



Agenda Date: 8/16/23
Agenda Item: 8D

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE IMPLEMENTATION OF P.L. 2018, C. 17, THE NEW JERSEY CLEAN ENERGY ACT OF 2018, REGARDING THE ESTABLISHMENT OF ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS)	ORDER
)	DOCKET NO. QO19010040
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IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF NEW ENERGY EFFICIENCY PROGRAMS AND THE ASSOCIATED COST RECOVERY PURSUANT TO THE CLEAN ENERGY ACT)	DOCKET NO. GO20090618
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Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Sheree Kelly, Esq., Associate Counsel, South Jersey Gas Company
John M. Kolesnik, Esq., Policy Counsel, Energy Efficiency Alliance of New Jersey

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities (“Board”) considers a request from South Jersey Gas Company (“SJG” or “Company”) for a modification of the Board Order dated April 7, 2021 (“April 2021 Order”) that authorized the budget for and implemented SJG’s current Energy Efficiency (“EE”) programs (“EE Programs”) for the three (3) year period commencing July 1, 2021 and ending June 30, 2024 (“Triennium 1”).¹

BACKGROUND

SJG is a public utility engaged in the distribution of gas and the provision of gas basic generation service for residential, commercial, and industrial purposes within New Jersey. SJG provides gas distribution service to approximately 400,000 customers in an area which includes Atlantic, Cape May, Cumberland, and Salem Counties while also servicing parts of Burlington, Camden, and

¹ In re the Implementation of L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs and In re the Petition of South Jersey Gas Company for Approval of New Energy Efficiency Programs and Associated Cost Recovery Pursuant to the Clean Energy Act, BPU Docket Nos. QO19010040 and GO20090618, Order dated April 7, 2021 (“April 2021 Order”).

Gloucester Counties. These customers may also be eligible for various EE programs or products that SJG offers.

In its April 2021 Order, the Board authorized SJG to implement its current EE Programs for Triennium 1. This order authorized SJG to offer various programs, including an Efficient Products Program (“Efficient Products” or “Program”). SJG, through the Program, provides incentives and on-bill repayment for efficient products that reduce energy usage and provides information about other programs to encourage the installation of high efficiency equipment. The high efficiency equipment includes lighting, heating, ventilation, and air conditioning (“HVAC”) units, electronics, appliances, and other heating and cooling equipment. On-bill repayment is available for select products for customers to cover the remaining cost, after applying the rebate discount, of the efficient product.

The April 2021 Order also allows SJG to shift budgets out of either the residential or the commercial and industrial (“C&I”) sectors. SJG may shift its program budgets for programs within the same sector up to 25% with Staff notification, above 25% up to 50% with Staff approval, and over 50% with Board approval. SJG may also shift up to 5% of its sector budgets between or among sectors with Staff notification, above 5% up to 10% with Staff approval, and over 10% with Board approval.

SJG’S PETITION

On May 16, 2023, SJG filed a petition with the Board seeking Board approval of SJG’s proposed modifications to its EE Programs (“Petition”). Through the Petition, SJG proposed a multi-part solution to address an anticipated budget shortfall of approximately \$15 million in Efficient Products, and the proposed modifications would ensure that the Program continues without interruption.

In its Petition, SJG explained that the Company has been providing financing for HVAC upgrades through Board-approved EE programs since 2009 and has established a robust network of trade allies who promote SJG’s programs to customers. Since implementing the current on-bill repayment program through Efficient Products, SJG has experienced greater participation in the Program than originally anticipated. Due to the greater participation, SJG’s Efficient Products on-bill repayment budget has depleted more quickly than forecasted. SJG estimated that the on-bill repayment budget will be fully consumed by November 2023, which is eight months prior to the end of the EE Program term of June 30, 2024, and will result in an estimated shortfall of \$15 million. SJG explained that the shortfall in the budget threatens the continuity of the core EE Programs features that make programs accessible to customers and provide a tool for trade allies to serve the market. SJG also noted that the disruption in the EE markets may contradict the goals of the State of New Jersey.

As required by the April 2021 Order, SJG coordinated with other investor-owned utility companies to design core EE programs and many of the additional utility-led programs. Many of these approved programs provide an opportunity to deliver comprehensive EE solutions to customers that can reduce their electric and gas usage and increase their energy savings. This requires the sharing of investments and savings for dual-fuel projects where electric and gas utility service territories overlap. In the Petition, SJG sought Board authorization to modify the design of SJG’s EE Programs and authorize SJG to only offer incentives and on-bill repayment on gas measures in Efficient Products projects, effective mid-July 2023. SJG suggested that eliminating the need to finance electric measures (i.e., air conditioning units) in August 2023 will allow the Company to extend the Efficient Products budget through approximately February 2024.

SJG estimated that the gas-only financing modification will reduce the Efficient Products on-bill repayment budget shortfall by approximately \$10.725 million. Therefore, SJG also requested that the Board lift budget sector shifting restrictions in the April 2021 Order. SJG proposed that the Board allow SJG to shift available budgets between sectors upon five (5) days' notice to Staff and the New Jersey Division of Rate Counsel ("Rate Counsel") so that SJG could accommodate the market need quickly and precisely. SJG noted that, even with the modification, the total shortfall may not be completely eliminated. However, SJG argued that the modification will allow Efficient Products to continue as near as possible to the end of the current Triennium 1 term of June 30, 2024.

On June 23, 2023, Rate Counsel submitted a comment letter indicating that they did not oppose SJG's request to limit on-bill repayment on Efficient Products to gas measures. However, Rate Counsel opposed SJG's request to waive the restriction on budget sector shifting and the corresponding notification requirements. Rate Counsel suggested that SJG would have ample time to request Staff or the Board's approval prior to the February 2024 estimated timeframe when the Company anticipates that the budget may be exhausted. The other party to this matter, the Energy Efficiency Alliance of New Jersey, indicated that they would not be submitting a comment letter on the Petition.

DISCUSSION AND FINDINGS

The Board's expectation is that New Jersey's investor-owned utilities provide EE products and programs adhering to the Triennium 1 term while allocating their EE program budgets accordingly. The Board notes that SJG and its network of trade allies offer EE products and programs to approximately 400,000 SJG customers. The Board also recognizes that the \$15 million budget shortfall in SJG's Efficient Products would effectively interrupt that Program for the remainder of Triennium 1. After reviewing and considering SJG's Petition, the Board **HEREBY FINDS** SJG's first request for a modification to only offer incentives and on-bill repayment on gas measures in Efficient Products projects to be reasonable for the following reasons. The Board recognizes that SJG has experienced a greater-than-expected participation in the current on-bill repayment program through Efficient Products, which is depleting the budget sooner than anticipated and is resulting in a shortfall of approximately \$15 million in the Program's budget. The Board acknowledges that, without Board intervention, the Program budget may be fully consumed by November 2023, which is eight (8) months prior to termination of Triennium 1 on June 30, 2024. The Board views the Company's proposed limiting of incentives and on-bill financing only to gas measures in Efficient Products to be reasonable under the circumstances. The Board **HEREBY APPROVES** SJG's request to modify the Program to only offer incentives and on-bill repayment on gas measures toward extending the Efficient Products budget through approximately February 2024.

SJG's second request is that the Board lift budget sector shifting restrictions in the April 2021 Order and allow SJG to shift available budgets between sectors upon 5 days' notice to Staff and Rate Counsel. The Board **FINDS** that it would be imprudent for the Board to lift all budget sector shifting restrictions and allow only five (5) days' notice of any such budget shifts because of the short time frame of the notice for Rate Counsel and Staff to prepare for the budget shift and the uncertainty of the future performance and budget needs of the Program. The Board **HEREBY DENIES** SJG's request that the Board lift budget sector shifting restrictions and allow five (5) days' notice of unlimited budget shifts. This denial, however, does not preclude SJG from filing a request for budget shifts if, closer to February 2024, SJG anticipates that the approved modification above will be insufficient to address the Program's budget shortfall. The Board **HEREBY DIRECTS** SJG to provide updates to Staff and Rate Counsel on the Efficient Products

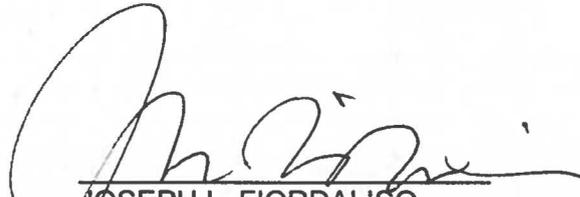
budget shortfall by February 1, 2024. The Board's partial granting of SJG's Petition shall not relieve SJG of any of its other obligations under providing EE products and programs to its customers.

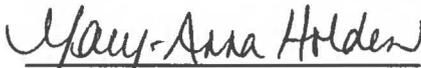
The Company's costs will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

The effective date of this Order is August 23, 2023.

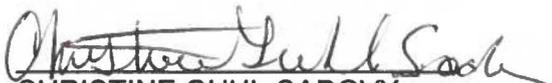
DATED: August 16, 2023

BOARD OF PUBLIC UTILITIES
BY:


JOSEPH L. FIORDALISO
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DR. ZENON CHRISTODOULOU
COMMISSIONER


CHRISTINE GUHL-SADOVY
COMMISSIONER


MARIAN ABDOU
COMMISSIONER

ATTEST: 
SHERRIL GOLDEN
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.

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