

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF CLEAN ENERGY
REQUEST FOR INFORMATION
ON
PROFESSIONAL PROGRAM MANAGEMENT SERVICES FOR
NEW JERSEY'S CLEAN ENERGY PROGRAM**

Purpose

The New Jersey Board of Public Utilities (BPU) is in the process of drafting a *Request for Proposals (RFP)* to procure new professional services to administer and implement a suite of clean energy programs, including renewable energy and energy efficiency programs, collectively known as "New Jersey's Clean Energy Program" (NJCEP). The BPU is seeking information to assist it in developing requirements to procure services from a single entity that will serve as the Program Administrator of NJCEP.

The BPU seeks to obtain the full range of services presently procured through three (3) separate, existing contracts from a single contractor. The goal is to further develop, implement and administer the suite of Clean Energy Programs in the most cost efficient manner while providing greater management oversight, accountability and monitoring of program initiatives and incentives. The new Program Administrator will also be expected to transition from the current program incentives, that were supported by the Societal Benefit Charge (SBC), to a new financing model using a revolving loan fund or other type of long term financing and/or self-funding structure consistent with the goals of the Energy Master Plan (EMP).

This RFI seeks responses from entities that develop and administer Clean Energy programs, firms that consult on such programs, and other interested entities that may have information helpful to the procurement of these services. Information is sought concerning specific program development and administration services, incentive structuring and funding models, and pricing and/or payment methodologies. Respondents may be entities that provide some or all of the proposed services. Specifications and pricing information on the three (3) existing contracts are accessible by entering T2334 and T2412 at the following url: <http://www.state.nj.us/treasury/purchase/pricelists.shtml>.

This RFI provides a brief background, a listing of the proposed types of services expected to be provided by a Program Administrator and a list of questions to be answered by respondents. While the ideal response would include an answer to each question, a respondent may choose which questions to answer. Those entities that procure or provide program administration through other methods are encouraged to provide supplemental information regarding how the administration services are provided, what incentives are used and how the programs are funded in these alternate models.

Background

NJCEP, established on January 22, 2003, in accordance with the Electric Discount and Energy Competition Act (EDECA), provides approximately \$300 M a year in rebates and other financial incentives to the State's residential customers, businesses and schools that install high-efficiency or renewable energy technologies, thereby reducing energy usage, lowering customers' energy bills and reducing environmental impacts. The program is authorized and overseen by the New Jersey Board of

Public Utilities (NJBP), (Complete program descriptions are available on line 2011 Clean Energy Program Budget and Compliance Filings <http://www.njcleanenergy.com/filings>)

Currently, product-specific incentives are motivating consumers to make homes and businesses more energy efficient, thanks to rebates funded through the Societal Benefits Charge (SBC) and federal tax credits available through the *American Recovery and Reinvestment Act of 2009* (<http://www.irs.gov/newsroom/article/0,,id=204335,00.html>). Most of the clean energy funds have taken this type of prescriptive path: if equipment is replaced, an incentive is provided for a portion of the incremental cost. However over the long term, federal and state governments are moving toward more sustainable financing models that return and revolve the funds *back through the program* using mechanisms such as a revolving loan funds or guaranteed loan programs. BPU's objective is to shift to performance-based incentives whereby the incentives are paid out in the form of low interest loans and based on verified energy performance and savings to provide ratepayers a more cost effective means of program delivery.

BPU presently manages the Clean Energy Program through two (2) Market Managers and one (1) Program Coordinator. BPU envisions one Program Administrator delivering the full suite of programs. This can be achieved through one (1) contractor or one (1) contractor with additional sub contractors including the Electric or Gas Utilities as contractors and / or subcontractors. The Program Administrator would manage all existing incentives and rebates approved and executed under the existing contracts. The new Program Administrator would also transition all existing incentives and rebates to a new funding mechanism such as a revolving loan fund within the term of the contract. In the current structure, the Market Manager contractors also perform quality control (QC) levels of inspections for the programs they manage and the Program Coordinator performs quality assurance (QA) level of inspections. BPU provides oversight to both of QC and QA processes. BPU envisions the Program Administrator performing the QC level of inspections with the QA level of inspections performed by either BPU or contracted out to a separate firm.

The new Program Administrator, in implementing these programs, must also ensure support of EMP and CEP objectives and program transition goals including, but not limited to, the following elements:

- Promotion and recognition of New Jersey as a national leader in support of new clean energy technologies and market transformation;
- Provision of CEP programs and services to all customer classes;
- Reduction of non-incentive costs associated with program delivery and administration compared to the most recent 2010/2011 budget;
- Streamlining, automating, and aggregating processes in order to increase effectiveness and reduce program transaction costs;
- Aggressively transitioning to upstream incentives and long-term financing solutions versus direct consumer incentives (e.g. rebates);
- Developing and fostering loan programs through interest rate buy downs to remove barriers to customer participation; and
- Transitioning program advertising to cooperative advertising incentives for contractors, retailers and program sponsors.

The 2011 EMP along with other additional information on BPU and New Jersey's Clean Energy Program may be accessed through the following links:

- New Jersey's Clean Energy Program
<http://www.njcleanenergy.com>

- 2011 Energy Master Plan
<http://www.nj.gov/emp/>.
- 2011 Clean Energy Program Budget and Compliance Filings
<http://www.njcleanenergy.com/filings>
- 2011 Clean Energy Board Order
<http://www.njcleanenergy.com/files/file/Board%20Orders/12-6-10-8C.pdf>
- NJCEP Program Results for the 2001 through 2009 program years
<http://www.njcleanenergy.com/main/public-reports-and-library/home>.

Questions

BPU requests your response and input to the following questions:

Program Implementation:

1. Are there firms that can provide the full suite of programs described? If subcontractors are required to meet the requirements, what programmatic areas would you envision subcontracting and with whom would you partner your services?
2. How would you provide professional services for the full suite of programs described?
3. Based upon your industry experience, what resources and expertise should bidders be required to provide to ensure the successful transition of CEP Programs to a single Program Administrator?
4. Is it industry practice to work with a utility partner to deliver these programs?
5. What ideas can you share on how BPU's goals may best be achieved by consolidating operations under a single Program Administrator?

Performance-based Contracting:

6. Does the industry recognize and use performance based contracts predicated on achieving an energy savings target where the bottom line is the performance measure of the program?
7. Based on the NJBPU's goals, what would be the industry standard for a performance based contract?
8. The existing three (3) contracts are structured to allow for numerous contract modifications due to the dynamic nature of the marketplace and to update and improve effectiveness and efficiency. Based on your industry experience, what structures exist that minimize or eliminate the need for periodic contract modifications required by changes within the industry or state-of-the-art developments?
9. What payment mechanisms exist within the industry to compensate firms serving as a Program Administrator with particular emphasis on those payment mechanisms that are based upon performance-based measures?

Financing Mechanism:

10. What is your firm's experience in developing/administering programs using performance-based incentives whereby the incentives are paid out in the form of low interest loans and based on verified energy performance and savings to provide ratepayers a more cost effective means of program delivery?
11. Is there an industry best-practice or model for establishing and administering a revolving loan fund? If so, please describe the best-practice or model and state the recommended time frame for the transition of the current incentives to this model.
12. Do industry firms have agreements/contracts with utilities to assist/develop bill financing and if so, please state the details regarding these arrangements.

Please email responses with the heading: **PROGRAM MANAGEMENT SERVICES FOR THE NEW JERSEY CLEAN ENERGY PROGRAM** to: roy.hambrecht@treas.state.nj.us. Responses are requested by August 11, 2011.