



STATE OF NEW JERSEY
Board of Public Utilities
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Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY PROGRAM)
LOCAL GOVERNMENT ENERGY AUDIT (LGEA)) ORDER
REQUEST FOR WAIVER – NEWARK PUBLIC)
SCHOOLS) DOCKET NO. EO13030230V

Parties of Record:

Edward H. Brzezowski, Vice President of Energy/MEP Services, Falcon Engineering
Steve Morlino, Executive Director, Newark Public Schools District
Rodney Williams, Facility Manager, Newark Public Schools District

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities (the "Board") directs that the Local Government Energy Audit ("LGEA") Program's annual entity incentive cap of \$100,000 be raised to a maximum of \$300,000 for Fiscal Year 2014 for the Newark Public Schools District ("the District") contingent on a commitment from the District that it will participate in the Energy Savings Improvement Program ("ESIP").

BACKGROUND

The Board's Commercial and Industrial ("C&I") Energy Efficiency Program, which is marketed as the New Jersey SMARTSTART Buildings Program (SSBP or SMARTSTART), includes the C&I New Construction, C&I Retrofit, Pay-for-Performance New Construction, Pay-for-Performance Existing Buildings, LGEA, Direct Install, Combined Heat and Power and Fuel Cells, and Large Energy Users Pilot. These programs collectively offer financial incentives to encourage the installation of energy efficient products and technologies.

The LGEA provides incentives to subsidize the cost of an energy audit for eligible facilities owned by municipalities or other local government agencies as well as New Jersey State Colleges and Universities and specified non-profits. The purpose of the LGEA is twofold: to encourage local governments, non-profits, and state colleges and universities to seek out means to reduce energy costs while also lessening the energy-cost burden placed on taxpayers. These LGEA audits have allowed public entities to improve their properties' energy efficiency through investments in capital energy projects that have saved them money.

Additionally, under the LGEA Program's "Terms and General Conditions," the Program reserves the right to extend or modify the Program's incentive levels. Following completion of an audit, an entity may start an ESIP project, although participation in the LGEA does not require the entity to participate in ESIP. ESIP allows certain public entities to develop capital energy improvement projects provided that the entities recoup the costs of those projects through the resulting energy savings within 15 years or less. See, P.L. 2009, c. 4; N.J.S.A. 52:34-25 (ESIP's by state contracting agencies); N.J.S.A. 40A:11-4.6 (ESIP's by contracting units); N.J.S.A. 52:35A-1 (ESIP's by public agencies); N.J.S.A. 18A:18A-4.6 (ESIP's by boards of education); and N.J.S.A. 18A:65A-1 (ESIP's by boards of trustees of public institutions).

By letter to the Board dated December 27, 2012 ("December 27 Letter"), an engineer representing the District requested a waiver of the \$100,000 annual cap. In a second letter dated July 2, 2013 ("July 2 Letter"), the engineer represented that the District has nearly 9,000,000 square feet of facilities in eighty-five (85) buildings throughout the City of Newark. In fiscal year 2012, the District conducted a Local Government Energy Audit of its six (6) high schools, totaling approximately 1.4 million square feet of space, at a cost of \$57,000 ("LGEA Group 1"). The average per square foot cost of LGEA Group 1 was approximately \$0.040. In January 2013, the District placed a bid for an audit of an additional 1.2 million square feet in seventeen (17) building sites ("LGEA Group 2"). Lastly, the District has prepared a proposal for an audit of forty-seven (47) buildings which cover approximately 4.7 million square feet with a cost range of \$0.047 to \$0.053 per square foot ("LGEA Group 3")

Taken together, the two letters seek a waiver of the annual \$100,000 cap to allow LGEA Group 3 to be audited under a single application.¹ The December 27 Letter states that the cost to audit those buildings would be approximately \$1,000,000 and that the District relies upon the LGEA for funding to proceed with the audits. Additionally, the December 27 Letter states that if the \$100,000 per year cap is not waived, it would take approximately ten years to complete the audit for all of the District's eighty-five (85) buildings. The July 2 Letter states that under LGEA Group 1 and 2, twenty-three (23) buildings have been or will be audited. Raising the cap to \$300,000 would enable the District to audit LGEA Group 3 in Fiscal Year 2014, significantly increasing the pace of the audits and thus the installation of energy efficiency measures. Energy audits are not an end in themselves. The NJCEP incentivizes audits to encourage the implementation of actual energy efficiency measures. The July 2 Letter estimates the District's savings through an ESIP program at \$80,000,000 to \$110,000,000 over the next fifteen (15) to twenty (20) years.

Staff believes that waiving the \$100,000 cap will enable the District to take advantage of significant economies of scale, thereby saving the District, the Program, and the State money, as well as reducing the administrative burden of participation. Staff recommends that the Board approve the waiver of the \$100,000 cap to allow the implementation of a comprehensive audit. Staff also recommends that the waiver of the \$100,000 annual cap be conditioned upon the requirement that the District commit to an ESIP within twelve (12) months of completion of the audit for LGEA Group 3.

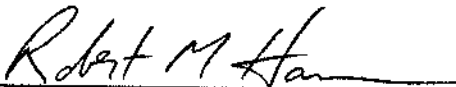
¹ The December 27 Letter also requests a waiver of the 150 kW cap in the LGEA program, but Board action is not necessary to waive this cap. The Compliance Filing of the Board's C&I energy efficiency market manager states that the Market Manager "will have the ability to grant exceptions in cases where the entity demonstrates interest in measures that are not available under the Direct Install Program, such as . . . participation in New Jersey's Energy Savings Improvement Program."

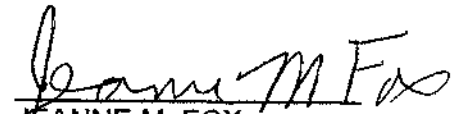
FINDINGS

The Board has reviewed the letters from the District requesting a waiver of the LGEA Program's annual entity incentive cap. The Board **FINDS** that the LGEA Program allows public entities to fund energy-saving capital projects, which saves energy and public dollars spent annually in taxes and fees. The Board also **FINDS** that the District has participated in the LGEA Program over the last two years and has begun the process of auditing twenty-three (23) of the District's buildings. Further, the Board **FINDS** that the request of the District is consistent with the purposes of the LGEA Program, in that the expedited implementation of a robust energy-saving program would allow Newark taxpayers to receive the benefits from energy cost-savings at an earlier date. Based on the above, the Board **HEREBY APPROVES** the waiver and **RAISES** the LGEA entity cap for the District to \$300,000 for the 2013/2014 program year, contingent upon commencing an ESIP within twelve months of the completion of an LGEA for Group 3. This waiver will allow the District the opportunity to increase the size and scope of their LGEA program and thus in turn their ESIP program, resulting in economies of scale, as well as increasing the rate at which measures are installed which will result in a shorter payback period.

DATED: 7/19/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

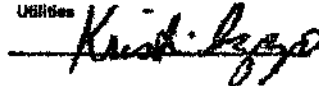

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER

ATTEST:


KRISTI IZZO
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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AUDIT (LGEA) REQUEST FOR WAIVER – NEWARK PUBLIC SCHOOLS
DOCKET NO. EO13030230V

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