FY2018
# Notice of Changes

## Commercial & Industrial Energy Efficiency Programs

The New Jersey Board of Public Utilities, at its June 30, 2017 Board Agenda meeting, approved *New Jersey Clean Energy Program's™* Fiscal Year (FY) 2018 compliance filing which runs from July 1, 2017 through June 30, 2018.

The filing contains significant program changes as outlined below. New and increased incentive levels and program changes will be effective July 1, 2017. Incentives that are decreasing, or being eliminated, will go into effect on August 1, 2017. Please refer to each program's application for complete information.

Consistent with prior fiscal year program changes, participants are provided with the opportunity to submit either a FY2017 or FY2018 application through July 31, 2017. The program rules, requirements and incentive levels will be consistent with the application form submitted. As of August 1, 2017, the program will no longer accept FY2017 applications and participants must use the FY2018 forms.

## Incentive and program changes effective July 1, 2017:

### Large Energy Users Program

- As part of the enrollment process, Program Representatives will conduct optional kickoff or scoping meetings to review requirements and address any other aspects of the process ahead. The intent of the meeting is to help streamline the submission process to improve time to approval, set appropriate expectations and reduce the customer administrative burden.

### Local Government Energy Audit

- Provide several types of audits in addition to the standard ASHRAE Level II Audits currently offered to provide participants with the precise information they need in a more cost-effective manner than would be provided only by a standard Level II Audit.
  - ASHRAE Level I Audits
  - Add-on scope audits (e.g., a more detailed review of an existing or potential CHP or renewable energy system added on to the scope of a standard Audit).

### Direct Install (DI) Program

- Increase the FY entity cap for DI projects participating in ESIP to $500,000. Some ESIP projects are forced to reduce  their scope due to the limitations of the current DI program FY entity cap of $250,000. This will facilitate the submission of larger projects that provide a better opportunity for significant, cost-effective energy savings.

- Authorize the Program Manager to accept and approve applications even if the applicant has one month in which its peak demand exceeded 200 kW if the applicant provides clear and substantial evidence that its demand in that one month was unusual and not indicative of its usual current peak demand. The Program Manager will work with the respective DI contractor to determine eligibility on a case-by-case basis.

## Pay for Performance: Existing Buildings

- Raise Incentive #1 from $0.10/sq. ft. to $0.15/sq. ft. and raise the minimum incentive from $5,000 to $7,500. Additionally, do not reduce this incentive by 50% if previous LGEA audit is three or more years old (the reduction would remain if the audit were newer than that).
- Raise the Investor Confidence Project (ICP) Incentive #1 bonus cap from $15,000 to $25,000 to incentivize more applicants to pursue this option.
- For projects of which more than 50% of the total source energy savings are made up of lighting measures, replace the existing sliding scale with requirements to (i) assess the cost-effectiveness of energy conservation measures in each of five areas and (ii) implement all identified cost-effective measures or explain why such implementation would not be practicable.
- Revise guidelines to allow payment of Incentive #3 even if based on actual savings measurements a project does not meet the 15% minimum savings threshold. In such cases, Incentive #3 would be based on a reduced $/kWh and $/therm rate for any projects with actual savings of 5% or greater, with the reduced incentive being calculated using the same scale as is currently used to increase incentives for projects that exceed 15%, but subject to a floor incentive of $10,000 (or committed amount, whichever is less). Projects with actual savings of less than 5% would not receive an Incentive #3.
- Require those who want to remain as approved Program Partners to apply for renewal of their approvals and include the completion of online training as a requirement for initial and renewal applicants.
- As part of the initial application process, Program Representatives will conduct optional kickoff or scoping meetings to review requirements and address any other aspects of the process ahead. This would allow all parties to address any questions or issues at an early stage, which should improve application processing.
- Allow participants to assign incentive payments directly to their Program Partners.
- Clarify the calculation and application of project caps. The below would replace all other potentially inconsistent provisions on this subject:

    > The total of Incentives #1, #2, and #3 combined shall not exceed $2,000,000 per project, assuming both electric and natural gas measures are recommended and implemented. Should only electric measures, or only gas measures be recommended and implemented, then the total of Incentive #1, #2, and #3 combined shall not exceed $1,000,000 per project. For the avoidance of doubt, the foregoing would place a $1,000,000 per project cap on electric-only facilities.

- Clarify the impact of changes to approved work scopes and/or performance results on committed incentives as follows: (i) increases in the project cost do not increase or otherwise impact committed incentives, (ii) if an incentive is set or capped by project cost, project cost decreases cause a decrease in committed incentives, (iii) if an incentive was set or capped by the square footage involved in the project, any approved change to square footage will increase (subject to budget availability) or decrease the committed incentive, (iv) modifications to approved scopes of work, including removal or addition of measures, can cause an increase (subject to budget availability) or decrease to the committed incentive, and (v) among other things, the adjustments described above can cause an adjustment of, and true up against, incentives already paid.

## Pay for Performance: New Construction

- No significant substantive program changes are proposed. This program underwent major re-design to align with new energy code for FY2017.
- Clarify that there are no potential, theoretical gaps between the Tiers (e.g., between 1.9% and 2.0%).
- Make the same administrative or procedural changes as for Pay for Performance: Existing Buildings (i.e., the last 5 items in the section above).

## Combined Heat & Power (CHP)

- For CHP systems using a Class 1 renewable fuel source:
    - Such systems would be eligible for a 30% incentive "bonus," which would be in addition to the current incentives available to all eligible CHP systems. By way of example only, a $2,500,000, 500 kW, natural-gas-fired CHP system would be eligible for a $1,000,000 incentive and a plant of the same cost and size firing a Class 1 renewable fuel source would be eligible for a $1,300,000 incentive.
        - If the fuel source is mixed, the bonus would be prorated. By way of example only, if the mix is 60% Class 1 renewable fuel, the bonus would be only 18%. (30% X 60% = 18%)
        - The bonus would be paid as part of Incentive #3.
    - The current ten-year payback requirement has been replaced with a twenty-five-year payback requirement.
    - Revise system sizing limitation:
        - Instead of limiting the size of the project necessary to meet on-site demand, a project will be allowed to be sized to utilize all the renewable fuel produced on-site, recognizing that any excess electric production could be sold to the grid per the net metering rules at N.J.A.C. 14:8-1 et seq.
- Critical Facilities
    - The current ten-year payback requirement has been replaced with a twenty-year payback requirement.

- Blackstart capability is required.

## NJ SmartStart Buildings

**Administrative changes**

- Complete overhaul of Prescriptive application forms to improve the customer experience. The improved forms will be easier to complete and will help improve application quality and shorten review cycles.
- Streamline multiple-site submission process. The multiple-site prescriptive lighting application will allow customers to input multiple facilities on a single document instead of completing one application per facility (account) where much of the information is duplicated, as is currently required.
- Define qualifying guidelines to consider Advanced Lighting Control System (ALCS) incentives via custom program, to encourage more applications involving same.

**Incentive revisions/additions**

*Prescriptive Lighting*

- Permit T12 lighting to be replaced with new LEDs. Although new T12 lighting is virtually unavailable today, it is still possible to purchase product to maintain these inefficient systems, making it worthwhile to provide an incentive to install higher efficiency lighting.
- New DLC Categories
  - Pin Based LED replacements - $5/lamp incentive replacing existing CFL pin based lamps
  - Mogul LED Screw-In Retrofit – Incentive based on new fixture wattage per DLC QPL.
    - ≤125W - $50/lamp
    - >125W to ≤250W - $75/lamp
    - >250W - $150/lamp

*Variable Frequency Drives*

- Remove harmonic mitigation device requirement.

*Gas Heating*

- Provide a new incentive tier for condensing boilers that do not meet the current efficiency requirement for condensing boilers but are considerably more efficient, and generally more expensive, than incentive-eligible non-condensing units.
  - Condensing boiler ≥88% and under existing requirement.
    - MBh < 300 - $1.35/MBH
    - 300 < MBh < 1,500 - $2.00/MBH
    - 1,500 < MBh < 2,500 - $1.85/MBH
    - 2,500 < MBh < 4,000 – 1.55/MBH

## Incentive changes effective August 1, 2017

*Prescriptive Lighting*

- LED Screw-In replacing Incandescent/Halogen – Incentive reduced from $5 to $3 per lamp.
- HID to Fluorescent High Bay (T5/T8 HO) Incentive based on new fixture wattage per ballast system specs.
    - <200W - $40/fixture
    - ≥200W to ≤355W - $50/fixture
    - >355W - $125/fixture
- HID to LED Low/High Bays – Revise current structure to a tiered incentive based on new fixture wattage. FY17 incentive is $150/fixture regardless of low or high bay designation and existing/proposed wattage.
    - ≤125W - $50/lamp
    - >125W to ≤250W - $75/lamp
    - >250W - $150/lamp

- The following will no longer be eligible for incentives: induction fixtures replacing HIDs; LED for retail display lighting and fluorescent T8 de-lamping.

**If you have questions regarding program changes or effective dates, contact us at 866-NJSMART (657-6278).**

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