO				SJG			
SBC Portion of Annual Bill	\$ 41.17	\$ 48.56	\$ 54.76	SBC Portion of Annual Bill	\$ 76.20	\$ 37.73	\$ 35.90
Average Annual Bill	\$ 1,486.39	\$ 1,372.71	\$ 1,325.64	Average Annual Bill	\$ 1,418.03	\$ 1,227.03	\$ 1,217.45
SBC% of Annual Bill	2.77%	3.54%	4.13%	SBC% of Annual Bill	5.37%	3.07%	2.95%

*NOTE: The rates and bill impacts include Sales and Use Tax of 7% for 2015 and 2016; for 2017 the SUT rate used was 6.875%.

{1}- The following usage was used: Residential- 7800 kWh per year

{2}- The following usage was used: Residential- 1000 therms per year

Table 4: USF and Lifeline Data:

USF/Lifeline Program Year Data											
	ACE	JCP&L	PSE&G (Electric)	RECO	Total Electric	SJG	PSE&G (Gas)	NJNG	ETG	Total Gas	Total Electric and Gas
2015-2016											
Total USF/Lifeline Revenues	\$24,977,411	\$56,730,185	\$113,859,731	\$4,686,231	\$200,253,558	\$4,673,980	\$26,057,713	\$6,510,845	\$4,826,105	\$42,068,643	\$242,322,201
Revenues from C&I	\$13,412,767	\$30,587,382	\$76,547,355	\$2,509,376	\$123,056,880	\$1,282,692	\$13,103,236	\$2,162,153	\$2,636,147	\$19,184,228	\$142,241,108
2016-2017											
Total USF/Lifeline Revenues	\$21,872,553	\$53,155,044	\$106,582,512	\$4,585,016	\$186,195,125	\$5,423,517	\$33,467,742	\$8,230,433	\$5,775,057	\$52,896,749	\$239,091,874
Revenues from C&I	\$11,462,299	\$29,122,908	\$72,188,934	\$2,444,570	\$115,218,711	\$1,406,636	\$16,739,744	\$2,645,082	\$3,083,324	\$23,874,786	\$139,093,497

2015-2016 Notes:
RECO's C&I revenue is calculated as approximately 53.5% of total USF/Lifeline revenue

2016-2017 Notes:
Data for the utilities includes actual information from 10/1/2016 through 3/31/2016 and estimated data for 4/1/2017 through 9/30/2017.
RECO's C&I revenue is calculated as approximately 53.3% of total USF/Lifeline revenue.

4. New Jersey ratepayers fund the Universal Service Fund (USF) via the societal benefits charge included in their electric and natural gas bills. The monies credited to the USF from the charge finance 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 2018 Budget Recommendation anticipates \$253.8 million in USF expenditures for FY 2018 (page 113 of the Supplementary Information published with the online version of the Governor's FY 2018 Budget Recommendation only). Of this amount, the Governor proposes \$170.6 million in expenditures related to the fund and transfers of \$83.1 million to other funds, of which \$67.7 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.),

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under which 293,530 low-income households are expected to receive up to \$225 in electric and gas utility credits in FY 2018. 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 \$8.6 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 2015, USF expenditures for the two programs were \$175.1 million (of which \$167.8 was for the USF Credit Program and \$7.3 million was for the "Fresh Start" program), as related by the BPU in response to BPU Discussion Point #7 in the OLS FY 2016-2017 Department of the Treasury Budget Analysis.

According to that same discussion point response and similar information provided in prior years, the number of households enrolled in the USF Credit Program and the "Fresh Start" credit program during program year 2015 continued to decline from the number of enrolled households recorded in program year 2011. During that year 223,088 households were enrolled in the USF Credit Program and 26,770 households were enrolled in the "Fresh Start" credit program; whereas in program year 2015, 204,255 household and 16,340 households were enrolled in the USF Credit Program and the "Fresh Start" credit program, respectively. 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, \$15.55 in program year 2015, and \$17.41 in program year 2016. 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, \$13.20 in program year 2015, and \$6.12 in program year 2016.

- **Questions:** For each of the USF credit and "Fresh Start" programs, please provide actual expenditures for the 2015-2016 program year and estimated expenditures for the 2016-2017 program year, delineating expenditures for benefits paid to eligible households and administrative expenses. What are the USF rates built into the societal benefits charge for program year 2015-2016 and program year 2016-2017, 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 2015-2016 and 2016-2017, by household and by utility account? What is the total dollar value

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of credits provided to clients for each program in program years 2015-16 and 2016-2017?

2016-2017 Estimated Program Year Expenditures: The total estimated USF budget for the 2016-2017 program year is \$167.3 million. The estimated expenditures for benefits is \$154.8 million, and the estimated administrative expenses are \$6.8 million. Additionally, the Fresh Start program cost is estimated at \$6.8 million.

2015-2016 Actual Program Year Expenditures: The total actual program year expenditures for the 2015-2016 program year was \$168 million. The expenditures for benefits were \$155.8 million, and the actual administrative expenses are \$6.8 million. Additionally, the Fresh Start program cost was \$5.5 million.

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

2016-2017: USF Residential Rates and Bill Impact

Average Residential Customers	Gas	Electric	Total
Rates After Tax	\$0.076	\$0.001992	
Monthly Bill Impact	\$0.76	\$ 1.29	\$ 2.05
Annual Bill Impact	\$9.12	\$15.54	\$24.66

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Commercial & Industrial Bill Impact - Gas

Program	Total Gas USF/Lifeline Revenues from all gas customers	GAS Revenues from C&I:	Bill Impact of USF and Lifeline
Year			
2015 -2016	\$42,068,643	\$19,184,228	Not available*
2016 - 2017**	\$52,896,749	\$23,874,786	Not available*

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

**Data for the utilities includes actual information from 10/1/2016 through 3/31/2016 and estimated data for 4/1/2017 through 9/30/2017.

Commercial & Industrial Bill Impact – Electric

Program	Total Electric USF/Lifeline Revenues from all electric customers	Electric Revenues from C&I:	Bill Impact of USF and Lifeline
Year			
2015 -2016**	\$200,253,558	\$123,056,880	Not available*
2016 - 2017***	\$186,195,125	\$115,218,711	Not available*

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

** RECO'S C&I revenue is calculated as approximately 53.5% of total USF/Lifeline revenue.

** Data for the utilities includes actual information from 10/1/2016 through 3/31/2016 and estimated data for 4/1/2017 through 9/30/2017. RECO'S C&I revenue is calculated as approximately 53.3% of total USF/Lifeline revenue.

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- **What factor(s) contribute to the continued annual decline in the number of households receiving USF and “Fresh Start” benefits since program year 2011? What factor(s) account for the steep decrease in the amount the average natural gas residential ratepayer paid to support the USF in program year 2016 in comparison to program year 2015 when the average electric residential ratepayer actually paid more? How does the BPU allocate the cost of the programs between electric and natural gas utilities?**

Program Year	USF Households Enrolled	USF Accounts Enrolled	Fresh Start Households Enrolled**	Fresh Start Accounts Enrolled
2015-2016	201,419	224,051	14,009	15,779
2016-2017*	158,124	205,261	11,127	12,507

**data only available October 2016-February 2017*

***estimates*

Program Year	USF Credits Applied	Fresh Start Credits Applied
2015-2016	\$154,718,802	\$8,811,580
2016-2017*	\$53,861,538	\$2,190,949

**data only available October 2016-February 2017*

- **What factor(s) contribute to the continued annual decline in the number of households receiving USF and “Fresh Start” benefits since program year 2011?**

Department of Community Affairs, the USF/LIHEAP program administrator, states that this heating season, applications are down by eight percent and they attribute the decrease to improved household incomes. A reduction in USF enrollment would likely result in a reduction in Fresh Start enrollment. In response to this reduction in applicants for USF, DCA increased their usual outreach efforts this spring to the low-income energy assistance population through a recent radio ad campaign. 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

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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 is also possible that falling natural gas prices (or a warm winter) can help a customer in Fresh Start meet the requirements of the program and achieve energy debt forgiveness.

- **What factor(s) account for the steep decrease in the amount the average natural gas residential ratepayer paid to support the USF in program year 2016 in comparison to program year 2015 when the average electric residential ratepayer actually paid more? How does the BPU allocate the cost of the programs between electric and natural gas utilities?**

USF costs are allocated based on estimated benefits, which also takes into consideration the historical issuance of benefits. This approach of allocating USF costs based on estimated benefits results in the percentage differences between electric and gas utilities. The rates to support the program are based on a combination of actual and estimated revenue collections for gas and electricity, which may result in an over or under recovery for the program year. At the beginning of program year 2016 there was a gas over recovery which meant that gas residential ratepayers saw a decrease in the amount they paid to support the USF program for that year.

5. The FY 2017 Appropriations Act redirected some \$161.0 million from the dedicated, off-budget Clean Energy Fund into the General Fund as State revenue. In responding to BPU Discussion Point #3 in the OLS FY 2016-2017 Department of the Treasury Budget Analysis the BPU did not directly address questions related to how the diverted Clean Energy Fund balances would have been used absent the transfer of revenues to the State's General Fund.

In prior years, the BPU stated that the transfer of revenues from the fund would not affect the operation and administration of the Clean Energy Program. The transfers did, however,

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keep BPU staff from recommending that fewer funds be raised from electric and natural gas ratepayers in support of the program, and may be a contributing factor in the BPU's decision to work with the current program administrator to transition the program from one that is based on incentives and rebates to new, market-based programs.

As explained to the OLS in response to BPU Discussion Point #4 in the OLS FY 2016-2017 Department of the Treasury Budget Analysis, this transition to market-based programs is to be accomplished in several steps and is to involve the expansion of available program financing options such as financing from credit unions and the expansion of on-bill financing options to be offered by several utilities. In general, the continued expansion of financing programs would result in customers paying a higher percentage of program costs, thereby enabling the program to reduce rebate levels over time and possibly to reduce the amount of Clean Energy Fund resources needed to pay for the program.

The Governor's FY 2018 Budget Recommendation includes a proposal to transfer another \$161.0 million from the Clean Energy Fund into the State General Fund in FY 2018. The table below shows the transfers authorized by the FY 2017 Appropriations Act and the Executive's proposed additional FY 2018 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 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.

Clean Energy Fund Diversions		
FY 2017 and FY 2018 Governor's Budget Recommendation		
Fund Usage	FY 2017 Est. (Feb. 2017)	FY 2018 Proposed (Feb. 2017)
State Utility Costs	\$52,500,000	\$52,500,000
NJ Transit Utility Costs	\$82,089,000	\$82,089,000
Parks Management	\$19,972,000	\$19,972,000
Office of Sustainability and Green Energy (DEP)	\$3,700,000	\$3,700,000
BPU Clean Energy Fund Administrative Expenses	\$2,735,000	\$2,735,000
TOTAL	\$160,996,000	\$160,996,000

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 2018, as those amounts are displayed in the annual Governor's Budget proposals. (Page 70 of the Supplementary Information published with the online version of the Governor's FY 2018 Budget Recommendation exhibits the data for FY 2016, FY 2017, and FY 2018.)

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Clean Energy Fund Revenues and Expenditures FY 2008 – FY 2018				
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
2016	\$469,756,000	\$161,800,000	\$115,234,000	\$192,721,000
2017 est.	\$538,590,000	\$219,005,000	\$160,996,000	\$158,589,000
2018 est.	\$504,504,000	\$197,052,000	\$160,996,000	\$146,455,000

As illustrated above, the Clean Energy Program has produced surplus balances in recent years. In the past, BPU has explained that these surplus balances are due to the fact that the BPU allocates specific dollar 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 that are approved for funding.

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. In reply to BPU Discussion Point #3 in the OLS FY 2016-2017 Department of the Treasury Budget Analysis, the BPU indicated that the transition to a single program administrator would support continuous improvement in financial management of the program, including more rigorous analysis of program performance.

New Jersey ratepayers finance the Clean Energy Program through the societal benefits charge that is 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 throughout the State.

- **Questions: Please comment on the impact on the Clean Energy Program of the Executive's proposed transfer of \$161.0 million in fund balances into the State General Fund in FY 2018. Has the BPU increased or will it increase the Clean**

Discussion Points (Cont'd)

Energy Fund component of the societal benefits charge for FY 2018 to cover this additional expense? Is the BPU's decision to transition the program from incentives and rebates to new, market-based programs, such as financing programs, motivated by a need to cut costs in the face of a fiscal squeeze brought about by the recurring diversion of Clean Energy Fund resources?

- **Absent the additional proposed diversions from the fund, how would the BPU spend the \$161.0 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 \$161.0 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 collected from electric and natural gas ratepayers?**

The BPU expects to have sufficient resources to fund all Clean Energy Program (CEP) needs in FY17 and FY18, including growth for key programs and state energy initiatives.

The BPU's Office of Clean Energy (OCE) is proceeding with its Comprehensive Resource Analysis (CRA) to establish CEP funding. For FY18, the OCE is proposing no change to the CEP's portion of Societal Benefits Charge (SBC) funding (\$344,665,000). Once approved by the Board, CEP funding will be allocated according to program need through the OCE's annual budgeting process.

Regardless of funding level, the BPU continues to seek the optimal use of available resources, including exploration of market-based solutions such as financing versus rebates. Completion of the CEP's strategic planning process, expected in early FY18, will inform future decisions regarding SBC funding, program design, and resource allocation.

6. 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 would over the life of its contract 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

Discussion Points (Cont'd)

of the program. Under the previous 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 confusion and delay.

AEG commenced management of the Clean Energy Program on March 1, 2016. In accordance with a contract amendment, dated November 29, 2016, the contract was transferred to TRC Environmental Corporation with the amendment stating that all contract pricing terms and conditions remained unchanged. On January 17, 2017, TRC Companies, Inc. of Lowell, Massachusetts announced it had acquired the contract to serve as administrator of the program. In making the announcement, TRC indicated that the change in program administrator would be seamless, largely because of the fact that all of the staff who had been working for AEG in fulfillment of its contract as program administrator were expected to be joining TRC and continuing to work in the same capacity.

As the single program administrator, TRC is 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 and now TRC is to assist BPU staff in preparing a strategic development plan to transition the Clean Energy Program from a program based on incentives and rebates to new, market-based programs that involve an expanded array of financing options, including financing provided through credit unions and on-bill financing options offered by several utilities.

In response to BPU Discussion Point #3 in the OLS FY 2016-2017 Department of the Treasury Budget Analysis, the BPU indicated that at that time it was working with AEG to initiate a strategic planning process that would result in the development of a full-fledged plan to serve as a roadmap for the design and implementation of programs beginning in FY 2018. As part of the planning process, AEG and the BPU would during FY 2017 seek input from stakeholders as well as those who had perspectives and insights that can help the program in meeting objectives laid out by the BPU. It was expected that stakeholder input received during the planning process would allow for the better articulation of key program objectives and the development of operating principals to shape program design and future budget allocations.

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 (N.J.S.A.48:3-49 et al.), and currently provides financial and other incentives to the State's residential customers, businesses, and

Discussion Points (Cont'd)

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.

- **Questions: Please provide a status update on the strategic planning process that was initiated during FY 2017. How has the planning process been undertaken, and what have been the specific roles assigned to the BPU and the program administrator during the process? What actions have been taken to solicit input from stakeholders? How many stakeholders have participated in the planning process, and how has the participation of stakeholders and others helped shape the future design and budget allocations for the Clean Energy Program?**

This Strategic Plan represents the culmination of a year-long process intended to establish programmatic objectives to guide decision making regarding New Jersey's Clean Energy Program (NJCEP) goals, implementation and resource allocations. The process of formulating the Strategic Plan included the development of Objectives and Operating Principles by the Board and Board Staff, the solicitation of stakeholder feedback in a variety of program areas through facilitated focus groups and the submission of written comments, a survey of industry best practices for clean energy programming, and meetings with New Jersey's utilities to identify paths for improved program coordination. BPU held 9 public stakeholder meetings. We also held separate meetings with the utilities, rate counsel, and the New Jersey Utilities Association.

Participant perspectives were sought on a series of broad, open-ended questions, including the following:

- What do you think the most important job of the NJCEP is?
- What should the programs be focused on achieving?
- In your experience, what aspects of the NJCEP are most important to maintain in the face of any potential changes?
- In your experience, what aspects of the NJCEP should be changed to improve the programs' performance?
- Are there potential energy savings that the NJCEP is not currently capturing for the state? What do you think it would take to capture those savings?
- Are there emerging opportunities for the NJCEP to capture additional energy savings through new technologies or program approaches?

While there were many program-specific responses, broad themes emerged that were heard in many of the meetings. These included the following:

- It needs to be easier to participate in the programs.

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- Contractors and customers need more flexibility, as project needs cannot always be made to fit within program requirements.
- The programs need to be faster and more responsive.
- In the absence of NJCEP marketing contractors are struggling to engage customers in doing projects.

These themes were considered and incorporated in the process of making recommendations for a long-range program design.

- **Does the BPU expect the strategic planning process and the development of a strategic development plan for the Clean Energy Program to be complete in time to affect the design and implementation of programs beginning in FY 2018? If not, why not and when will the strategic plan be completed? Please also describe the overall strategic direction for the program under the strategic development plan under development and any changes to the existing program. What is the timeline for implementing any changes?**

Yes, the Strategic Plan will be completed in time to inform program implementation for the beginning of FY18. Based on the information gathered through the stakeholder engagement process, survey of industry best practices, and analysis of existing programs, certain program modifications will be proposed for FY18.

The Strategic Plan covers FY18-FY21. As such, some modifications will be implemented in FY19 and beyond. In general, the following themes were applied to program designs:

- Increased flexibility for customers and contractors.
- Broad definition of project types to recognize that different customers will pursue different types of projects.
- Program consolidation for easier customer access, and so that customers do not have to do the work of figuring out which program is best-suited to their needs.
- Participation tiers within program areas so that customers are not limited to either one-for-one replacements or comprehensive approaches, but can participate in ways that are suited to the projects they want to pursue.
- Simplified participation so that administrative requirements for customers and contractors are less confusing and burdensome.
- Program innovation and new technology for continuous improvement of program offerings.
- Increased access to financing for specific program areas where it can increase participation and reduce program incentive costs.

Discussion Points (Cont'd)

- **How much money did the BPU budget for the strategic planning process and the development of a new strategic development plan? How much has been expended by the BPU and the program administrator to date to initiate the process and develop the plan?**

The Strategic Plan does not have a separate budget line item. The cost for this task is embedded within the fixed fees of the program administrator's contract. The monthly fixed fees cover program administration of all NJCEP programs, including but not limited to: ongoing program design and development; program management and client meetings; participation tracking and reporting; savings calculation reporting reporting; customer service; QA/AC management; and other tasks. The fixed fee for year-1 of the contract (December 2015-November 2016) was \$1,055,149/month. The fixed fee for year-2 of the contract (December 2016-November 2017) is \$1,046,151/month.

- **Please set forth the reason(s) for assigning AEG's program administration contract for the Clean Energy Program to TRC Environmental Corporation. How has the transition to TRC Environmental Corporation affected the administration of the program, if at all? Has the transition been seamless? Has the personnel administering the program remained the same after the contract reassignment?**

AEG was a wholly owned subsidiary of Ameresco Inc. During the fall of 2016, BPU learned that Ameresco intended to sell AEG and that TRC was an interested buyer. In January 2017, TRC closed the deal with Ameresco and acquired AEG. As part of the acquisition, TRC acquired the program administration contract. As a result, it was necessary to assign the contract from Ameresco/AEG to TRC.

A key aspect of the contract assignment was that NJ would receive the same or better level of service; and, there would be little to no interruption of service. To this end, TRC hired the AEG team that was supporting the contract. To date, the former AEG employees have been integrated into the overall TRC organization and are continuing to manage the planning, policy and operational aspects of the program out of the New Brunswick, NJ office. The acquisition contemplated a 60-day transition, which is now complete.

7. 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.

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New Jersey Statewide Heating Assistance and Referral for Energy Services (NJ SHARES) was the contractor responsible for providing assistance to utility ratepayers from 2001-2013. 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 December 2015, PAGE was provided with an additional \$4.6 million Unclaimed Utility Deposits Trust Fund payment.

In response to BPU Discussion Point #8 in the OLS FY 2016-2017 Department of the Treasury Budget Analysis, the BPU indicated that since the program was established in January 2014 through March 2016 the PAGE program distributed \$4.4 million in grants to 3,625 households. In program year 2014-2015 (the only full program year for which data are available), the average gas benefit applied to eligible accounts was \$562, the average electric benefit applied to eligible accounts was \$579, and the average combined gas and electric benefit applied to eligible accounts was \$898.

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
Grants Distributed	\$1,683,554	\$2,195,730	\$519,820
# of Grants Applied to Accounts	2,215	3,090	765
Avg. Gas Benefit	\$580	\$562	\$480
Avg. Electric Benefit	\$565	\$579	\$588
Avg. Gas and Electric Benefit	\$990	\$898	\$848

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 energy providers. 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. Further, 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

Discussion Points (Cont'd)

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 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 gas, electric, and combined gas and electric benefit amounts during the program year beginning in October 2015 and the program year beginning in October 2016.**

PAGE Program	Oct 2015 - Sept 2016	Oct 2016 - March 2017
Applications Submitted	7,779	4,918
Households Assisted	775	523
Grant \$ Distributed	\$661,493	\$397,694
# of Grants applied to accounts	997	607
Average Benefit Gas	\$466	\$433
Average Benefit Electric	\$590	\$600
Average Benefit Gas & Electric	\$829	\$845

- **Please specify the date and amount of each Unclaimed Utility Deposits Trust Fund payment that has been made to the AHA for operation of the PAGE Program since inception. Will any additional payments be made to AHA during the remainder of FY 2017 or in the upcoming fiscal year? If so, when will each payment be made and what is the expected amount of each payment? Is the alliance permitted to deduct from Unclaimed Utility Deposits Trust Fund payments administrative expenses incurred to operate the program? If so, how much has been deducted to date? What is the total amount the alliance has been paid to administer the program?**

Payment	Amount
December 2013	\$2,693,371
December 2014	\$4,039,469
January 2016	\$4,580,567
June 2016	\$1,400,628
January 2017	\$2,620,752
Total	\$15,334,787

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As you can see from the table above, most payments are disbursed by Unclaimed Property at the end or the beginning of the calendar year.

- **Please specify the date on which the current contract with AHA for the administration of the program is set to expire. Does the current contract contain any provisions allowing contract extensions? If so, what are the conditions under which the contract can be extended?**

AHA was awarded a five year contract that began in State Fiscal Year 2014 and will continue until the end of State Fiscal Year 2018 with 120 days to close out the program.

8. Information contained in the December 2015 Update to the December 2011 New Jersey Energy Master Plan released by the BPU indicates that New Jersey's four nuclear power plants (located at two separate sites) produce, on average, about 50% of New Jersey's electric power. Because nuclear power plants do not emit greenhouse gases and criteria pollutants, nuclear power generation has been a component of the State's clean energy portfolio.

However, the continued reliability of the electric power produced by in-State plants has recently been called into question as one of the plants, Oyster Creek, is scheduled to be retired in the near future and certain adverse economic conditions are reported to have had a negative impact on the financial sustainability of the remaining plants. According to information made available by one of the regulated utilities that operates nuclear power plants in this State, the adverse economic conditions that erode the competitiveness of nuclear power generation in this State include: 1) low natural gas prices that favor gas-fired power plants; 2) increased costs of federal regulation of nuclear power; and 3) emissions credits for renewables like wind and solar that reduce the financial challenges faced by renewable energy companies.

These adverse economic conditions have contributed to the closure or permanent shut-down of some plants in other states and have led the producers of nuclear energy and certain others to petition state lawmakers for grants and other subsidies to improve their financial sustainability. For instance, it has been reported in the press that New York recently provided certain subsidies to be paid by electric customers (reportedly totaling \$965 million over two years) to producers of nuclear power in that state to keep three plants in operation.

In New Jersey, legislation providing similar subsidies to support nuclear power generation has not been approved, but conversations to that end are reportedly underway. In February, the chairman, president, and CEO of the State's largest regulated utility, which owns three

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nuclear power plants in South Jersey, acknowledged the existence of these discussions with State policymakers.

- **Questions: What adverse economic condition(s), if any, currently have an impact on the financial sustainability of nuclear power in this State? Are there any adverse economic condition(s) unique to New Jersey? If so, please specify the condition(s) and describe the impact on the nuclear plants currently in operations.**

New Jersey currently has three nuclear power plants: Oyster Creek (owned by Exelon and which is slated to close on December 31, 2019); and Salem and Hope Creek, which are majority owned by Public Service Electric Gas Power ("PSEG"). Nuclear units in general have concern about being able to compete in a market that includes subsidized and lower cost generation. The cost to run a natural gas generator has decreased and driven market prices down. Nuclear generators, by contrast, may have higher costs than gas generators because of the additional federal regulations imposed upon nuclear generation. These market conditions are not unique to New Jersey. Nuclear units in other parts of the country have experienced a combination of declining revenues and rising costs, which, when combined with lower cost competition, have threatened their financial viability.

- **Do the financial concerns raised by nuclear power providers in this State have merit? Are certain existing plants susceptible to closure if the State does not take certain actions to improve the relative competitiveness and financial viability of nuclear power plants? What would the short-term and long-term impacts to the State and energy consumers be if one or more nuclear power plants in this State were temporarily closed or were permanently shuttered?**

Because the BPU does not regulate the nuclear industry, the BPU does not have the capacity to verify the financial concerns expressed by the nuclear industry in New Jersey. Nevertheless, PSEG has reported in its most recent quarterly earnings calls that its nuclear facilities are currently profitable. PSEG is not losing money on operations costs. The current cash flow position is profitable at the present time; however, PSEG expresses concern that the increase in O&M and fuel costs and the decrease in capacity prices and energy sales may result in negative cash flows in the future. If this trend continues, the company's profitability could deteriorate.

The BPU will monitor what the impacts might be if the nuclear power plants in this State were temporarily closed or permanently shuttered.

Discussion Points (Cont'd)

- **Does the BPU agree that the State should provide financial assistance to nuclear power plant operators? Is the BPU actively engaged in discussions with nuclear power providers for the provision of grants or other subsidies? What have been the major tenants of those discussions, if any, and what types of grants or subsidies are currently being considered? Have nuclear power providers previously been provided State-supported benefits to subsidize their operations? If so, please elaborate on the benefits that have been provided.**

New Jersey is a restructured state, and as such, the NJBPU no longer exercises authority to implement or even oversee the planning or development of traditional baseload electric generation facilities. The NJBPU now relies upon properly functioning competitive markets to provide the quantity and composition of baseload generation resources needed for New Jersey electric customers.

So the issue the NJBPU has been focused on is whether the markets are functioning properly and whether the market can adequately support existing generation like the nuclear units. The BPU has discussed with the power providers whether the marketplace, by and through the ISOs/RTOs, like PJM (the regional operator that operates the electricity grid for NJ and 12 other states and the District of Columbia) should consider a construct to capture the value of these types of generation assets.

Other states in the Northeast and Midwest have made policy decisions to embrace state specific measures to support certain generation especially in the absence of any federal or regional solution. If the Legislature or the Governor considers a different policy direction on this issue, then the NJBPU would certainly pursue that position. The NJBPU will remain engaged in thoughtful discussions with other federal, regional and state organizations, and the industry, about this topic.

Nuclear power providers have previously been provided with State-supported benefits because there were stranded costs paid for by ratepayers at deregulation. The total book value for Salem and Hope Creek at deregulation was \$5.810 billion. Ratepayers had already paid \$2.1 billion for these plants, leaving \$3.710 billion. PSEG was allowed to recover \$2.940 billion in stranded costs and wrote off the remaining \$770 million. Accordingly, the ratepayers of New Jersey have already contributed to the costs of these plants.

9. Last January, the BPU announced it had initiated the process of considering a request filed by Neustar, the Federal Communications Commission's designated North American Numbering Plan Administrator, seeking the implementation of an all-services distributed

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overlay. The request seeking the implementation of the overlay is being filed by Neustar to provide relief for the 609 area code.

In making its request, Neustar informed the BPU that the 609 area code exhaustion date (i.e. the date by which all available phone numbers within the 609 area code will be in use) has been moved up to the third quarter of 2018. According to information provided by Neustar, the original 609 area code exhaustion date in 2019 has been accelerated due to increased demand for numbers in the area code.

The all-services distributed overlay being considered by the BPU would assign a new, additional area code to the 609 area code geographic area, and require that all new requests for phone numbers within the 609 area code be assigned the new area code. Existing customers would retain their current telephone number, but be required to change to a 10-digit dialing system within the geographic area, and add 1 to the 10-digit dialing systems when dialing between geographic areas or zones with other area codes.

To evaluate Neustar's request, the BPU held a public hearing, and opened a public comment period regarding the request that was scheduled to close on February 27, 2017. The BPU indicated that it would rule on the request at a later meeting after public comment has been reviewed. If approved, the all-services distributed overlay would be phased in over a 15-month period. According to the BPU, the phase-in would begin with a seven-month Network Preparation and Customer Education program, and be followed by a seven-month Permissive Dialing-period during which customers have the option to continue using seven-digit or 10-digit dialing. Once implemented, the new area code is expected to last for 46 years.

- **Questions: Please provide an update on the status of Neustar's request seeking implementation of an all-services distributed overlay to provide area code relief for the 609 area code. Has the request been reviewed and approved? If not, when does the BPU expect a decision to be made regarding the request?**

The petition was approved by the BPU at its April 21, 2017 Board Meeting.

- **How many customers would be impacted by the change, and how would these customers be affected? How many people attended the public hearing held by the BPU in February, and how many submitted comments regarding the proposed change? Please provide a summary of the public comments that were received.**

The overlay affects all customers in the 609 area code. There will be no change required to the phone numbers of existing customers; however they will be required

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to transition from 7- to 10-digit dialing. All calls made within the 609 area code would have to be dialed using the 3 digit area code and the 7 digit telephone number.

On February 23, 2017 a public hearing was held. No members of the public attended.

Written comments were received from the Industry (consisting of AT&T, Sprint Communications LP, T-Mobile, and Verizon, who filed jointly), Rate Counsel and three members of the public.

Both the Industry and Rate Counsel supported the overlay, with Rate Counsel recommending that certain expanded customer education and outreach provisions be required.

Of the three public comments, two of the public commenters supported the industry proposal while one indicated displeasure for the required conversion to ten digit dialing for all calls.

- **Please describe the BPU's role in the expected seven-month Network Preparation and Customer Education program. What steps or specific actions does the BPU expect to take to implement the program? What are the potential costs involved in implementing the program, and how are those costs expected to be funded?**

NeuStar has announced the assignment of the new area code. Neustar will next convene an implementation meeting via conference call, with notice to the industry, to develop implementation interval dates for the proposed 15 month implementation plan, which includes a permissive dialing period and a mandatory dialing period before the new area code is initiated.

Board Staff will participate in all Industry meetings and provide input on the development of educational materials and technical parameters of the network preparation to ensure they address all populations affected by the new area code, including the provision of multi-lingual material and translation support, and outreach to customers who utilize the State's telecommunications relay services for the hearing and speech impaired, senior citizens, and other disabled customers.

NeuStar has specific guidelines which will be utilized to ensure all of these issues are addressed, and includes comprehensive planning letters to advise the industry, as well as standardized bill insert templates for the industry to use to inform customers. Press releases will be made available both before the start of the permissive dialing period, and immediately prior to the mandatory dialing date, as well as "informative" letters that are sent to the Alarm Association, the directory printers, the Pay Phone

Discussion Points (Cont'd)

providers and the State E-911 coordinator to advise the PSAPs of the area code change.

The Industry will be responsible for notifying customers of these changes, and therefore there is no expected cost to be incurred by the Board.

10. The Governor's FY 2018 Budget Recommendation for the BPU includes \$2.3 million in federal funds for the upcoming fiscal year. Of that \$2.3 million in federal funds, \$1.1 million is recommended to be appropriated in connection with a pipeline safety grant that is used to carry out inspection and enforcement activities of intrastate pipeline facilities, \$25,000 is recommended to be appropriated for a separate pipeline suspension funding grant, and \$1.1 million is recommended to be appropriated through a State Energy Program grant administered by the federal Department of Energy.

The BPU also is indirectly impacted by certain other federal funds that are annually appropriated to the Department of Community Affairs for the administration of the Low Income Energy Assistance Program (LIHEAP), which helps New Jersey households pay for heating costs and certain medically-necessary cooling expenses. While the BPU does not administer the federal funds appropriated for the program directly, the goals and objectives of LIHEAP are closely intertwined with the goals and objectives of certain other energy assistance programs financed by the BPU and LIHEAP benefit awards serve as the starting point in evaluating the need for other energy assistance benefits.

In March, the President released a federal budget blueprint outlining the major tenants of a proposed spending plan for the upcoming federal fiscal year that begins in October. As part of that proposal, the Administration has indicated plans to cut federal funding for certain domestic spending programs, including a proposal to eliminate funding for LIHEAP and a proposal to eliminate funding for the State Energy program as a means to reduce federal intervention in state-level energy policy.

These proposed federal budget cuts have not been approved by Congress, but some states and local communities that are heavily dependent on federal spending plans have started to develop and implement contingency plans in the event that federal funds are reduced or eliminated for specific programs. As part of these plans, some of these states and local communities that receive federal funds have attempted to build up reserves or stop making new spending commitments in anticipation of the potential changes.

Questions: Please detail the allocation and spending of the \$2.3 million in federal funds recommended for appropriation in FY 2018.

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It is premature to speculate on the impact of reduced federal funding prior to enactment of the final 2017 and 2018 federal budgets. BPU's plan for staffing and program activities remains as it is presented in the FY 2018 Governor's Budget.

The \$2.3 million in federal funds received by the BPU is used as follows:

- \$1.1 million pipeline safety grant for inspection and enforcement activities of intrastate pipeline facilities, including, but not limited to, staff salary and benefits, training, travel, office space rental costs, personal protective equipment, and other program equipment and supplies
- \$25,000 for a separate pipeline suspension funding grant
- \$1.1 million from USDOE for the State Energy Program (SEP) Grant, which includes \$200,000 for the Alternatively Fueled Vehicles (AFV) Program and \$896,140 which is offered to ratepayers who do not contribute to the Societal Benefits Charge, such as those who receive their electricity from a municipal electric utility, or use oil or propane, and funds the following programs:
 - The Home Performance with ENERGY STAR Program,
 - The HVAC Program, and
 - The Direct Install Program
- **Has the BPU developed a contingency plan that addresses the potential loss of some or all of the federal funds recommended for appropriation? If so, what does that contingency plan entail and what future actions would the BPU be required to take to absorb the reduction in federal funding?**

It is premature to speculate on the impact of reduced federal funding prior to enactment of the final 2017 and 2018 federal budgets. BPU's plan for staffing and program activities remains as it is presented in the FY 2018 Governor's Budget.

- **What would be the short-term and long-term impacts to the BPU if federal funds that are annually appropriated to the State were eliminated? How would the loss of federal funds for LIHEAP affect the portfolio of energy assistance programs financed by the BPU? Would the loss of LIHEAP funding result in an increase of the societal benefits charge rate or a redistribution of Universal Service Fund and Clean Energy Fund monies to compensate for the loss of energy assistance that LIHEAP currently provides?**

Absent the enactment of a federal budget, the BPU is unable to speculate as to the impacts of lost federal funding.

Discussion Points (Cont'd)

11. New Jersey is to expand its solar energy generation capacity substantially to meet the gradually rising solar targets of the Renewable Portfolio Standard (RPS) prescribed by subsection d. of N.J.S.A.48:3-87. According to this standard, solar energy must comprise 3.00% of New Jersey electricity sales in energy year 2017 (June 2016 through May 2017), 3.20% in energy year 2018, 3.29 percent in energy year 2019, and 4.1 percent by energy year 2028.

The State has set up a price-support system to facilitate the solar capacity investments needed to meet its solar targets. The system has three basic elements: 1) solar targets, which create a demand for solar energy by requiring electric power suppliers and basic generation service providers to meet solar quotas; 2) Solar Renewable Energy Certificates (SRECs), which are issued for every megawatt-hour (MWh) of electricity generated by solar power installations and are sold separately from the generated electricity; and 3) 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 price support system's cost, a declining price ceiling applies to SRECs in the form of Solar Alternative Compliance Payments (SACP). Electric power suppliers and providers may make alternative payments to the BPU instead of purchasing SRECs to meet their solar quotas. The OLS calculates that the solar targets cost ratepayers \$287 million in energy year 2014, \$343 million in energy year 2015, and \$385 million in energy year 2016; based on a BPU response to BPU Discussion Point #16 in the OLS FY 2014-2015 Department of the Treasury Budget Analysis that it expected the cost of RPS compliance to increase by \$56 million in energy year 2015 as a consequence of the RPS solar target rising from 2.05 percent of all electricity sold in New Jersey to 2.45 percent, all other variables being constant.

Instability has defined the SREC market until more recently. After a precipitous drop that prompted statutory revisions to the SREC market in 2012, the weighted average monthly SREC price stabilized at around \$180 per MWh in energy year 2014 and has gradually increased to about \$227 per MWh for the first eight months of energy year 2017. In fact, the weighted average monthly SREC price for December was \$612 per MWh in 2010, \$369 in 2011, \$215 in 2012, \$176 in 2013, \$179 in 2014, \$212 in 2015, and \$226 in 2016. SREC prices tumbled in 2011 and 2012 in response to an unanticipated surge in solar energy supply. The surging supply, in turn, arose from market responses to previously high SREC prices, temporarily enhanced federal incentives, and declining prices for photovoltaic panels. Concerned that the low SREC price levels might deter the installation of additional solar energy generation capacity and thereby jeopardize the attainment of long-run RPS solar targets, the State enacted P.L.2012, c.24 to stabilize the market.

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That law altered the market's structure by: 1) restricting future SREC supply through a new limitation on the construction of large-scale solar power generation facilities on farmland; and 2) lifting SREC demand through the imposition of more aggressive RPS solar targets starting in energy year 2014. The law also sought to control the solar targets' cost on ratepayers by replacing the previous regulatory ceilings on SREC prices with significantly lower statutory caps. With the average SREC price hovering around \$180 per MWh, the BPU noted in response to BPU Discussion Point #16 in the OLS FY 2014-2015 Department of the Treasury Budget Analysis that SREC prices were sufficient to induce continued investments in solar energy. At that time, the Board projected a gradually accelerating SREC oversupply so that retail electricity suppliers and basic generation service providers should have no difficulty finding SRECs on the spot market for the foreseeable future.

- **Questions: Please comment on the current state of the Solar Renewable Energy Certificates (SRECs) market. How many registered SRECs have and have not been traded in energy year 2017? By what month were all the SRECs sold that are required to meet the energy year 2017 solar quota? How much solar energy generation capacity has been added to the market in energy year 2017?**

The state of the New Jersey SREC market is strong. SREC prices were sufficient to motivate a record number of New Jersey solar installations in 2016. While not truly a "price support" in the conventional use of the term in economic spheres, the anticipation of a revenue enhancement from SREC sales has resulted in consistent levels of solar development across the state.

The Board's Renewable Portfolio Standard (RPS) rules provide for an SREC registration program that registers solar facilities for SREC eligibility. The RPS rules also designate the PJM-EIS Generation Attribute Tracking System (GATS) as the tracking platform for SREC creation and RPS compliance. PJM-EIS reports in the publicly available reports that eligible solar facilities have created over 1.49 million SRECs from electricity generated in energy year 2017 (EY17) through April 2017. GATS reports that these SRECs have been traded in over 1.8 million transactions but only 8,872 EY17 SRECs have been retired. There are also 210,000 SRECs that were created in prior energy years that remain available for retirement in EY17.

For NJ RPS compliance purposes, SRECs can be sold without limit throughout the energy year but only retired once. Owners of eligible solar systems may submit meter readings toward the creation of SRECs at any time throughout the RPS true up period which ends on October 1 each year. If EY17 retail sales of electricity remain consistent with recent years at 75 million MWh, then the RPS obligation of 3% will require 2.25 million SRECs to be retired by Third Party Electric suppliers and providers before October 1, 2017. NJ currently has over 2.1 gigawatts of installed solar capacity that is eligible to create EY17 SRECs. This amount of capacity can produce

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more than 2.52 million SRECs annually. The NJ SREC market in EY17 will have ample supply.

Nearly 17,400 solar installations totaling more than 280 MWdc have received permission to operate from their Electric Distribution Companies from June 2016 through March 2017.

- **Does the BPU detect an acceleration or slowdown in the construction of new solar energy generation capacity? If so, what factor(s) account for the acceleration or slowdown? If not, is it defensible to assume that solar generators find the creation of new solar capacity sufficiently profitable at current SREC prices? What percentage of the energy year 2016 solar target of 2.75% of electricity sales in New Jersey did electric power suppliers and basic generation service providers meet through SRECs and through the alternative SACP payments to the BPU?**

New Jersey saw an increase in solar development activity (installations and new project registrations) in calendar year 2016 over 2015, 2014 and 2013 levels. Over 21,000 solar installations for 385 MWdc, the second largest installed capacity since 2012's 417 MWdc, received permission to operate in calendar year 2016. By contrast, calendar year 2015 had almost 13,000 installations totaling 193 MWdc.

There are many factors which determine the profitability of solar capacity investments. Given the record number of installations in calendar year 2016, it is safe to assume that SREC prices were sufficient in calendar years 2015 and 2016. The current pipeline of new registrants seeking to enter the NJ SREC market, over 14,700 projects totaling 435 MWdc, indicates that current prices are also sufficient.

More than 99% of the EY16 RPS solar obligation was met with SRECs.

- **How significant is the risk that the SREC supply will be insufficient to meet the rising solar targets in energy years 2017 and 2018 and that electric power suppliers and basic generation service 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 2017, 2018 and 2019 solar quotas?**

There is little risk that SREC supply will be insufficient to meet the EY17 or EY18 requirements.

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12. 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 has 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

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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 have been implemented at the Department of Transportation’s facility in Ewing and the Katzenbach School in West Trenton. Several other energy audits are ready for implementation, or are in progress, at the following facilities: Bayside State Prison in Leesburg; Southern State Prison in Leesburg; Edna Mahan Correctional Facility in Clinton; Trenton Psychiatric Hospital in Trenton; and Ancora Psychiatric Hospital in Hammonton.

- **Questions: Please provide an update on the activities and initiatives undertaken by the State Energy Office during FY 2017. What projects or energy-related improvements are planned or expected to be undertaken by the office in FY 2018? What is the source of funds that will be used to finance those projects and what is the estimated cost in the upcoming fiscal year?**

The State Energy Office completed the LED / high efficiency lighting project at the State House Parking Garage and the State House complex outdoor plaza area. The total cost to date is \$256,457 and the anticipated savings is \$74,057 annually.

Additional LED surface lighting projects are in design phase for the Distribution Center and the Bank Street Parking Garage. It is estimated that these two projects will cost \$429,440 and the combined energy savings will total \$93,500 annually.

The funding for all LED lighting projects is from remaining ARRA funds and does not impact the State budget.

The SEO and DPMC initiated a project to replace the building automation system in the Hughes Justice Complex in FY17. The project is currently in design and is estimated to cost a total of \$5.7 M. Construction will start in FY18 (Jan 2018) and continue until FY19 (August 2018). The estimated energy savings will be \$624,418 annually. This project has been funded with an appropriation from the Clean Energy Funds.

- **Please provide a status update on the energy audits that have been implemented or are in progress at Bayside State Prison, Southern State Prison, Edna Mahan Correctional Facility, Trenton Psychiatric Hospital, and Ancora Psychiatric Hospital. For those that have been completed, what were the findings or opportunities for improvement identified by the audit? For those that are in progress, what steps will be taken to complete the audit in FY 2018? What unique challenges does the office face in conserving energy or making energy-efficiency improvements to the correctional and psychiatric facilities**

Discussion Points (Cont'd)

that have been audited? Are there similarities or differences that have been observed in undertaking audits of these facilities?

Audits have been conducted and completed at the following Dept. of Corrections facilities during FY 17:

- Bayside State Prison
- Southern State Correctional Facility
- Garden State Youth Correctional Facility
- Albert C. Wagner Youth Correctional Facility
- South Woods State Prison
- Edna Mahan Correctional Facility

The audits for the Department of Human Services psychiatric hospitals at Trenton and Ancora are currently in progress at both locations.

The challenge in these types of facilities is the limited access for audit firms to be able to obtain information from “secure” areas. This results in the need for an “escort” and requires careful scheduling and security manpower, often resulting in delays to the schedule.

- **Please provide a status update on the contract entered into with Banc of America Public Capital Corp. on October 7, 2013 and the Energy Savings Plan that was to be developed and implemented by Johnson Controls. When does the contract with Banc of America expire, and under what conditions can the contract be renewed or extended? What challenges has Johnson Controls faced in implementing the plan for the Energy Savings Improvement Program?**

The contract with Banc of America Public Capital Corp. is ongoing and has funded two projects to date, totaling \$27,266,892: Katzenbach - \$10,316,892 and DOT HQ - \$16,950,000 (both by DCO Energy). The Katzenbach project is in construction, and the DOT HQ project is in the bid phase to start construction.

The contract expires on July 29, 2017 and the intent is to exercise the permitted contract extensions thru July 29, 2019.