



STATE OF NEW JERSEY
Board of Public Utilities
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www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF A CONTRACT FOR A) ORDER APPROVING
STATEWIDE EVALUATOR OF NEW JERSEY'S) CONSULTANT
ENERGY EFFICIENCY AND PEAK DEMAND)
REDUCTION PROGRAMS) DOCKET NO. QO20110700

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Lisa Skumatz, Ph.D., Skumatz Economic Research Associates, Inc.

BY THE BOARD:

By this Order, the Board considers award of a contract for a Statewide Evaluator of New Jersey's energy efficiency ("EE") and peak demand reduction ("PDR") programs.

BACKGROUND

On January 13, 2008, L. 2007, c. 340 ("RGGI Act") was signed into law based on the New Jersey Legislature's findings that EE and conservation measures must be essential elements of the State's energy future and that greater reliance on EE and conservation will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the conservation and EE industries are essential to maximize efficiencies.¹

Pursuant to Section 13 of the RGGI Act, codified as N.J.S.A. 48:3-98.1(a)(1), an electric or gas public utility may provide and invest in EE and conservation programs in its service territory on a regulated basis. Upon petition, such investment in EE and conservation programs may be eligible for rate treatment approved by the Board, including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas.² Ratemaking treatment may include placing appropriate technology and program costs investments in the utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board.³ An electric or gas utility seeking cost recovery

¹ N.J.S.A. 26:2C-45.

² N.J.S.A. 48:3-98.1(b).

³ Id.

for any EE and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board.⁴

In May 2018, Governor Murphy ordered the Board and several executive branch agencies to work on an Energy Master Plan (“EMP”) that would chart a path for New Jersey to convert its energy production profile to 100% clean energy sources by January 1, 2050. The draft EMP was released in June 2019, and the final EMP was released in January 2020.

Also in May 2018, Governor Murphy signed into law the Clean Energy Act, L. 2018, c. 17 (“CEA”), which set forth ambitious goals to advance EE in the state. The CEA set in motion a comprehensive redesign of the State’s EE and PDR program delivery framework, referred to as the Energy Efficiency Transition. It established an aggressive EE resource standard of at least 2% and 0.75% in annual energy reductions by customers of investor-owned electric and natural gas utilities, respectively, in the prior three years within five years of implementation of the utilities’ EE and PDR programs.

The CEA also set specific requirements for the evaluation, measurement, and verification (“EM&V”) of the EE and PDR programs, including the following:

- The EE and PDR programs shall have a benefit-to-cost ratio (“BCR”) greater than or equal to 1.0 at the portfolio level, considering both economic and environmental factors. The methodology, assumptions, and data used to perform the benefit-to-cost analysis (“BCA”) shall be based upon publicly available sources and subject to stakeholder review and comment. An individual program may have a BCR of less than 1.0 but may be appropriate to include within the portfolio if implementation of the program is in the public interest, including, but not limited to, based on benefits to low-income customers or promotion of emerging EE technologies.⁵
- Each utility shall file with the Board implementation and reporting plans, as well as EM&V strategies to determine the energy usage and peak demand reductions achieved by the EE and PDR programs approved by the Board. The filings are required to include details of expenditures made by the utility and the resultant reduction in energy usage and peak demand.⁶
- Each utility shall file an annual petition with the Board to demonstrate compliance with the EE and PDR programs, compliance with its performance targets, and for cost recovery of the programs. If a utility achieves its performance targets, it shall receive an incentive as determined by the Board pursuant to N.J.S.A. 48:3-98.1 for its EE and PDR measures for the following year. If a utility fails to achieve its performance targets, it shall be assessed a penalty as determined by the Board pursuant to the same statutory section. Awards of incentives and assessments of penalties will begin after the conclusion of PY5 and will be based on year 5 performance.⁷

⁴ Id.

⁵ N.J.S.A. 48:3-87.9(d).

⁶ Id.

⁷ N.J.S.A. 48:3-87.9(e).

- The Board shall establish a stakeholder process to evaluate the economically achievable EE and PDR requirements, rate adjustments, QPIs, and the process for evaluating, measuring, and verifying energy usage and peak demand reductions by the utilities.⁸

In the two years following passage of the CEA, the Board, Staff, Rate Counsel, electric and natural gas public utility companies, and a broad range of stakeholders worked collaboratively to review and consider options and best practices on a myriad of topics related to EE.⁹

PROCEDURAL HISTORY

By Order dated June 10, 2020, the Board approved an EE transition framework for EE programs implemented pursuant to the CEA, including requirements for the utilities to establish programs that reduce the use of electricity and natural gas within their territories.¹⁰ In the June 2020 Order, the Board directed New Jersey’s electric and gas public utility companies to file petitions by September 25, 2020 for approval of three-year programs by the Board by May 1, 2021, to be implemented beginning July 1, 2021.

A key part of the EE transition framework was the development of a consistent, standard, and transparent approach to EM&V for EE programs established pursuant to the CEA. The Board also called for the establishment of an EM&V Working Group (“EM&V WG”) that will develop recommendations for the Board’s consideration on the State’s EM&V practices. The Board directed Staff to solicit the professional services of a Statewide Evaluator to facilitate and lead the EM&V Working Group.

Staff developed a Request for Quotation (“RFQ”) for a Statewide Evaluator to lead the development of an approach to EM&V, including guidelines, methods, inputs and schedules that is robust, accurate, transparent, consistent, and replicable statewide. The Statewide Evaluator will ensure that this approach is applied to all State and utility-administered EE programs and used to continually improve the design and delivery of EE programs in the state. Some of the Statewide Evaluator’s primary responsibilities are as follows:

- Engage and lead the EM&V Working Group;
- Develop and prepare a master evaluation plan for each planning cycle of utility-administered, co-managed, and State-administered programs;
- Develop quality assurance / quality control plans for evaluation data, activities, and results;

⁸ N.J.S.A. 48:3-87.9(f).

⁹ The subject matter included details of program design and administration, application of utility targets, filing requirements, cost recovery mechanisms, performance incentives and penalties, evaluation, measurement, and verification, tracking and reporting requirements, a triennial review process, and ongoing stakeholder working groups.

¹⁰ In re the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs, BPU Docket No. QO19010040, Order dated June 10, 2020, (“June 2020 Order”).

- Develop a plan for a cycle of statewide studies and evaluations related to the EM&V of NJ's EE and PDR Programs (e.g., a net-to-gross study, comprehensive statewide avoided costs study, non-energy benefits study, code compliance study, baseline evaluations, market potential study, and other similar studies and evaluations);
- Maintain and update statewide references such as the NJ Technical Reference Manual and the NJ Cost Test; and
- Review, evaluate, and provide annual reporting on the statewide results of all State and utility EE and PDR programs.

All of the Statewide Evaluator's work with the EM&V Working Group will be in an advisory capacity to Staff and the Board.

On December 16, 2020, the Board authorized Staff to release the RFQ.¹¹ Staff released the RFQ to 15 entities on January 6, 2021, and posted addenda to the RFQ on January 14, 2021 and February 3, 2021 that provided answers to questions by potential respondents.

The following firms submitted RFQ responses by the deadline of February 25, 2021:

- Johnson Consulting Group ("Johnson") in association with:
 - Energy Infrastructure Partners;
 - Mesa Point Energy;
 - Michaels Energy, and
 - Warren Energy;
- Skumatz Economic Research Associates, Inc. ("SERA") in association with:
 - Ralph Prah, Independent Consultant;
 - Robert Wirtshafter, Wirtshafter Associates, Inc.;
 - Peter Jacobs, Building Metrics, LLC;
 - Dakers Gowans, Left Fork Energy, Inc.;
 - Jane S. Peters Advisors; and
 - Michael Rufo, Independent Consultant; and
- Tierra Resource Consultants, LLC ("Tierra") in association with:
 - Loper Energy, LLC; and
 - Skytop Consulting, LLC.

The evaluation committee, which comprised members from the Board's Division of Clean Energy, Office of the Economist, General Counsel's Office, and Division of Budget and Finance, utilized the Board's standard internal review process for awarding outside contracts. The evaluation committee scored each RFQ response based on the bidder's or bidders' demonstrated understanding of the RFQ, execution plan for the scope of work, team members' and firm's or firms' depth of experience, perceived ability to complete the tasks on schedule, and previous work on similar matters.

¹¹ In re the Release of a Request for Quotation for Consulting Services for a Statewide Evaluator of Energy Efficiency Programs, BPU Docket No. QO20110700, Agenda Item 8B.

The evaluation committee recommended that SERA be awarded the contract to lead the EM&V WG and the statewide approach to EM&V of EE programs implemented pursuant to the CEA. SERA's RFQ response demonstrated a thorough understanding of the scope of work; well-qualified staff to perform the work; direct and significant experience in relevant work for other states implementing energy efficiency programs; a logical and methodical task approach; and a competitive pricing structure for the work to be performed. After a request to the RFQ respondents for a "best and final offer," SERA held firm on its original pricing of \$1,060,998 over the three-year term of the contract.

DISCUSSION AND FINDINGS

In order to satisfy its statutory mandate, the Board's Office of the President may require the services of expert professional consultants. These expert professional consultants may prepare specialized reports, advise the Board on policy matters, and serve as witnesses in complex, unique, and highly specialized areas of utility law and policy, engineering, finance, and accounting in the fields of telecommunications and cable television, gas, electric, water, and sewer services as related to rate filing petitions and other matters.

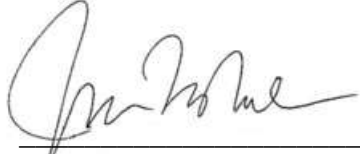
Given the significant investment in the next generation of EE programs by both the State and electric and gas public utility companies, the expertise required for review and evaluation of these programs, and the need for an approach to EM&V that is robust, accurate, transparent, consistent, and replicable statewide, the Board authorized Staff to solicit a consultant with specific expertise to assist with all aspects of the evaluation, measurement, and verification of EE programs implemented pursuant to the CEA.

After consideration of Staff's recommendation and review of the evaluation team's report, the Board **HEREBY APPROVES** the selection of SERA and **HEREBY DIRECTS** Staff to execute a contract for services as described in the RFQ and scope of work. The contract is anticipated to commence in the spring of 2021 with a contract amount of \$1,060,998 over a term of three years.

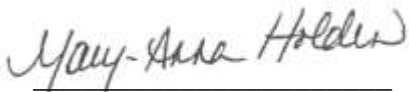
This Order shall be effective on April 3, 2021.

DATED: March 24, 2021

BOARD OF PUBLIC UTILITIES
BY:



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PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER




UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
SECRETARY

IN THE MATTER OF A CONTRACT FOR A STATEWIDE EVALUATOR OF NEW JERSEY'S
ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS

BPU DOCKET NO. QO20110700

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