Discussion Points

1. 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 Service Fund, and energy demand management programs, including BPU's Clean Energy Program.

• ***Questions:*** **Please indicate the amount the societal benefits charge raised in calendar year 2018, 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 2019 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 2018 and represents what estimated percentage thereof in calendar year 2019?**

CY2018 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	$31.052	$78.391	$ 146.823	$6.958	$15.105	$69.711	$12.669	$13.041	$373.750	Note 1
USF	$13.303	$30.397	$ 60.670	$2.337	$2.209	$12.059	$2.991	$2.185	$126.151	
Lifeline	$7.037	$16.076	$ 32.243	$1.237	$2.706	$14.672	$3.681	$2.700	$80.352	
Uncollectible	$18.145	$11.879							$30.024	
Nuclear Decommisioning									$0.000	
RAC		$12.522	$ 22.327		$17.976	$36.540	$9.550	-$6.820	$92.096	
Social Programs			$ 58.665						$58.665	
Total Amount Billed	$69.537	$149.265	$320.728	$10.532	$37.996	$132.983	$28.891	$11.106	$761.038	

Note 1: Collection rates are established based on program budgets and energy volume assumptions; annual revenue collections may differ from budgeted amounts due to variation in actual volumes and are subject to annual true-up.

Discussion Points (Cont'd)

Societal Benefits Charge (SBC) Rates - April 2018								
SBC Components	Electric ($/kWh)				Gas ($/Therm)			
	PSE&G	JCP&L	ACE	RECO	PSE&G	NJN	SJG	ETG
Clean Energy Program/ Demand Side Management	0.003142	0.003517	0.003136	0.004069	0.022332	0.015569	0.028277	0.023540
Manufactured Gas Plant Remediation	0.000462	0.000516	0.000000		0.011189	0.013599	0.032487	(0.012005)
Universal Service Fund w/ Lifeline	0.002118	0.002118	0.002118	0.002118	0.008159	0.008159	0.008159	0.008159
Uncollectibles/Social Programs	0.001266	0.000592	0.003181		0.000000	0.000000	0.000000	0.000000
TOTAL (without Sales and Use Tax)	$0.007385	$0.006743	$0.008435	$0.006187	$0.041680	$0.037327	$0.068923	$0.019695
TOTAL (w Sales and Use Tax)	$0.007874	$0.007190	$0.008994	$0.006597	$0.044441	$0.039800	$0.073489	$0.021000

Societal Benefits Charge (SBC) Rates - April 2019								
SBC Components	Electric ($/kWh)				Gas ($/Therm)			
	PSE&G	JCP&L	ACE	RECO	PSE&G	NJN	SJG	ETG
Clean Energy Program/ Demand Side Management	0.003142	0.003457	0.003229	0.003713	0.022332	0.020821	0.028277	0.020164
Manufactured Gas Plant Remediation	0.000496	0.000616	0.000000	0.000000	0.013692	0.011911	0.032487	-0.012005
Universal Service Fund w/ Lifeline	0.001961	0.001961	0.001961	0.001961	0.009700	0.009700	0.009700	0.009700
Uncollectibles/Social Programs	0.001266	0.000352	0.00090785	0.000000	0.000000	0.000000	0.000000	0.000000
TOTAL (without Sales and Use Tax)	$0.007169	$0.006386	$0.006098	$0.005674	$0.045724	$0.042432	$0.070463	$0.017859
TOTAL (w Sales and Use Tax)	$ 0.007644	$ 0.006809	$ 0.006502	$ 0.006050	$ 0.048753	$0.045243	$ 0.007589	$ 0.01904

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 Impact of SBC Rates

Electric {1}	Apr-17	Apr-18	Apr-19
ACE			
SBC Portion of Annual Bill	$ 64.84	$ 70.15	$ 54.08
Average Annual Bill	$1,496.18	$1,497.18	$ 1,453.94
SBC% of Annual Bill	4.33%	4.69%	3.72%
JCP&L			
SBC Portion of Annual Bill	$ 59.48	$ 56.07	$ 53.11
Average Annual Bill	$1,100.47	$1,085.01	$ 1,121.40
SBC% of Annual Bill	5.40%	5.17%	4.74%
PSE&G- Electric			
SBC Portion of Annual Bill	$ 61.47	$ 61.42	$ 59.62
Average Annual Bill	$1,353.14	$1,286.18	$ 1,403.59
SBC% of Annual Bill	4.54%	4.78%	4.25%
RECO			
SBC Portion of Annual Bill	$ 54.76	$ 51.46	$ 47.19
Average Annual Bill	$1,325.64	$1,395.46	$ 1,467.52
SBC% of Annual Bill	4.13%	3.69%	3.22%

Gas {2}	Apr-17	Apr-18	Apr-19
ETG			
SBC Portion of Annual Bill	$ 35.50	$ 21.00	$ 19.00
Average Annual Bill	$ 834.18	$ 954.41	$ 967.78
SBC% of Annual Bill	4.26%	2.20%	1.96%
NJNG			
SBC Portion of Annual Bill	$ 43.90	$ 39.80	$ 45.20
Average Annual Bill	$1,070.18	$1,022.94	$1,036.30
SBC% of Annual Bill	4.10%	3.89%	4.36%
PSE&G- Gas			
SBC Portion of Annual Bill	$ 47.23	$ 44.44	$ 48.75
Average Annual Bill	$ 852.57	$ 720.40	$ 861.63
SBC% of Annual Bill	5.54%	6.17%	5.66%
SJG			
SBC Portion of Annual Bill	$ 35.90	$ 73.49	$ 75.09
Average Annual Bill	$1,217.45	$1,351.35	$1,575.13
SBC% of Annual Bill	2.95%	5.44%	4.77%

*NOTE: The rates and bill impacts include Sales and Use Tax of 6.875 % for 2017; 6.625% for 2018 and 2019

{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)

2. 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, including: 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 2020 Budget anticipates $212.6 million in USF expenditures for FY 2020 (page 109 of the Supplementary Information published with the online version of the Governor's FY 2020 Budget only). Of this amount, the Governor proposes $129.5 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" and the "Tenants' Lifeline Assistance Program," under which 280,369 low-income households are expected to receive up to $225 in electric and gas utility credits in FY 2020. An additional amount up to $6.9 million is anticipated to be appropriated 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 is anticipated to carry no fund balance at the end of FY 2020 with projected FY 2020 fund disbursements exceeding projected revenues by $11.5 million.

The USF credit program provides assistance to ensure eligible utility customers do not pay more than six percent 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.

- ***Questions:*** **For each of the USF credit and "Fresh Start" programs, please provide actual expenditures for the 2017-2018 program year and estimated expenditures for the 2018-2019 program year, delineating expenditures for benefits paid to eligible households and administrative expenses.**

<u>2017-2018 Actual Program Year Expenditures & Dollar Value of Credits:</u>

The total actual program year expenditures for the 2017-2018 program year were $126.3 million. The expenditures for benefits were $115.5 million, and the administrative expenses were $6.5 million. Additionally, the Fresh Start program cost was $4.5 million. Finally, there is a $10 million adjustment for over-recovery in the prior year.

<u>2018-2019 Estimated Program Year Expenditures & Dollar Value of Credits:</u>

The total projected program year expenditures for the 2018-2019 program year are $125.7 million, $114.7 million for benefits and $6.4 million for administrative expenses. Additionally, the Fresh Start program cost is projected at $4.6 million. Finally, there is an adjustment of $13.9 million for prior-year over-recovery.

Discussion Points (Cont'd)

- **What are the USF rates built into the societal benefits charge for program year 2017-2018 and program year 2018-2019, and what does the program cost the average residential and non-residential energy utility customer? Given that FY 2020 USF expenditures and transfers are projected to exceed FY 2020 revenue collections by $11.5 million and that the USF is projected to carry no excess balances at the end of FY 2020, does the BPU anticipate an increase in the rate of the USF component of the societal benefits charge? If so, by what amount would the rate increase?**

2017-2018: USF Residential Rates and Bill Impact

Average Residential Customers	Gas	Electric	Total
Rates After Tax	$0.038	$0.001487	
Monthly Bill Impact	$0.38	$0.97	$ 1.35
Annual Bill Impact	$4.56	$11.60	$16.16

2018-2019: USF Residential Rates and Bill Impact

Average Residential Customers	Gas	Electric	Total
Rates After Tax	$0.049	$0.001338	
Monthly Bill Impact	$0.49	$0.87	$ 1.36
Annual Bill Impact	$5.88	$10.44	$16.32

The USF program budget and the USF component of the Societal Benefits Charge (SBC) are the subject of an annual compliance filing that is submitted by the utilities each June. In that filing, the utilities propose a program budget and a new USF rate, which is based on the projected demand for the program and the current program year's expenditures. Accordingly, we are unable to determine whether a rate increase will be necessary until we have access to the projections for next year's program, as well as additional months of actual expenditures for the current year.

- **What is the number of USF credit and "Fresh Start" beneficiaries in program years 2017-2018 and 2018-2019, by household and by utility account? What is the total dollar value of credits provided to clients for each program in program years 2017-2018 and 2018-2019?**

Discussion Points (Cont'd)

USF and Fresh Start Beneficiaries:

Program Year	USF Households Enrolled	USF Accounts Enrolled	Fresh Start Households Enrolled**	Fresh Start Accounts Enrolled
2017-2018	174,943	190,377	10,497	11,525
2018-2019	153,244*	182,857*	9,195	10,903

** October 2018– April 2019 actuals + historical months May-September 2018*
*** Estimates*

Program Year	USF Credits Applied	Fresh Start Credits Applied
2017-2018	$115,682,693	$4,611,064
2018-2019*	$47,977,825	$2,280,524

**Data available October 2018-February 2019*

3. The FY 2019 Appropriations Act redirected $160.9 million from the dedicated, off-budget Clean Energy Fund into the General Fund as State revenue. In responding to an FY 2019 OLS Discussion Point, the BPU stated that it expected to have sufficient resources to fund all Clean Energy Program initiatives and that it was continuing to evaluate the optimal use of available resources. The BPU noted further that the completion of the Clean Energy Program's strategic planning process would inform future decisions regarding societal benefits charge funding, program design, and resource allocation.

The Governor's FY 2020 Budget proposes transferring $90.1 million from the Clean Energy Fund into the State General Fund in FY 2020, a decrease of $70.8 million from the amount transferred in FY 2019. The net decrease is mostly the result of the elimination of FY 2019 transfers for utility costs in State facilities ($47.5 million), parks management ($20.0 million), and the Office of Sustainability and Green Energy in the Department of Environmental Protection ($3.7 million). The table below shows the transfers authorized by the FY 2019 Appropriations Act and the Executive's proposed FY 2020 redirections.

Clean Energy Fund Transfers		
Fund Usage	**FY 2019 Estimated (March 2019)**	**FY 2020 Proposed (March 2019)**
NJ Transit Utility Costs	$82,089,000	$82,089,000
State Utility Costs	$47,500,000	$0
Parks Management	$19,972,000	$0
State Energy Efficiency Projects	$5,000,000	$5,000,000
Office of Sustainability and Green Energy (DEP)	$3,700,000	$0
BPU Clean Energy Fund Administrative Expenses	$2,668,000	$3,055,000
TOTAL	**$160,929,000**	**$90,144,000**

Discussion Points (Cont'd)

The table on the next page shows the actual or estimated amounts of financial resources, program expenditures, General Fund transfers, and year-end fund balances for FY 2016 to FY 2020, as those amounts are displayed in the annual Governor's Budget proposals (Page 71 of the Supplementary Information published with the online version of the Governor's FY 2020 Budget exhibits the data for FY 2018, FY 2019, and FY 2020.)

Clean Energy Fund Revenues and Expenditures FY 2016 – FY 2020				
Fiscal Year	**Resources**	**Clean Energy Program Expenditures**	**General Fund Transfers**	**Year-End Fund Balance**
2016	$469,756,000	$161,800,000	$115,234,000	$192,721,000
2017	$539,141,000	$177,313,000	$228,107,000	$133,720,000
2018	$481,379,000	$148,946,000	$153,183,000	$179,250,000
2019 est.	$528,837,000	$187,460,000	$160,929,000	$180,447,000
2020 est.	$530,938,000	$204,023,000	$90,144,000	$236,771,000

As illustrated above, the Clean Energy Program regularly produces surplus balances. In the past, the BPU has explained that these surplus balances are due to the BPU allocating specific dollar amounts to new programs that may take months or years to materialize. In addition, the BPU typically sets aside funding for 100 percent of financing commitments made to individual approved projects.

New Jersey ratepayers finance the Clean Energy Program through the societal benefits charge that is included in their electric and natural gas bills. Through the program the BPU promotes increased energy efficiency and the use of renewable energy sources throughout the State.

- ***Questions:*** **Given the $70.8 million reduction in the proposed amount to be transferred out of the Clean Energy Fund into the State General Fund in FY 2020, how will the BPU utilize the additional resources in the Clean Energy Fund? In light of the anticipated $56.3 million increase in the year-end balance of the Clean Energy Fund in FY 2020 and the reduced fund diversions, is the BPU contemplating a cut in the Clean Energy Fund component of the societal benefits charge collected from electric and natural gas ratepayers?**

The Board of Public Utilities recognizes that climate change is real and is committed to Governor Murphy's goal of 100 percent clean power by 2050. In light of the Clean Energy Act, P.L. 2018, c.17, signed into law on May 23, 2018, the Office of Clean Energy is developing enhanced existing and establishing new Clean Energy Programs that will help reach the goal of 100 percent clean energy by 2050.

The BPU staff proposes a draft clean energy budget and comprehensive resource analysis (CRA) which is presented to the Board for approval. Current staff proposals do not anticipate a change in the societal benefits charge.

The Office of Clean Energy budget process is underway and will be completed in a timely fashion as required by law. We are working to develop new and innovative programs and refining and enhancing existing programs. The BPU will hold a stakeholder briefing later this spring and release

Discussion Points (Cont'd)

the budget details for public comment shortly thereafter. We will hold a public hearing and require that public comments be submitted before the end of the summer.

We are working on streamlining and bundling programs to enhance customer experience, market saturation and most importantly, efficacy. A good example of this is our multifamily program. It is our intent to maximize programs availability to the ratepayers in the state. Through our partnerships with local governments and nonprofits, the BPU aims to increase the participation in energy efficiency savings and put our state on a path to 100% clean energy.

4. The Unclaimed Utility Deposits Trust Fund holds unclaimed electric and natural gas utility customer deposits that escheat to the State. A contracted non-profit energy assistance organization receives 75 percent of the fund's annual balances to provide assistance to utility ratepayers who have fallen behind on their electricity or natural gas bills. In June 2018, the BPU renewed the contract with the non-profit Affordable Housing Alliance (AHA) for the operation of the Payment Assistance for Gas and Electric (PAGE) program for FY 2019 through FY 2021. The AHA has administered the program since FY 2014.

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. Grants to individual households may be as high as $1,500 in a 12-month period. 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. The AHA received Unclaimed Utility Deposits Trust Fund payments totaling $19.4 million between FY 2014 and FY 2018 for the operation of the PAGE program, according to a BPU reply to an FY 2019 OLS Discussion Point.

- ***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 2017 and the program year beginning in October 2018.**

PAGE PROGRAM	Oct 2017- Sept 2018	Oct 2018 - March 2019*
Applications Submitted	7,902	3,308
No. Utility Accounts Assisted	4,647	2,321
No. Households Assisted	3,521	1,894
Average Gas Benefit	$533	$543
Average Electric Benefit	$573	$617
Average Gas & Electric Benefit	$923	$940

Discussion Points (Cont'd)

*Partial year data

- **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 FY 2018.**

Payment	Amount
January 2018	$2,610,303
May 2018	$1,490,546
January 2019	$1,777,173
Total	**$5,878,022.00**

- **Does the grant agreement with the AHA to operate the PAGE Program in FY 2019, FY 2020, and FY 2021 include any significant changes to program parameters?**

Minor program adjustments were made in the current PAGE contract such as: 1) increasing the benefit cap from $700 per utility ($1,400 combined electric and gas grants) to $750 per utility ($1,500 combined electric and gas grants); 2) increasing the cap on liquid assets from $10,000 to $15,000; and 3) lowering the PAGE income floor from the LIHEAP income ceiling (200% Federal Poverty Level) to the USF income ceiling (175% Federal Poverty Level) during the months that LIHEAP is not accepting applications. Additionally, AHA created a simpler recertification form for returning applicants who applied for PAGE in the prior year, which requires only updated income and utility bills.

5. New Jersey is to expand its solar energy generation capacity to meet the 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 5.1 percent of New Jersey electricity sales in energy years 2021, 2022, and 2023.

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.

P.L.2018, c.17 required the BPU to adopt rules and regulations to close out the SREC program to new applications upon the attainment of the 5.1 percent solar target, and within 24 months of enactment, to complete a study that evaluates whether to modify or replace the SREC program. Accordingly, on December 18, 2018, the BPU adopted a rule that began the procedure of phasing out the current SREC program and developing a new initiative. According to the January 17, 2019 "Board Order Closing the Generic Solar Proceeding," the BPU awarded a contract to conduct the study on November 5, 2018.

Discussion Points (Cont'd)

- ***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 2019? How much solar energy generation capacity has been added to the market in energy year 2019?**

The current state of the Solar Renewable Electricity Certificate (SREC) market is steady with prices ranging from $210 to $240 per MWh over the past year. Since Energy Year 2019 (EY19) began on June 1, 2018, over two million new SRECs have been created. These newly created SRECs together with previously created SRECs have been traded in over five million transactions. Over 264 MWdc of solar capacity has been added to the market in EY19.

- **Does the BPU detect an acceleration or slowdown in the construction of new solar energy generation capacity? What percentage of the energy year 2018 solar target of 3.2 percent 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? Can the State's current solar capacity support a solar RPS target of 5.1 percent? If not, how much new solar capacity would be required to be constructed to meet the solar quota? What will be the estimated annual cost to the average residential, commercial, and industrial ratepayer of meeting the energy year 2019, 2020 and 2021 solar quotas?**

The pace of solar construction has remained remarkably consistent during the first nine months of EY19 compared to the same period in EY18. During the first nine months of both EY19 & EY20, solar electric generation facilities completing construction and commencing commercial operations equaled approximately 29 MWdc per month. For the first time in the fourteen year history of the SREC market, no Solar Alternative Compliance Payments were made by regulated entities. Each third party supplier and basic generation service provider complied with the Renewable Portfolio Standard by retiring SRECs in EY18.

The State's current solar capacity could not support a solar RPS target of 5.1%, if installation activity ceased today and retail sales remained constant. The report on solar installations, as of March 31, 2019, show approximately 2,800 MWdc of installed capacity. This amount of solar PV capacity operating for a full year under typical state weather conditions is capable of producing 1200 MWh per MWdc or 3,360,000 MWh annually. If retail electricity sales are 74 million MWh during EY21, the SREC market will require 3,774,000 SRECs. Approximately 3,145 MWdc total or an additional 345 MWdc are required to operate over an entire year to produce 5.1% of 74 million MWh. The estimated annual cost to the ratepayers of meeting the EY19, EY20 and EY21 requires undertaking a significant number of assumptions. If retail sales remain constant at 74 million MWh and the weighted average spot market SREC price falls from 80% to 75% of the SACP level, then the cost to ratepayers for SRECs will total approximately $599 million in EY19, $721 million in EY20, and $736 million in EY21.

- **Please provide a status update on any contracts awarded or approved by the BPU associated with P.L.2018, c.17.**

P.L.2018 c.17 requires the Board to conduct at least four different studies on various clean energy issues; energy storage, energy efficiency, solar and voltage optimization.

Discussion Points (Cont'd)

The Board has engaged Rutgers University Laboratory for Energy Smart Systems in the Center for Advanced Infrastructure and Transportation to conduct an energy storage analysis concerning needs and opportunities in the State. Board staff report that the study is on track for meeting the delivery date established in the law.

The Board has engaged Optimal Energy of Hinesburg Vt. to conduct and complete a study to determine the energy savings targets for full economic, cost-effective potential for energy efficiency and peak demand reduction by the customers of regulated electric and gas utilities. Four stakeholder meetings, led by the consultant, took place addressing the study methodology, data, assumptions, and preliminary findings. Board Staff report that the study is on track for presentation to the Board and delivery to the legislature as required by P.L. 2019, c.17.

The Board has engaged Cadmus of Waltham, MA to conduct and complete a study that evaluates how to modify or replace the SREC program to encourage the continued efficient and orderly development of solar throughout the State. The first of several stakeholder meetings planned to address the study methodology, data, assumptions, and preliminary findings was completed on May 3, 2018. Board Staff report that the study is on track.

Board staff is currently conducting stakeholder meetings and developing the recommendation to the Board on how to proceed with the state's four Electric Distribution Companies determining the optimal voltage for use in their respective distribution systems. This directive will be considered at an upcoming agenda meeting.

6. P.L.2010, c.57, designated as the "Offshore Wind Economic Development Act," (OWEDA) established an offshore wind renewable energy certificate (OREC) program and authorized the New Jersey Economic Development Authority to provide tax credits for qualified wind energy facilities in wind energy zones, among other requirements. OWEDA requires a percentage of the kilowatt-hours of electricity sold in this State by each electric power supplier and each basic generation service provider to be from offshore wind energy. The percentage must be sufficient to support at least 1,100 megawatts of generation from qualified offshore wind projects. In addition, pursuant to OWEDA, a tax credit program was established by the EDA to provide $100 million in corporation business tax credits for the development of qualified wind energy facilities in wind energy zones. No ORECs or offshore wind tax credits have been issued to date.

On January 31, 2018, the Governor signed Executive Order No. 8, which requires the BPU and any other New Jersey State agencies with responsibilities under OWEDA to take any actions necessary to implement the act in order to develop 3,500 megawatts of offshore wind generation by 2030. First, the BPU, with the assistance of the Department of Environmental Protection, is required to develop an Offshore Wind Strategic Plan. The draft of the strategic plan is due in June 2019, according to the "2019 Annual Report on New Jersey Offshore Wind and the Implementation of Executive Order No. 8" prepared by the BPU on behalf of the Interagency Taskforce on Offshore Wind.

Furthermore, the Executive Order requires the BPU to implement the OREC program through the approval of OREC Pricing Plans, as outlined in OWEDA. The plan is pending. The BPU was also required to establish the OREC funding mechanism. The corresponding rule was adopted on December 18, 2018. The BPU is also required to issue a solicitation calling for proposed offshore wind projects for the generation of 1,100 megawatts of electric power. The solicitation opened in

Discussion Points (Cont'd)

September 2018 and closed in December 2018. The BPU intends to act on the applications by July 2019, and the target year for the commercial operation of the offshore wind facility would be 2024.

- *Questions:* **Please provide an update regarding the status of the Offshore Wind Program. How many applications has the BPU received in response to the September 2018 solicitation for proposed offshore wind projects for the generation of 1,100 megawatts of electric power? Has the BPU acted on any of the applications submitted?**

On September 17, 2018, the BPU opened a solicitation for 1,100 megawatts of offshore wind generation. To date, this is the largest single-state offshore wind solicitation in the United States. The solicitation closed on December 28, 2018, and applications were received from three offshore wind developers who hold Wind Energy Area leases off the coast of New Jersey. The BPU and the New Jersey Department of Environmental Protection are reviewing and evaluating the applications, and has retained a consultant to assist with this review. The current schedule anticipates Board action on the applications by the end of summer.

- **Please provide an update regarding the OREC Pricing Plan.**

In December 2018, the Board approved rules for the Offshore Wind Energy Certificate ("OREC") funding mechanism. This funding mechanism enables offshore wind projects approved by the Board to receive OREC payments for each megawatt hour of production for a term of 20 years. Revenues earned from the project by the developer will flow back to ratepayers as an offset to the OREC cost. The OREC rules were adopted on February 19, 2019 and have been properly readopted as part of the readoption of N.J.A.C. 14:8 through May 1, 2026. Note that any award of ORECs by the Board made prior to the expiration date will be administered under the existing rules though the end of any project for which ORECs are awarded. Notice of readoption was published in the April 1, 2019 New Jersey register.

7. The State Energy Office in the BPU's Division of Economic Development and Energy Policy is to identify opportunities for reducing the energy consumption in State facilities. As part of its mission, the office manages the energy savings improvement program for State-owned and -operated buildings in accordance with P.L.2009, c.4. The law allows two financing mechanisms to defray the up-front cost of energy conservation projects 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 that will purchase certain energy conservation equipment on behalf of the State and lease it 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 OLS Discussion Points, 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 percent of the State's energy usage. The first project round comprised seven facilities and was projected to reduce annual energy use by 20 percent and save $15 million per year. To finance the capital improvements, the State awarded a contract to Bank of America Public Capital Corp. on October 7, 2013 in response to Request for Proposal (RFP) 14-X-22599 for "Financial Services:

Discussion Points (Cont'd)

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. In responding to an FY 2019 OLS Discussion Point, the BPU indicated its intent to exercise the permitted contract extensions through July 2019.

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."

- *Questions:* **Please provide an update on the activities and initiatives undertaken by the State Energy Office during FY 2019. What projects or energy-related improvements are planned or expected to be undertaken by the office in FY 2020? 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 (SEO), in conjunction with the Energy Capital Committee (ECC) have continued work with funding from the Clean Energy Fund and the State's lease-purchase financing. This includes projects at the Marie H. Katzenbach School for the Deaf New Jersey Department of Transportation (DOT) Headquarters, New Jersey State Police Headquarters and the campus including the Edna Mahan Correctional Facility for Women and Hunterdon Development Center.

FY 2020 commitments and projects will be determined through the course of the fiscal year as the State is currently assessing which State facilitates would benefit most from energy efficiency projects. Projects under consideration include the Albert C. Wagner Youth Correctional Facility, Bayside State Prison, and South Woods State Prison.

The estimated costs for just the identified projects exceed $250 million across multiple fiscal years. The BPU is currently exploring our funding options.

- **Please provide a status update on the contract entered into with Bank of America and the Energy Savings Plan that was to be developed and implemented by Johnson Controls. Was the contract extended? Have the issues with Johnson Controls identified by the BPU in response to last year's Discussion Points been rectified?**

The contract was not extended, most of the work has been completed and Johnson Controls has begun work on the final list of unfinished matters that require attention.

- **Please identify any projects that will be funded by the $5.0 million appropriation from the Clean Energy Fund to the General Fund to provide for the cost of energy efficiency projects in State facilities. For FY 2019, which projects were funded by the current appropriation and how much was allocated for each project?**

Discussion Points (Cont'd)

The FY 2020 allocation has not yet been determined as the State is currently assessing which State facilities would benefit the most from energy efficiency projects. Below is the funding and allocation for the FY 2019 appropriation.

FY19 Energy Efficiency Projects
($ in thousands)

Department	Facility	Total Allocation	Funded to Date
MAVA	Vineland Veterans' Home	650	300
DHS	Vineland Developmental Center	1,090	-
DOH	Trenton Psychiatric Hospital	1,090	492
DOH	Ancora Psychiatric Hospital	1,550	1,550
Treasury	State Library/Museum	220	220
MAVA	Menlo Park Veterans' Home	150	150
MAVA	Paramus Veterans' Home	150	150
	Total	**$ 4,900**	**$ 2,862**

8. The New Jersey Clean Energy Program offers incentives for several types of combined heat and power (CHP) and fuel cell systems that have various generating capacities and are located behind the meter of an existing electric or natural gas customer that pays the societal benefits charge. According to the BPU's website, changes were made in the program, effective July 1, 2018. If a CHP system is fueled by a Class 1 renewable fuel source, it is eligible for a 30 percent incentive bonus (40 percent if a cooling application is used or included with the system). A CHP Critical Facilities system is eligible for a 10 percent incentive bonus if it incorporates blackstart and islanding technology. Eligible CHP or Waste Heat to Power projects must achieve an annual system efficiency of at least 60 percent based on total energy input and total utilized energy output. Mechanical energy may be included in the efficiency evaluation. Incentives per project are capped at $2.0 million or $3.0 million depending on project type and size.

- ***Questions:*** **What was the CHP incentive budget in FY 2018 and FY 2019? How much of the budget in each year was awarded, to how many applicants? How many applications were denied in each of those years? Did the BPU delay approval of any applications that merited incentives in either FY 2018 or FY 2019 due to lack of funding?**

The key differences are as follows:

1. What was the CHP incentive budget in FY 2018 and FY 2019?

    - FY18: $29,872,721.32
    - FY19: $24,915,000.00

Discussion Points (Cont'd)

2. How much of the budget in each year was awarded, to how many applicants?

- FY18: 73% of budget awarded to 14 applicants
- FY19: 70% of budget awarded to 10 applicants

3. How many applications were denied in each of those years?

- FY18: 1
- FY19: 0

4. Did the BPU delay approval of any applications that merited incentives in either FY 2018 or FY 2019 due to lack of funding?

- No

- **What are the key differences in the CHP program in FY 2019 compared to prior years? Why were changes necessary or advisable?**

- The Program's minimum efficiency requirement were revised from 65% Low Heating Value (LHV) to 60% High Heating Value (HHV). This change was necessary following revisions to state protocols regarding how energy savings are calculated.

- A bonus of 10% of the total system incentive for systems incorporating blackstart technology was added in FY19 in order to encourage program participants to submit more projects with blackstart capabilities.

- A provision was added to allow government entities to satisfy the program requirement for a ten-year warranty. This provision was necessary to allow governmental entities to participate in the program while still complying with other related laws.

9. On April 18, 2019, the BPU voted to establish a Zero Emission Certificate (ZEC) program for three nuclear power plants operating in New Jersey – Salem 1, Salem 2, and Hope Creek – under the process established by P.L.2018, c.16. The law authorizes the ZEC program if certain conditions are met. The affirmative vote of the BPU results in a $300 million annual subsidy payment to the owners of the power plants. The cost of the subsidies will be embedded in electric rates paid by ratepayers. The media reported that the rate add-on would increase the annual electric bill of a typical residential customer by $41. The board approved the ZEC program despite the analyses of its staff and Levitan & Associates Inc., the consultant engaged to assist with the review of applications for the ZEC program, which both found that the power plants did not meet the financial conditions for participation in the ZEC program. The Board concluded that the financial analyses were too narrow in scope.

- ***Questions:*** **What data, analyses, or advice guided the BPU in approving the ZEC program applications after BPU staff and the consultant determined that the applications did not meet financial eligibility requirements? What outside counsel and consultants did the BPU engage to assess the accuracy of the analyses performed by BPU staff and Levitan & Associates Inc.?**

Discussion Points (Cont'd)

The Board's decision was based upon the individual decisions of the Commissioners. The Commissioners reviewed the analyses by the Board staff committee and Levitan & Associates Inc. and made their ultimate determination based upon the entire record.

- **Please detail the compensation paid to Levitan & Associates Inc. for its analysis of ZEC program applications. Will the consultant be retained for any future evaluation related to the ZEC program?**

Levitan's contract and work were paid out of the fees collected with the submitted ZEC applications.
Levitan's original contract was for review of completeness of the applications, analysis of the applications in accordance with the Act and Staff's RFQ, and expertise in assistance of finalizing the ranking criteria. The Contract was for $158,600 for all tasks. The project reached Levitan's cap in mid-March but Levitan continued to work on the analysis and assist Staff in the determination of eligibility. A change-order and contract increase is being finalized to compensate them for their work. There is no current need for additional evaluation. If there is a later need, the BPU will consider its options.

- **Is the BPU considering lowering the Clean Energy Fund component of the societal benefits charge to mitigate the rate impact of the ZEC program that was approved in part on climate change grounds?**

The SBC funding and uses are separate and apart from the ZEC program. The ZEC program's purpose is to provide a financial subsidy to eligible nuclear power plants to preserve their fuel diversity, air quality, and other environmental attributes. The Clean Energy Fund component of the societal benefits charge is statutorily required to be spent on energy efficiency and Class I renewable energy, which does not include nuclear energy. Therefore, there are no planned changes to the SBC funding and uses.