Agenda Date: 6/9/21
Agenda Item: 2E

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY AND CLEAN ENERGY

IN THE MATTER OF THE IMPLEMENTATION OF L. 2018, C. 17 REGARDING THE ESTABLISHMENT OF ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS	ORDER ADOPTING STIPULATION
IN THE MATTER OF THE PETITION OF ROCKLAND ELECTRIC COMPANY FOR APPROVAL OF ITS ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS	DOCKET NOS. QO19010040 AND EO20090623

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Margaret Comes, Esq., Associate Counsel, Rockland Electric Company
Nathan Howe, Esq., Counsel for the Energy Efficiency Alliance of New Jersey

BY THE BOARD:

On September 25, 2020, Rockland Electric Company ("RECO" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") requesting approval of its proposed energy efficiency ("EE") and peak demand response ("PDR") programs ("EE Plan") ("Petition"). By this Decision and Order, the Board considers a stipulation of settlement ("Stipulation") executed by RECO, Board Staff ("Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and the Energy Efficiency Alliance of New Jersey ("EEANJ") (collectively, "Parties") that addresses several issues in this matter.

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]

[1] N.J.S.A. 26:2C-45.

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 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 prepare 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. 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 diligently and collaboratively to review and consider options and best practices on a myriad of topics related to EE.[5]

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.[6] In the June 2020 Order, the Board directed New Jersey's electric and gas companies to file petitions by September 25, 2020 for approval of three-year EE programs by the Board by May 1, 2021 to be implemented beginning July 1, 2021.

RECO September 2020 Petition

In the Petition, the Company sought approval to implement seven (7) subprograms, including two (2) residential subprograms, one (1) multi-family subprogram, two (2) commercial and industrial ("C&I") subprograms, and two (2) pilot programs. The EE Plan included EE programs and demand reduction initiatives, as well as additional initiatives and EE opportunities advanced through beneficial electrification and enhanced offerings for low and moderate-income customers. The residential subprograms would, among other initiatives, promote the purchase and installation of high-efficiency products through rebates; provide customers with energy audits and installation of EE measures; and provide moderate-income customers with enhanced opportunities to participate in EE programs. Several of these subprograms are grouped under

[2] N.J.S.A. 48:3-98.1(b).
[3] Id.
[4] Id.
[5] 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.
[6] 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").

the Existing Homes Program. The C&I subprograms would, among other initiatives, incentivize the installation of energy efficient equipment; optimize energy consumption in existing buildings; provide enhanced incentives for small non-residential customers; and promote comprehensive custom EE projects in C&I buildings. The multi-family program would provide a dedicated pathway for multi-family building owners and tenants alike to take advantage of EE opportunities, including comprehensive projects, while the pilot subprograms would promote and provide incentives for the installation of clean heat pump technology and PDR technology for both the residential and commercial sectors.

The Company proposed a total EE Plan budget of approximately $18.009 million (investment and expenses) over a three (3)-year period from July 1, 2021 to June 30, 2024. The proposed programs and associated costs are summarized in the table below:

Program	**Proposed Budget**
Efficient Products	$3,602,956
Home Performance with Energy Star	$1,834,755
Multi-family	$1,307,654
Commercial and Industrial Direct Install	$4,321,849
Commercial and Industrial Rebates	$3,905,236
Clean Heat Beneficial Electrification (Pilot)	$1,822,196
Peak Demand Reduction (Pilot)	$1,214,572
TOTAL	$18,009,217

In addition to approval to implement the EE Plan, the Company requested approval of a cost recovery mechanism. Specifically, RECO requested approval to recover the revenue requirement associated with the EE Plan, including incentives, outside services, inspections and quality control, information technology, and operation and maintenance ("O&M"). The Company proposed to recover program costs by establishing a CEA component of the Company's existing Societal Benefits Charge ("SBC"). As proposed, the CEA component of the SBC would be a non-bypassable charge which would be set annually based on the sum of: 1) the Company's forecasted revenue requirement and any incremental O&M expenses associated with the EE Plan; and 2) any prior period over- or under-recoveries, including interest. The total sum would then be divided by the forecast of the Company's kilowatt-hour ("kWh") deliveries to all customers served under the Company's electric tariff for the annual recovery period. Each month, the actual revenue collected through the CEA component of the SBC would be compared to the sum of the month's revenue requirement and any incremental O&M expenses. A carrying charge would be included in the deferred balance for both an over-collection and under-collection of revenues. The carrying charge would be calculated as determined by the Board in its October 2008 Order.[7] The proposed interest rate would be based on two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which rates are published) plus 60 basis points, but not to exceed the Company's

[7] In re the Matter of the 2008/2009 Annual Compliance Filings for the Universal Service Fund Program Factor Within the Societal Benefits Charge Rate Pursuant to Section 12 of the 1999 Electric Discount Energy Competition Act, BPU Docket No. ER08060455, Order dated October 21, 2008 ("October 2008 Order").

overall rate of return. The interest rate would be reset each month. The Company proposed to make annual filings on or before August 1 of each year to reconcile the prior period program year collections versus recoveries and would forecast the revenue requirement for the following program year. The Company proposed an effective date of October 1 for the proposed change to the CEA component of the SBC. RECO also sought Board approval of a modified electric Conservation Incentive Program ("CIP") to recover a portion of the Company's revenues that will be lost as a result of the successful implementation of the EE Plan and the related decrease in energy sales.

In the Petition, the Company estimated that, based on its proposed EE Plan, the monthly bill impact for a typical residential customer with an average annualized usage of 925 kWh would be an increase of $0.29 or 0.16% for the first year of the EE Plan.

Procedural History

On August 25, 2020, the Company met with Staff and Rate Counsel for a pre-filing meeting, as required by the May 2008 Order and June 2020 Order to discuss the Company's filing.[8]

By Order dated September 23, 2020, the Board designated President Joseph L. Fiordaliso as the presiding officer authorized to rule on all motions that arise during the pendency of the Petition and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues.[9] Further, the September 23, 2020 Order directed that any entities seeking to intervene or participate in this matter file the appropriate application with the Board by October 2, 2020 and that entities file with the Board any responses to those motions by October 9, 2020.

On September 25, 2020, RECO filed the Petition with the Board.

By the October 2, 2020 deadline, three (3) entities filed to intervene and five (5) entities filed to participate. Specifically, New Jersey Natural Gas Company ("NJNG"), Public Service Electric and Gas Company ("PSE&G"), and EEANJ moved to intervene. Atlantic City Electric Company ("ACE"), the Building Performance Association ("BPA"), Elizabethtown Gas Company ("ETG"), Jersey Central Power and Light Company ("JCPL") and South Jersey Gas Company ("SJG") moved to participate.

On October 9, 2020, RECO submitted a letter responding to the filed motions to intervene and participate. In its letter, RECO indicated that it did not oppose the motions to participate filed by ACE, ETG, JCP&L, and SJG. RECO also indicated that it was unclear whether BPA's motion to participate was filed by an attorney authorized to practice in New Jersey. RECO stated that it did not oppose participant status for BPA but reserved the right to object to future motions to intervene or participate filed by or on behalf of BPA.

Additionally, RECO did not oppose the intervention of EEANJ. With respect to the motions to intervene filed by NJNG and PSE&G, RECO argued that NJNG and PSE&G failed to meet the

---

[8] In re Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation. Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in Their Respective Service Territories on a Regulated Basis, Pursuant to N.J.S.A. 48:3-98.1, BPU Docket. No. EO08030164, Order dated May 12, 2008 ("May 2008 Order").

[9] 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 September 23, 2020.

basic standards for intervention in the proceeding and that their involvement in the proceeding should be limited to participant status. By letter dated October 16, 2020, the BPA withdrew its motion to participate.

On October 16, 2020, Staff notified the Company that the Petition was not administratively complete. In response, the Company made a supplemental filing on November 2, 2020. On November 5, 2020, Staff issued a letter indicating that, with the submission of the supplemental filing, the Petition satisfied the minimum filing requirements. Accordingly, pursuant to the May 2008 Order, the 180-day period for Board review commenced on November 2, 2020.

President Fiordaliso issued a Prehearing Order on December 9, 2020 that established the issues to be determined by the Board, set forth a procedural schedule, granted intervener status to EEANJ, and granted participant status to the remaining movants.[10]

With the Petition, RECO filed the direct testimonies of Donald E. Kennedy, Director of Energy Services for Orange and Rockland Utilities, Inc., the Rate and Forecasting Panel consisting of Cheryl Ruggiero, Department Manager of Orange and Rockland Rate Design for Consolidated Edison Company of New York, Inc. ("Con Edison"), Hock Ng, Electricity Forecasting Section Manager for Con Edison, and Michael DiGravina, Senior Rate Analyst of Orange and Rockland Rate Design for Con Edison, the Accounting Panel consisting of Wenqi Wang, Department Manager Regulatory Accounting and Revenue Requirements for Con Edison and Kevin Lyons, Project Specialist O&R Financial Planning and Analysis for Orange and Rockland Utilities, Inc., and Andrew W. Cottrell, Managing Director at Applied Energy Group, an energy consulting firm.

Following publication of notice in newspapers of general circulation within RECO's service territory and the serving of notice upon affected municipalities and counties within the Company's service area, two (2) telephonic public hearings were held at 4:30 p.m. and 5:30 p.m. on March 11, 2021 and May 26, 2021.[11] No members of the public provided oral comment at the March 11, 2021 or May 26, 2021 hearings. The Board's Secretary received one (1) written comment in support of the Company's Petition. No written comments were received by RECO or Rate Counsel.

STIPULATION

Subsequent to conducting discovery and participating in settlement discussions, the Parties executed the Stipulation, which provides for the following:[12]

General Terms

1. The Parties agree that, subject to Board approval of the Stipulation, RECO may implement the EE Program under the terms and conditions described in the Stipulation. The EE Program will include implementation, administration, and investment in a portfolio of

[10] In re the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs, and In re the Petition of Rockland Electric Company for Approval of New Energy Efficiency Programs and Associated Cost Recovery Pursuant to the Clean Energy Act, BPU Docket Nos. QO19010040 and EO20090623, Order dated December 9, 2020.
[11] Due to the COVID-19 pandemic, hearings were held virtually.
[12] Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Paragraphs are numbered to coincide with the Stipulation.

programs, including three (3) Residential sub-programs, two (2) C&I sub-programs, one (1) multi-family sub-program and two (2) pilot programs.

2. The Parties agree that the design of the EE Program (and sub-programs) shall be as described in Attachment 1 to the Stipulation, EE Program Plan, subject to modification consistent with the June 2020 Order and in cooperation with the Board's Utility Working Group and the EE Working Groups as further addressed in paragraph 43 of the Stipulation. The Company commits to complying with all Board orders regarding modifications to the EE programs and program detail it is required to offer, subject to the availability of budgeted funds. The Parties agree that RECO may offer the programs/subprograms set out in the table below, and described in greater detail in Attachment 1 to the Stipulation, for a term of three (3) years commencing July 1, 2021 and ending June 30, 2024. The Parties further agree that the EE Program budget shall not exceed the total portfolio cost as set forth in the below table:

Program	Type	Direct Investment	O&M	Total EE Program
Efficient Products	Core	$2,880,802	$498,445	$3,379,247
Existing Homes	Core	$1,378,113	$312,081	$1,690,194
Moderate Income Weatherization	Utility-Led	$813,354	$84,674	$898,028
Multi-Family	Core	$1,062,366	$166,176	$1,228,542
Energy Savings for Business	Core	$3,699,970	$511,624	$4,211,594
Energy Solutions for Business	Core	$3,270,799	$487,834	$3,758,634
Clean Heat Beneficial Electrification Program - Pilot	Utility-Led	$1,585,779	$175,858	$1,761,637
Peak Demand Reduction Program - Pilot	Utility-Led	$995,000	$158,749	$1,153,749
Total Portfolio Cost				$18,081,625

3. RECO shall launch its programs in accordance with Attachment 1 to the Stipulation, and adjustments shall be made in the implementation of these sub-programs to coordinate delivery and ensure consistency of core sub-programs with other utility core sub-programs, as necessary. A Statewide Coordinator, a third-party contractor engaged jointly by the State's utilities, shall coordinate the allocation of energy savings and costs realized from dual-fuel and core sub-programs to the appropriate utilities.

4. The Company shall make an effort to maximize diverse participation in the Energy Solutions for Business program, with a particular focus on governmental entities such as public schools and municipalities provided that the Company retains the flexibility to use the funds allocated to the program as practicable to maximize EE savings.

5. Based upon market response, the Company may shift the timing of investment spending between Program Years (i.e. July 1- June 30) in any sub-program as necessary to provide flexibility in responding to market conditions and customer demand and to ensure the achievement of EE Program targets during the term of the EE Program, in accordance with the procedure outlined in the June 2020 Order.

6. During EE Program implementation, certain sub-programs may be more successful in the near term and require additional budget in order to respond to the market need and to continue operations. Accordingly, the Parties agree that a process enabling the Company to make adjustments to sub-program budgets in response to real market conditions experienced is justified and appropriate. The process, in accordance with the June 2020 Order, shall be as follows:

   A. RECO can shift its sub-program budgets out of an individual sub-program within the Residential sector or within the C&I sector up to 25% of the individual sub-program's total budget with Staff notification (which should be provided within 30 days following the change), 25-50% with Staff approval, and over 50% with Board approval.
   B. RECO can shift budgets out of the Residential, Multi-family, or C&I sector up to 5% of individual utility sector budgets with Staff notification (which should be provided within 30 days following the change), 5-10% with Staff approval, and over 10% with Board approval. Such budgets may be added to any sub-program(s) within the sector to which it is being transferred without limitation when the budget shift does not exceed 5%.
   C. All notifications and requests for budget adjustments shall be submitted to Staff and Rate Counsel. Staff retains the right to reject shifts requiring Staff notification. Requests for budget adjustments within the three-year Program filing necessitating Staff approval shall be submitted to Staff and Rate Counsel with a written description of, and rationale for, the proposed transfers, and shall be responded to within 30 days. Rate Counsel may object within 30 days, which shall trigger Staff review within 30 days of Rate Counsel's objection. If there is no response from Rate Counsel or Staff within 30 days of RECO's request, those requests shall be automatically granted.

7. Customer information shall be used by the Company to deliver an effective customer experience in compliance with any applicable Board regulations and statutory obligations. The Company shall adopt privacy and data handling policies and procedures for the EE Program that are consistent with RECO's customer data security protections, the June

2020 Order, and any applicable Board regulations and statutory obligations. In the event of any breach of the above confidentiality by an affiliate, RECO shall remediate such breach to the full extent required by law. In the event of any breach of confidentiality by a vendor hired to deliver the EE Program or to evaluate the sub-programs, the Company commits to enforcing the contractual confidentiality requirement to the extent allowed by the law. Any "breach of security" with respect to customers' "personal information," as those terms are defined in N.J.S.A. 56:8-161, shall be treated in accordance with the New Jersey Identity Theft Prevention Act, N.J.S.A. 56:8-161 et seq., and Section 3b of the Board's Cybersecurity Order of March 18, 2016 in Docket No. AO16030196.

8. RECO agrees that customer-specific data belongs to the customer, who may request or authorize RECO to share it with suppliers. RECO further agrees that data gathered during the operation of these sub-programs not specific to any particular customer belongs to the Company and shall be used solely to support current or future regulated utility programs. Such data may not be used for other purposes without Board approval. Any financial benefits derived by RECO from the data shall be offset against the costs of the EE Program. The Company shall also submit non-customer-specific data to the Board in compliance with reporting requirements, as established by the Board.

9. No later than January 31, 2022, RECO agrees to hold at least one (1) non-confidential collaborative meeting with interested parties to receive input on additional "non-core" program design. The non-core programs subject to discussion in the collaborative include, but are not limited to, demand response, PDR programs, non-wire alternatives, building electrification/decarbonization, and other programs that further the clean energy goals of the State of New Jersey.

Program Term

10. Implementation of the EE Program shall commence on July 1, 2021 and shall continue over the course of the next three (3) years until June 30, 2024.

11. RECO shall coordinate regarding transition of programs (including program delivery, program data, and marketing) with the current New Jersey Clean Energy Program ("NJCEP") program administrator and other utilities with whom the Company has overlapping service territories. To the extent that the utilities jointly decide to implement programs differently than currently envisioned, the Company commits to implement, as permissible under law and within approved budgets, consistent elements of the core programs concurrently with all electric and gas utilities in the state. This consistency shall include the following elements:

    A. Common forms for use by customers and contractors;
    B. Contractor requirements, open and competitive procurement protocols where feasible, and training; procurement protocols should include policies and practices (e.g., scoring systems) developed in collaboration with the Equity Working Group and Workforce Development Working Group that encourage supplier diversity (including contractors and subcontractors) and contractor coaching/mentoring of diverse business enterprises;
    C. Customer and property eligibility requirements and processes, including alternative/automatic eligibility methods for low- to moderate-income customers

(e.g., based on census tracts, environmental justice communities, Urban Enterprise Zones, etc.);

D. Eligible measures;
E. Incentive ranges;
F. Incentive payment processes and timeframes;
G. Customer and contractor engagement platforms;
H. Data platforms and database sharing among program administrators, where appropriate; and
I. Quality control standards and remediation policies.

12. The Company shall submit a subsequent multi-year Program extension for Board approval consistent with the June 2020 Order.

<u>EE Program Expenditures</u>

13. The Parties agree that the Total Portfolio Costs for the EE Program is $18,081,625, which includes all utility capital expenditures (including IT), rebates and incentives (including financing costs), audit/installation labor, outside services for third-party sub-program implementation, and evaluation, measurement, and verification ("EM&V"). The budget for investment includes amounts that are spent during the three (3)-year program cycle (July 1, 2021 – June 30, 2024), as well as amounts reserved to fund projects/incentives for customers who have enrolled in sub-programs during that three (3) year period.

14. The Company's recoverable O&M expense for this EE Program include RECO administrative, labor, IT costs, inspection and quality control, evaluation and related research and portfolio-level costs, such as program development, marketing, and jobs initiatives for the three year program cycle, and shall not exceed $2,395,441. The Company's administrative costs include RECO administrative, labor, IT costs, and portfolio-level costs, such as program development, marketing, and job initiatives for the three-year program cycle. The Company shall recover its actual reasonable and prudently incurred program investments and administrative costs up to approximately $18,081,625. Staff and Rate Counsel reserve their rights to challenge the prudency of all costs, including administrative costs, in future cost recovery filings.

15. The Joint Utility Working Group is developing requirements for coordination of services to customers, including the sharing of costs and the allocation of savings. The Parties agree that any additional costs for required utility-coordination efforts that go beyond the scope of the EE Program as originally planned and budgeted by the Company, and that are deemed prudently incurred after appropriate review, shall be recoverable.

16. All EE Program expenditures shall be filed with the Board and submitted for prudency review in annual cost recovery filings over the term of the EE Program by way of RECO's annual cost recovery proceedings.

<u>Cost Benefit Analysis / Reporting</u>

17. The Company submitted calculations as to the cost-effectiveness of the proposed sub-programs under six (6) different cost-benefit tests: the New Jersey Cost Test ("NJCT"), the Participant Cost Test ("PCT"), the Program Administrator Cost ("PAC") Test, the Ratepayer Impact Measure ("RIM") Test, the Total Resource Cost ("TRC") Test, and the Societal Cost

Test ("SCT"). Attached to the Stipulation as Attachment 2 are summaries of the results of the Company's Benefit-Cost Analysis, including the six (6) different benefit-cost tests.

18. Quantitative Performance Indicator performance periods shall be those set forth in the June 2020 Order. Quarterly, annual, and triennial reports shall be consistent with the requirements of the June 2020 Order. The details of the reporting process shall be developed by the Board's Utility Working Group or as outlined by the Board.

19. The Company shall perform EM&V for the EE sub-programs in accordance with the June 2020 Order and the EM&V Working Group. All EE projects and measures included in RECO's program portfolio completed after July 1, 2021 shall also be included in the EE EM&V plan subject to the EE EM&V process.

20. The Parties recognize that, the Parties are not in agreement regarding the inputs and calculations used to implement the NJCT while the Board established the NJCT on an interim basis through the August 24, 2020 BPU Order, the NJ Cost Test Order noted that the interim NJCT may not include the full range of possible benefits and costs and committed to further review of the NJCT with the guidance of the EM&V Working Group. All parties agree that further deliberation of both the underlying elements included within the NJCT and the approach to calculating those elements is critical to accurately evaluating the cost effectiveness of EE programs for future triennials. To support that effort, the Parties agree, through the EM&V Working Group, to work through these issues regarding the NJCT in support of establishing a consistent and transparent approach to implementing this test.

Capital Structure/Return on Equity

21. RECO will earn a return on its EE Program investment based upon the authorized return on equity ("ROE") and capital structure approved by the Board in the Company's most recent base rate case. As of the date of the Stipulation, the Company's most recently approved base rate case is its 2019 Base Rate Case.[13] As described in further detail in the Stipulation, RECO agrees the EE Program investments shall be amortized over a 10 year period, on a straight-line basis, with the return of the investment and return on the unamortized investments based upon RECO's weighted average cost of capital ("WACC") as established in the 2019 Base Rate Case, which is set forth in the below table. Attachment 3 to the Stipulation, shows the calculation of the WACC for the EE Program.

	Cost	Capital Structure %	Weighted After-Tax Cost	Weighted Pre-Tax Cost
Long Term Debt Rate	4.88%	51.68%	2.52%	2.52%
Regulated Return on Equity	9.50%	48.32%	4.59%	6.39%
			7.11%	**8.91%**

[13] Decision and Order Adopting Initial Decision and Stipulation of Settlement, *In the Matter of the Verified Petition of Rockland Electric Company for Approval of Changes in Its Electric Rates, Its Tariff for Electric Service, and Its Depreciation Rates; and for Other Relief,* BPU Docket No. ER19050552, Order January 22, 2020 ("2019 Base Rate Case").

22. The Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the appropriate corresponding subsequent monthly revenue requirement calculations. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but, in any event, no later than January 1 of the subsequent year. Any changes to current tax rates would be reflected in an adjustment to the Pre-Tax WACC and in any corresponding revenue requirement calculations.

Cost Recovery

23. The Parties agree that the Company is and shall be authorized to defer and seek recovery of all reasonable and prudent EE Program costs, including customer incentives, as well as associated reasonable and prudent O&M expenses. EE Program costs shall be subject to recovery through rates pursuant to the terms of a new CEA component of the Regional Greenhouse Gas Initiative ("RGGI") Surcharge and annual true-up filings. The initial CEA component of the RGGI Surcharge, based on an initial revenue requirement of $1,093,796, shall be set to $0.00078 per kWh (including Sales and Use Tax) as calculated in Attachment 4 to the Stipulation. For each subsequent program year thereafter, the Company shall file a petition by February 1 seeking to reconcile any under/over recovery from the prior program year and set the CEA component of the RGGI Surcharge for the succeeding program year. The EE Program costs shall be subject to the terms set forth in the CEA component of RGGI and shall be recovered through a per-kWh charge applicable to all service classifications. RECO has submitted proposed tariff sheets as Attachment 5 to the Stipulation. The Parties agree that the initial CEA component of the RGGI rate will be implemented as of July 1, 2021 following the Board Order in this proceeding.

24. The calculation methodology of revenue requirements and the over/under deferred balance is detailed in Attachments 3 and 5 to the Stipulation.

25. The estimated initial bill impact for the average residential customer using 808 kWh per summer month, and 7,800 kWh on an annual basis, would be an increase of $6.12 in the annual bill from $1,281.92 to $1,288.04, or approximately 0.48%.

26. Revenues received under the EE Program, such as PJM Capacity Revenues, marketplace revenues negotiated with vendors, or any other source of revenues as a result of the implementation of the EE Program, as well as financial benefits from the usage of data as provided in Paragraph 7 of the Stipulation, shall be utilized to offset revenue requirements to customers for the EE Program.

27. The Company shall offer eligible EE into the PJM capacity market, and shall credit the EE revenue requirements with any PJM market revenues. The Company agrees to confer with Staff and interested Parties regarding its approach to participation in the PJM capacity market. The purpose of these discussions is to allow the participants to continue to exchange information and ideas as to how revenues from the Company's participation in the PJM capacity market may be optimized.

28. The Parties agree to amortize the EE investments, excluding IT, over a 10-year period, on a straight-line basis, with the rate of return on the unamortized investments based upon a rate of 8.91% (7.11% net of tax), as shown in Paragraph 21 of the Stipulation.

29. The Parties stipulate that the Company will file to adjust the CEA component of the RGGI surcharge no later than February 1, 2022 ("True-Up Filing") and annually thereafter and may propose an implementation of the revised CEA component on June 1 of each year. The True-Up Filing will provide information as required by the Minimum Filing Requirements ("MFRs") set forth in the June Order and Attachment 8 to the Stipulation. Each True-Up Filing will contain a reconciliation of RECO's projected EE Program costs and recoveries and actual revenue requirements for the prior period, and a forecast of revenue requirements for the estimated time period before Board approval and the 12-month period thereafter, which shall be based upon the Company's most current authorized ROE and capital structure as defined in the Stipulation. The Company's filings as it relates to its RGGI Surcharge shall be combined into one annual filing. The True-Up Filing also shall present actual and known costs incurred since the previous annual review, and those costs shall then be reviewed for reasonableness and prudency. The True-Up Filing shall provide information as required by the MFRs. The Parties agree that any under/over recovery of the actual revenue requirement compared to revenues shall be deferred. The calculation of the carrying costs on the average monthly balances of under/over recovery of deferred costs shall be subject to the terms of the RGGI Surcharge and computed using the methodology set out in Attachment 5 to the Stipulation. The Company shall accrue interest at a rate equal to the Federal Reserve Board US Treasury Securities at two-year constant maturity plus 60 basis points, calculated on a net-of-tax basis. The interest rate shall not exceed RECO's overall rate of return, as authorized by the Board in RECO's most recent base rate case (i.e., the WACC identified in Paragraph 21 of the Stipulation) or as authorized in a subsequent RECO base rate case.

30. The True-Up Filing will be subject to review by the Parties with opportunity for discovery and evidentiary hearings (if necessary) prior to the issuance of a Board Order establishing the Company's revised RGGI Surcharge. The issuance of a written Board Order will be preceded by adequate public notice and public comment hearings, including evidentiary hearings, if necessary.

Conservation Incentive Program

31. The Parties agree that RECO may implement a modified CIP to account for lost sales revenue resulting from the potential decrease in customer energy usage.

Shareholder Contribution

32. The recovery of lost revenues due to initiatives like the EE Program will be made via a CIP based on the methodology outlined below and detailed in Attachment 6 to the Stipulation. In addition, RECO agrees to implement initiatives to further customer conservation efforts, providing a funding amount ("shareholder contribution") of $1.27 per customer based on a customer count of 74,216 as of March 1, 2021, or $94,254 per year, to the extent RECO files for recovery through the CIP mechanism, commencing with the start of the CIP deferrals, as defined below. Any shareholder contribution under-spend in a year shall be added to the following year's spending amount. The shareholder contribution shall not be included in customer rates. Should Shareholder Contribution

costs exceed the funding levels established for RECO in any given year, the Company will still provide funding for 100% of such program costs in future years. The shareholder contribution shall support initiatives designed to aid customer in reducing their costs of electricity and to reduce RECO's peak demand, including but not limited to outreach and education.

Filing/Tariff Details

33. The Parties agree that the Company will submit its first CIP cost recovery filing on or before July 31, 2022, with rates proposed to be effective October 1, 2022, based on an initial deferral period of July 1, 2021 through June 30, 2022. The Parties further agree that the CIP will be adjusted annually thereafter as provided in the Stipulation. The CIP Surcharge will be a standalone item on customer's bills that is applicable only to the classes that are subject to the CIP. The filings will document actual results, perform the required CIP collection tests, described in more detail below, and propose the new CIP rate. Any variances from the annual filings will be trued-up in the subsequent year.

34. Attachment 5 to the Stipulation contains the CIP tariff. The CIP tariff will reflect an initial rate of $0.00000 per kWh.

CIP Methodology

35. The monthly CIP deferral will be calculated as reflected in Attachment 6 to the Stipulation. The Company calculated group specific baseline revenue per customer ("RPC") targets by taking the monthly distribution revenue from the priced-out billing determinants approved in the Company's most recent base rate filing (BPU Docket No. ER19050552) and dividing such monthly distribution revenue by the number of customers in the group for each month. The RPC and number of customers will be adjusted with each subsequent base rate case. To determine the annual target revenue level for a customer group, the Company will take the monthly RPC target and multiply by the actual number of customers in that month and sum up these monthly revenues for the program year.

36. For purposes of determining recovery eligibility for CIP accruals, the margin impact of changes in customer usage will be segregated into weather-related and non-weather-related components. The non-weather-related components will be limited by the eligibility tests described in more detail below. The weather-related component will not be subject to those limitations.

37. The non-weather component will be calculated by first deducting the weather component. The weather will be measured by the impacts on sales and associated distribution revenue of heating degree days ("HDD") for winter weather and cooling degree days ("CDD") for summer weather. The average of the 10 years of data for HDD and CDD will be considered normal. The monthly adjustment for HDD variation is calculated as the product of the HDD consumption factor and the variance of actual HDD from normal HDD. Similarly, the monthly adjustment for CDD variation is calculated as the product of the CDD consumption factor and the variance of actual CDD from normal CDD. The sum of these two adjustments is then multiplied by the Margin Factor to establish the sales impacts. The sales impacts will be multiplied by the current tariff rates to derive the revenue impact. The weather normalization methodology is detailed in Attachment 6 to the Stipulation.

38. The Parties further agree that recovery of non-weather related CIP impacts shall be subject to the application of two (2) eligibility tests: a BGS Savings Test and a Variable Margin Test. In order to be eligible for recovery, non-weather related CIP impacts must pass both cost recovery tests. A description of the eligibility tests is provided below.

   A. BGS Savings Test – The Parties agree that reduction in customer usage provide opportunities to reduce peak demand and lower commodity costs. As a result, recovery through the CIP Tariff will be limited to BGS Savings calculated under the following methodology. Consistent with the Modified BGSS Savings Test applied to natural gas utilities, the margin impact shall be multiplied by a factor of 75% prior to application of the BGS Savings test. Further, the Parties agree to recognize three (3) categories of savings when calculating the total savings used in the BGS Savings Test.

      i. Category One includes the Company's permanent savings realized from the reduction in PJM Final Zonal Unforced Capacity ("UCAP") Obligation from the 2011/2012 energy year compared to the 2020/2021 energy year multiplied by the 2020/2021 RECO Zonal Net Load Price. The permanent BGS savings are $1.870 million, as shown in Attachment 6 to the Stipulation. This amount will remain after the re-setting of the CIP benchmarks in future base rate cases.
      ii. Category Two includes BGS cost savings from ongoing reductions of the Company's PJM Final Zonal UCAP Obligation. This category of savings will be calculated as any annual incremental UCAP Obligation savings after the 2020/2021 energy year. Any annual incremental UCAP Obligation savings will be multiplied by the most recent PJM Zonal Net Load Price. Due to the potential for Peak increases due to electric vehicles and electrification, savings are set as a minimum of the incremental obligation savings or zero.
      iii. Category Three is the Company's savings associated with avoided capacity costs to meet customer growth on a prospective basis beginning with the first annual CIP filing following implementation of these terms. Avoided capacity costs shall be calculated on a monthly basis and are equal to the net change in customers for CIP multiplied by the corresponding obligation per customer and the current PJM Zonal Net Load Price per month. Attachment 6 to the Stipulation illustrates the savings calculation.
      iv. Additional savings pursuant to sub-paragraphs 38(A)(ii) and (iii) above shall only be counted within the BGS Savings Test after agreement is reached with Rate Counsel and Staff.

   B. Variable Margin Test – The Parties further agree to adopt an additional recovery limitation to non-weather-related CIP margins equal to 6.5% of variable margins for the CIP accrual year. However, for the first annual deferral period only (July 1, 2021 through June 30, 2022), the Parties agree to a recovery and refund limitation to non-weather-related CIP margins equal to 4.0% of variable margins. Specifically, variable margins will be calculated based on: (i) the number of customers and (ii) the baseline revenue per customer. The margin revenues for each month for each CIP customer class shall equal the actual number of customers multiplied by the baseline revenue per customer. The resulting monthly values shall be summed for all 12 months for all CIP groups to yield the total Variable Margins for the year. Recoverable non-weather CIP amounts shall not exceed 6.5% (or 4.0% in the first year as defined above) of the aggregate variable margin revenues under this test.

39. The dual cost recovery tests set forth in Paragraph 38 of the Stipulation shall operate in conjunction with each other in such a manner so that the total non-weather recoverable amount is limited to the smaller of the two (2) recoverable amounts allowed under the separate BGS Savings Test and Variable Margin Revenue Test. The Parties agree that any amounts that exceed the BGS Savings Test and/or Variable Margin Revenue recovery limitations may be deferred for future recovery subject to the earnings test described below. The Company agrees to not seek recovery of interest on any deferred carry-forward amount.

Earnings Test – The Parties agree to include an earnings test, through which actual ROE shall be determined based on the actual net income of the utility for the most recent 12-month period divided by the average of the beginning and ending common equity balances for the corresponding period. The timing of the earnings test and definitions of Net Income and Common Equity are specified in the tariff provided in Attachment 5 to the Stipulation. The earnings test will be applicable to the total CIP deferral, including both weather and non-weather components. If the calculated ROE exceeds the allowed ROE from the utility's last base rate case by 50 basis points or more, recovery of lost revenues through the CIP shall not be allowed for the applicable filing period and shall not be carried over to subsequent filing periods.

Rate Impact

40. Attachment 7 to the Stipulation provides the bill impact to a typical residential customer over the life of the EE Program.

Continuing Review of Programs

41. The Parties shall revisit the specific EE Program incentive levels agreed to in the Stipulation before the conclusion of the first triennial period in time to support consideration of revised Program incentive levels in the next triennial.

42. The Company shall also provide the following information on a quarterly/annual basis as required after consideration and recommendation of the EM&V Working Group. This information may include:

   A. Estimated free ridership and spillover with any cost-benefit analysis required;
   B. Participant costs (net of utility incentives), including a breakdown by sub-program with any cost-benefit analysis required; and
   C. Results of program evaluations, including a breakdown by sub-program when required by the June 2020 Order.

43. The Parties recognize that the EE Working Groups referenced in the June 2020 Order have not yet completed their work as of the date of the Stipulation. The Parties recognize that these EE Working Groups will be addressing many long-term issues that will impact planning for future triennial periods. However, the Parties recognize that the EE Working Groups may issue recommendations for the current triennial period that are inconsistent with any programs and/or sub-programs set forth in Attachment 1 to the Stipulation and/or have the potential to increase or decrease the level of investment beyond the amount

agreed to in the Stipulation. To the extent that any particular aspect of the Stipulation concerning establishment of core sub-programs and coordinated elements (such as incentives, marketplace, marketing, workforce development, and contractor procurement) or sub-program structure in overlapping territories are not consistent with the final consensus reached by the EE Working Groups (including the Joint Utility Working Group) and approved by the Board with regard to the current triennial, the Parties shall meet to address any inconsistencies and define a path for resolution of these items.

DISCUSSION AND FINDINGS

Having carefully reviewed the record in this matter, including the Petition, testimony, and Stipulation, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. The Board **FURTHER FINDS** that the Stipulation will benefit New Jersey's residents, energy users, and ratepayers and is consistent with the goals of the CEA and the EMP, as well as the requirements of the Board's June 2020 Order. The Board **FINDS** that the Stipulation will bolster New Jersey's clean energy workforce and will greatly improve the ability of low- and moderate-income customers to take advantage of EE programs, initiatives, and opportunities. Accordingly, the Board **HEREBY APPROVES** the attached Stipulation in its entirety and **HEREBY INCORPORATES** its terms and conditions as though fully stated herein.

Accordingly, the Board **HEREBY AUTHORIZES** RECO implement a new component of the Company's Regional Greenhouse Gas Initiative ("RGGI") Surcharge to recover the costs associated with the EE Plan. The initial RGGI Surcharge rate will be set to $0.00078 per kilowatt-hours ("kWh"), including Sales and Use Tax for services rendered on or after July 1, 2021. As a result of the Stipulation, a typical residential customer on BGS using 808 kWh per summer month and 7,800 kWh per year would experience an increase in their annual bill of $6.12 or 0.48% for the first year of the EE Plan. The Board also **HEREBY AUTHORIZES** RECO to implement an electric CIP to account for lost revenue resulting from the potential decrease in customer energy usage.

The Board **HEREBY RATIFIES** the decisions made by President Fiordaliso during the pendency of this proceeding for the reasons stated in his decisions and Orders.

The Board **HEREBY ORDERS** the Company to file the appropriate revised tariff sheets conforming to the terms of this Order by July 1, 2021.

The Company's costs, including those related to the EE Plan, 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 June 16, 2021.

DATED: June 9, 2021

BOARD OF PUBLIC UTILITIES
BY:

JOSEPH L. FIORDALISO
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 THE IMPLEMENTATION OF L. 2018, C. 17 REGARDING THE ESTABLISHMENT OF ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS

IN THE MATTER OF THE PETITION OF ROCKLAND ELECTRIC COMPANY FOR APPROVAL OF ITS ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS

DOCKET NOS. QO19010040 AND EO20090623

SERVICE LIST

Rockland Electric Company	**New Jersey Board of Public Utilities**
4 Irving Place Suite 1815-S New York, New York 10003	44 South Clinton Avenue, 9th Floor P.O. Box 50 Trenton, NJ 08625-0350
Margaret Comes, Esq. Associate Counsel comesm@coned.com	Aida Camacho-Welch Secretary of the Board board.secretary@bpu.nj.gov
Jack Carley, Esq. Associate General Counsel Consolidated Edison Company of New York, Inc. carleyj@coned.com	Paul Flanagan, Esq., Executive Director paul.flanagan@bpu.nj.gov
Orange and Rockland Utilities, Inc. 390 West Route 59 Spring Valley, NY 10977	Bob Brabston, Esq. Deputy Executive Director robert.brabston@bpu.nj.gov
Donald Kennedy Director of Energy Services kennedyd@oru.com	Christine Sadovy, Chief of Staff christine.sadovy@bpu.nj.gov
Charmaine Cigliano, Section Manager Customer Energy Services ciglianoc@oru.com	General Counsel's Office
Jon Hilowitz hilowitzj@oru.com	Abe Silverman, General Counsel abe.silverman@bpu.nj.gov
Cheryl Ruggiero ruggieroc@coned.com	Carol Artale, Esq. Deputy General Counsel carol.artale@bpu.nj.gov
Jeremy Scott scottje@oru.com	Lanhi Saldana, Esq., Legal Specialist lanhi.saldana@bpu.nj.gov
	Charles Gurkas, Paralegal charles.gurkas@bpu.nj.gov
	Office of the Economist
	Dr. Ben Witherell, Chief Economist benjamin.witherell@bpu.nj.gov

RECO Consultant

Andrew W. Cottrell, Managing Director
Applied Energy Group
200 Monmouth Street, Suite 280
Red Bank, NJ 07701

New Jersey Division of Rate Counsel

140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq., Director
sbrand@rpa.nj.gov

Brian O. Lipman, Esq., Litigation Manager
blipman@rpa.nj.gov

Kurt Lewandowski, Esq.
Assistant Deputy Rate Counsel
klewando@rpa.nj.gov

Maura Caroselli, Esq.
Assistant Deputy Rate Counsel
mcaroselli@rpa.nj.gov

Sarah Steindel, Esq.
Assistant Deputy Rate Counsel
ssteinde@rpa.nj.gov

Shelly Massey, Paralegal
smassey@rpa.nj.gov

Karen Forbes, Paralegal
kforbes@rpa.nj.gov

Rate Counsel Consultants

David Dismukes, Ph.D.
Consulting Economist
Acadian Consulting Group
5800 One Perkins Place Drive, Suite 5-F
Baton Rouge, LA 70808
daviddismukes@acadianconsulting.com

Jackie O'Grady
jackie.ogrady@bpu.nj.gov

Division of Clean Energy

Kelly Mooij, Director
kelly.mooij@bpu.nj.gov

Stacy Ho Richardson, Esq.
Deputy Director
stacy.richardson@bpu.nj.gov

Mahogany A. Hall, Program Specialist 2
mahogany.hall@bpu.nj.gov

Office of Policy and Planning

Chris Colacello, Analyst I
chris.colacello@bpu.nj.gov

Joe DeLosa
joseph.delosa@bpu.nj.gov

Division of Energy

Stacy Peterson, Director
stacy.peterson@bpu.nj.gov

Paul Lupo, Bureau Chief
paul.lupo@bpu.nj.gov

Oneil Hamilton
oneil.hamilton@bpu.nj.gov

Division of Law

25 Market Street
P.O. Box 112
Trenton, NJ 08625-0112

David Apy, Assistant Attorney General
david.apy@law.njoag.gov

Daren Eppley, Section Chief, DAG
daren.eppley@law.njoag.gov

Pamela Owen, Esq.
Assistant Section Chief, DAG
pamela.owen@law.njoag.gov

Ezra Hausman, Ph.D., President
Ezra Hausman Consulting
77 Kaposia St.
Auburndale, MA 02466
ezra@ezrahausman.com

Dante Mugrace, Senior Consultant
c/o Karl Richard Pavlovic
PCMG and Associates, LLC
22 Brookes Avenue
Gaithersburg, MD 20877
dmugrace@pcmgregcon.com

Atlantic City Electric Company

Philip J. Passanante, Esq.
Assistant General Counsel
Pepco Holdings LLC – 92DC56
500 N. Wakefield Drive
Newark, DE 19714-6066
philip.passanante@pepcoholdings.com

William R. Ellis
Pepco's Regional Vice President
Government and External Affairs
wrellis@pepco.com

Marisa Slaten, Esq.
Director, Regulatory Services and Strategy
Pepco Holdings
marisa.slaten@exeloncorp.com

Susan DeVito
Director, Pricing and Regulatory Services
susan.devito@pepcoholdings.com

Thomas M. Hahn, Principal Rate Analyst
thomas.hahn@pepcoholdings.com

Heather Hall, Manager
Regulatory Affairs NJ
heather.hall@pepcoholdings.com

Wayne Hudders
Manager, Demand Response and Energy
Efficiency Evaluation
701 9th St NW
Washington, DC 20068
wayne.hudders@pepcoholdings.com

Michael Beck, DAG
michael.beck@law.njoag.gov

Brandon Simmons, DAG
brandon.simmons@law.njoag.gov

Energy Efficiency Alliance of New Jersey

Nathan Howe
K&L Gates LLP
One Newark Center
1085 Raymond Blvd.
Newark, NJ 07102
nathan.howe@klgates.com

New Jersey Natural Gas Company

Andrew K. Dembia, Esq.
Regulatory Affairs Counsel
1415 Wyckoff Road
P. O. Box 1464
Wall, New Jersey 07719
adembia@njng.com

Anne-Marie Peracchio, Director
Conservation and Clean Energy Policy
aperacchio@njng.com

John Astorino
jastorino@njng.com

James Corcoran
jcorcoran@njng.com

Susan Ellman
sellman@njng.com

Jerome Ryan
jryan@njng.com

Judy DeSalvatore
jdesalvatore@njng.com

Susan Fastuca
sfastuca@njng.com

Marianne Harrell
mharrell@njng.com

Susan Marinelli, Sr. Program Manager
Energy Wise Rewards and NJ EE Programs
smarinelli@pepcoholdings.com

David Pirtle
dpirtle@pepcoholdings.com

Nick Rosenthal
nrosenthal@pepcoholdings.com

PSE&G

PSEG Services Corporation
80 Park Plaza, T5
P.O. Box 570
Newark, New Jersey 07102

Matthew M. Weissman, Esq.
General State Regulatory Counsel
matthew.weissman@pseg.com

Joseph F. Accardo, Jr., Esq.
Deputy General Counsel and Chief Regulatory Officer
joseph.accardo@pseg.com

Danielle Lopez, Esq.
Associate Counsel - Regulatory
danielle.lopez@pseg.com

Susanna Chiu, Director, Energy Services
susanna.chiu@pseg.com

Todd Van Aken, Manager, Energy Services, Commercial and Industrial Programs
todd.vanaken@pseg.com

Rachael Fredericks, Manager, Energy Services, Residential Programs
rachael.fredericks@pseg.com

Victor S. Viscomi, Director, Project Support
victor.viscomi@pseg.com

Mark Scorsolini
mark.scorsolini@pseg.com

Mark G. Kahrer
mkahrer@njng.com

Christopher Micak
cmicak@njresources.com

Tina Trebino
ttrebino@njng.com

Elizabethtown Gas Company

520 Green Lane
Union, NJ 07083

Frank Vetri, Manager
Energy Efficiency Programs
fvetri@sjindustries.com

Susan Potanovich, Rates Analyst Lead
spotanovich@sjindustries.com

SJI Utilities

Deborah M. Franco, Esq.
520 Green Lane
Union, NJ 07083
VP, Rates, Regulatory, and Sustainability
dfranco@sjindustries.com

South Jersey Gas Company

One South Jersey Place
Atlantic City, NJ 08401

Maureen Minkel, Director
Energy Efficiency and Conservation
mminkel@sjindustries.com

W. Peter Druckenmiller
Program Manager, Energy Efficiency
Energy Efficiency and Conservation
wdruckenmiller@sjindustries.com

Michael Savacool, Senior Financial Analyst
msavacool@sjindustries.com

Jim Fredericks, Senior Rate Analyst
jfredericks@sjindustries.com

Tim Fagan tim.fagan@pseg.com Michael Palladino michael.palladino@pseg.com Ileana Hernandez ileana.hernandez@pseg.com Michele Falcao michelle.falcao@pseg.com Bernard Smalls bernard.smalls@pseg.com Caitlyn White caitlyn.white@pseg.com	Carolyn A. Jacobs Regulatory Compliance Specialist cjacobs@sjindustries.com

`

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE IMPLEMENTATION OF L. 2018, c. 17 REGARDING THE ESTABLISHMENT OF ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS	)	**DOCKET NO. QO19010040**
IN THE MATTER OF THE PETITION OF ROCKLAND ELECTRIC COMPANY FOR APPROVAL OF ITS ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS	)	**DOCKET NO. EO20090623**

APPEARANCES:

Margaret Comes, Esq., on the Petitioner, Rockland Electric Company;

Brian O. Lipman, Esq., Litigation Manager, **Felicia Thomas-Friel, Esq.,** Deputy Rate Counsel, **Kurt S. Lewandowski, Esq., Sarah H. Steindel, Esq.,** and **Maura Caroselli, Esq.,** Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel **(Stefanie A. Brand, Esq.,** Director);

Brandon Simmons, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal,** Attorney General of New Jersey);

Nathan Howe, Esq., K&L Gates LLP on behalf of Intervenor, the Energy Efficiency Alliance of New Jersey;

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

It is hereby AGREED, by and between Rockland Electric Company ("RECO" or "Company"), the Staff of the New Jersey Board of Public Utilities ("Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and the Energy Efficiency Alliance of New Jersey ("EEANJ") (collectively, "Parties") to execute this Stipulation of Settlement ("Stipulation") resolving RECO's petition in this docket and to join in recommending that the New Jersey Board of Public Utilities ("Board" or "BPU") issue a Final Decision and Order approving this Stipulation.

BACKGROUND

On January 13, 2008, L. 2007, c. 340 ("RGGI Act") was signed into law based on the New Jersey Legislature's findings that energy efficiency ("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.

Pursuant to Section 13 of the RGGI Act, codified in part as N.J.S.A. 48:3-98.1(a)(1), an electric or gas public utility ("utility" or collectively, "utilities") 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, including those that decouple utility revenues from the sales of electricity. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program costs in the utility's rate base or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board.

On May 23, 2018, Governor Murphy signed the Clean Energy Act ("CEA") into law.[1] The CEA builds upon the RGGI Act by employing clean energy strategies and establishing aggressive energy reduction requirements with the goal of improving public health by ensuring a cleaner environment for current and future New Jersey residents. Specifically, the CEA requires that each utility implement EE measures that "achieve annual reductions in the use of electricity of two

[1] The CEA, L. 2018, c. 17, is codified as N.J.S.A. 48:3-87.8 *et seq.*

percent of the average annual usage in the prior three years within five years of implementation of its electric energy efficiency program" and “annual reductions in the use of natural gas of 0.75 percent of the average annual usage in the prior three years within five years of implementation of its gas energy efficiency program.”[2]

By Order dated June 10, 2020, the Board approved an EE transition framework for EE programs to be 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.[3] In the June 2020 Order, the Board directed the utilities to file petitions proposing three (3)-year programs by September 25, 2020, for approval by the Board by May 1, 2021 and implementation beginning July 1, 2021.

RECO EE FILING

On September 25, 2020, RECO filed its Verified Petition proposing a portfolio of EE and peak demand reduction (“PDR”) programs targeted at the Company’s residential, commercial and industrial (“C&I”), and multi-family customer sectors at a cost of approximately $18,009,216 over the three-year implementation period beginning July 1, 2021 through June 30, 2024 (“EE Program”) (“September 25 Petition”). The proposed EE Program and associated costs are summarized in the table below:

[2] *See* CEA, Sections 3(a) and (e)(1).

[3] *See* In re the Implementation of P.L. 2018, c. 17 Regarding the Establishment of Energy Efficiency and Peak Demand Reduction Programs, BPU Docket Nos. QO19010040, QO19060748, and QO17091004, Order dated June 10, 2020 (“June 2020 Order”).

Sector	Program/Subprogram	Type	Program/ Subprogram Budget
Residential	Efficient Products	Core	$3,602,956
	Existing Homes	Core	$1,834,755
Multi-Family	Multi-Family	Core	$1,307,654
Commercial and Industrial	Energy Savings for Business – Direct Install	Core	$4,321,849
	Energy Solutions for Business	Core	$3,905,236
Clean Heat Beneficial Electrification Program - Pilot	Clean Heat Beneficial Electrification Program - Pilot	Utility-Led	$1,822,196
Peak Demand Reduction Program - Pilot	Peak Demand Reduction Program - Pilot	Utility-Led	$1,214,572
Total Portfolio Cost			**$18,009,216**

In addition to approval of the EE Program, the Company requested approval of a cost recovery mechanism. Specifically, RECO requested authority to a create a regulatory asset to capture the incremental capital investment costs related to the EE Program and to implement a CEA Surcharge component to its Societal Benefits Charge ("SBC"). As proposed, the CEA Surcharge would be set annually based upon budgeted and actual expenditures through annual filings, subject to Board approval. The revenue requirement recovered through the SBC would be designed to recover the annual depreciation and amortization of capital investments, plus return on investment, and annual operations and maintenance ("O&M") expenses, as well as any prior period over/under recovered amounts in subsequent true-ups. RECO also sought the Board's approval of a modified electric Conservation Incentive Program ("CIP") calculation methodology to recover a portion of the Company's revenues that may be lost as a result of the successful implementation of the EE Program and the related decrease in energy sales.

In the September 25 Petition, RECO estimated the typical average residential customer using 808 kWh per summer month, and 7,800 kWh on an annual basis, would see an increase of $2.44 in the annual bill from $1,407.20 to $1,409.64, or approximately 0.17%.

PROCEDURAL HISTORY

On August 24, 2020, the Company met with Staff and Rate Counsel, a date at least 30 days in advance of submitting a filing, to provide an overview of the elements of the filing and cost recovery mechanism proposed pursuant to the Board's May 2008 Order[4] and June 2020 Order.

By Order dated September 23, 2020, the Board determined that RECO's petition should be retained by the Board for hearing and, pursuant to N.J.S.A. 48:2-32, designated President Joseph L. Fiordaliso as the presiding commissioner authorized to rule on all motions that arise during the pendency of the proceeding and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues.[5] The September 23, 2020 Order also directed that any entity seeking to intervene or participate in this matter file the appropriate application with the

---

[4] In re Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in Their Respective Service Territories on a Regulated Basis, Pursuant to *N.J.S.A.* 48:3-98.1, BPU Docket. No. EO08030164, Order dated May 12, 2008 ("May 2008 Order").

[5] 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 September 23, 2020 ("September 23, 2020 Order").

Board by October 2, 2020 and that any responses to those motions be filed by October 9, 2020.

On October 2, 2020, New Jersey Natural Gas Company ("NJNG"), Public Service Electric and Gas Company ("PSE&G"), and EEANJ filed motions to intervene in this matter. Elizabethtown Gas Company ("ETG"), Jersey Central Power & Light Company ("JCP&L"), South Jersey Gas Company ("SJG"), Atlantic City Electric Company ("ACE"), and the Building Performance Association ("BPA") each submitted motions to participate.[6]

On October 9, 2020, RECO submitted a letter indicating that it had no objection to the motions to participate filed by JCP&L, SJG, ETG, and ACE or to the intervention of EEANJ. With respect to the motions to intervene filed by NJNG and PSE&G, the Company stated that, as permitted by N.J.A.C. 1:1-16.5, NJNG's and PSE&G's motions to intervene should be denied and treated as motions to participate (and granted as such).

On October 16, 2020, Staff issued a letter of administrative deficiency to the Company. In response to the letter, the Company made a supplemental filing on November 2, 2020. On November 5, 2020, Staff notified RECO that, with the submission of the supplemental filing, the petition was deemed administratively complete and that the 180-day administrative review period commenced on November 2, 2020.

On December 9, 2020, President Fiordaliso issued a Pre-Hearing Order in this proceeding addressing the following matters: setting a procedural schedule; granting intervener status to EEANJ; and granting participant status to NJNG, PSE&G, SJG, ETG, JCP&L, and ACE.

Notice of the Company's petition, including the date, time, and place of public comment hearings, was placed in newspapers having a circulation within the Company's service territory and

[6] On October 16, 2020 the BPA withdrew its motion to participate.

was served on the Clerks of the municipalities, the Clerks of the Board of County Commissioners, and the County Executives, as appropriate, within the Company's service territory. As a result of the COVID-19 pandemic, and to comply with social distancing mandates issued by the Governor, and based upon further guidance from Staff, the public comment hearings were conducted telephonically in lieu of in-person hearings.

In accordance with the public notice, telephonic public hearings on the September 25 Petition were held at 4:30 p.m. and 5:30 p.m. on May 26, 2021. No members of the public provided comments during the hearings. The Board received one (1) letter in support of the Company's September 25 Petition.

Following extensive discovery and multiple settlement discussions, the Parties have reached an agreement resolving all issues in this proceeding. In light of the foregoing, the Parties have executed this Stipulation, the terms of which are set forth below. Specifically, the Parties hereby STIPULATE AND AGREE to the following:

STIPULATED MATTERS

I. General Terms

1. The Parties agree that, subject to Board approval of this Stipulation, RECO may implement the EE Program under the terms and conditions described herein. The EE Program will include implementation, administration, and investment in a portfolio of programs, including three (3) Residential sub-programs, two (2) C&I sub-programs, one (1) multi-family sub-program and two (2) pilot programs.

2. The Parties agree that the design of the EE Program (and sub-programs) shall be as described in Attachment 1, EE Program Plan, subject to modification consistent with the June 2020 Order and in cooperation with the Board's Utility Working Group and the EE Working Groups as

further addressed in paragraph 43. The Company commits to complying with all Board orders regarding modifications to the EE programs and program detail it is required to offer, subject to the availability of budgeted funds. The Parties agree that RECO may offer the programs/subprograms set out in the table below, and described in greater detail in Attachment 1, for a term of three (3) years commencing July 1, 2021 and ending June 30, 2024. The Parties further agree that the EE Program budget shall not exceed the total portfolio cost as set forth in the below table:

Program	Type	Direct Investment	O&M	Total EE Program
Efficient Products	Core	$2,880,802	$498,445	$3,379,247
Existing Homes	Core	$1,378,113	$312,081	$1,690,194
Moderate Income	Utility-Led	$813,354	$84,674	$898,028
Multi-Family	Core	$1,062,366	$166,176	$1,228,542
Energy Savings for Business	Core	$3,699,970	$511,624	$4,211,594
Energy Solutions for Business	Core	$3,270,799	$487,834	$3,758,634
Clean Heat Beneficial Electrification Program - Pilot	Utility-Led	$1,585,779	$175,858	$1,761,637
Peak Demand Reduction Program - Pilot	Utility-Led	$995,000	$158,749	$1,153,749
Total Portfolio Cost				**$18,081,625**

3. RECO shall launch its programs in accordance with Attachment 1, and adjustments shall be made in the implementation of these sub-programs to coordinate delivery and ensure consistency of core sub-programs with other utility core sub-programs, as necessary. A Statewide Coordinator, a third-party contractor engaged jointly by the State's utilities, shall coordinate the allocation of energy savings and costs realized from dual-fuel and core sub-programs to the appropriate utilities.

4. The Company shall make an effort to maximize diverse participation in the Energy Solutions for Business program, with a particular focus on governmental entities such as public schools and municipalities provided that the Company retains the flexibility to use the funds allocated to the program as practicable to maximize EE savings.

5. Based upon market response, the Company may shift the timing of investment spending between Program Years (i.e., July 1 – June 30) in any sub-program as necessary to provide flexibility in responding to market conditions and customer demand and to ensure the achievement of EE Program targets during the term of the EE Program, in accordance with the procedure outlined in the June 2020 Order.

6. During EE Program implementation, certain sub-programs may be more successful in the near term and require additional budget in order to respond to the market need and to continue operations. Accordingly, the Parties agree that a process enabling the Company to make adjustments to sub-program budgets in response to real market conditions experienced is justified and appropriate. The process, in accordance with the June 2020 Order, shall be as follows:

- RECO can shift its sub-program budgets out of an individual sub-program within the Residential sector or within the C&I sector up to 25% of the individual sub-program's total budget with Staff notification (which should be provided within 30 days following the change), 25–50% with Staff approval, and over 50% with Board approval.

- RECO can shift budgets out of the Residential, Multi-family, or C&I sector up to 5% of individual utility sector budgets with Staff notification (which should be provided within 30 days following the change), 5–10% with Staff approval, and over 10% with Board approval. Such budgets may be added to any sub-program(s) within the sector to which it is being transferred without limitation when the budget shift does not exceed 5%.

- All notifications and requests for budget adjustments shall be submitted to Staff and Rate Counsel. Staff retains the right to reject shifts requiring Staff notification. Requests for budget adjustments within the three-year Program filing necessitating Staff approval shall be submitted to Staff and Rate Counsel with a written description of, and rationale for, the proposed transfers, and shall be responded to within 30 days. Rate Counsel may object within 30 days, which shall trigger Staff review within 30 days of Rate Counsel's objection. If there is no response from Rate Counsel or Staff within 30 days of RECO's request, those requests shall be automatically granted.

7. Customer information shall be used by the Company to deliver an effective customer experience in compliance with any applicable Board regulations and statutory obligations. The Company shall adopt privacy and data handling policies and procedures for the EE Program that are consistent with RECO's customer data security protections, the June 2020 Order, and any applicable Board regulations and statutory obligations. In the event of any breach of the above confidentiality by an affiliate, RECO shall remediate such breach to the full extent required by law. In the event of any breach of confidentiality by a vendor hired to deliver the EE Program or to evaluate the sub-programs, the Company commits to enforcing the contractual confidentiality requirement to the extent allowed by the law. Any "breach of security" with respect to customers' "personal information," as those terms are defined in N.J.S.A. 56:8-161, shall be treated in accordance with the New Jersey Identity Theft Prevention Act, N.J.S.A. 56:8-161 et seq., and Section 3b of the Board's Cybersecurity Order of March 18, 2016 in Docket No. AO16030196.

8. RECO agrees that customer-specific data belongs to the customer, who may request or authorize RECO to share it with suppliers. RECO further agrees that data gathered during the operation of these sub-programs not specific to any particular customer belongs to the Company and shall be used solely to support current or future regulated utility programs. Such data may not be used for other purposes without Board approval. Any financial benefits derived by RECO from the data shall be offset against the costs of the EE Program. The Company shall also submit non-customer-specific data to the Board in compliance with reporting requirements, as established by

the Board.

9. No later than January 31, 2022, RECO agrees to hold at least one (1) non-confidential collaborative meeting with interested parties to receive input on additional "non-core" program design. The non-core programs subject to discussion in the collaborative include, but are not limited to, demand response, PDR programs, non-wire alternatives, building electrification/decarbonization, and other programs that further the clean energy goals of the State of New Jersey.

II. Program Term

10. Implementation of the EE Program shall commence on July 1, 2021 and shall continue over the course of the next three (3) years until June 30, 2024.

11. RECO shall coordinate regarding transition of programs (including program delivery, program data, and marketing) with the current New Jersey Clean Energy Program ("NJCEP") program administrator and other utilities with whom the Company has overlapping service territories. To the extent that the utilities jointly decide to implement programs differently than currently envisioned, the Company commits to implement, as permissible under law and within approved budgets, consistent elements of the core programs concurrently with all electric and gas utilities in the state. This consistency shall include the following elements:

- Common forms for use by customers and contractors;
- Contractor requirements, open and competitive procurement protocols where feasible, and training; procurement protocols should include policies and practices (e.g., scoring systems) developed in collaboration with the Equity Working Group and Workforce Development Working Group that encourage supplier diversity (including contractors and subcontractors) and contractor coaching/mentoring of diverse business enterprises;
- Customer and property eligibility requirements and processes, including alternative/automatic eligibility methods for low- to moderate-income customers (e.g., based on census tracts, environmental justice communities, Urban Enterprise Zones, etc.);
- Eligible measures;

- Incentive ranges;
- Incentive payment processes and timeframes;
- Customer and contractor engagement platforms;
- Data platforms and database sharing among program administrators, where appropriate; and
- Quality control standards and remediation policies.

12. The Company shall submit a subsequent multi-year Program extension for Board approval consistent with the June 2020 Order.

III. EE Program Expenditures

13. The Parties agree that the Total Portfolio Costs for the EE Program is $18,081,625, which includes all utility capital expenditures (including IT), rebates and incentives (including financing costs), audit/installation labor, outside services for third-party sub-program implementation, and evaluation, measurement, and verification ("EM&V"). The budget for investment includes amounts that are spent during the three (3)-year program cycle (July 1, 2021 – June 30, 2024), as well as amounts reserved to fund projects/incentives for customers who have enrolled in sub-programs during that three (3) year period.

14. The Company's recoverable O&M expense for this EE Program include RECO administrative, labor, IT costs, inspection and quality control, evaluation and related research and portfolio-level costs, such as program development, marketing, and jobs initiatives for the three year program cycle, and shall not exceed $2,395,441. The Company's administrative costs include RECO administrative, labor, IT costs, and portfolio-level costs, such as program development, marketing, and jobs initiatives for the three-year program cycle. The Company shall recover its actual reasonable and prudently incurred program investments and administrative costs up to approximately $18,081,625. Staff and Rate Counsel reserve their rights to challenge the prudency of all costs, including administrative costs, in future cost recovery filings.

15. The Joint Utility Working Group is developing requirements for coordination of services to customers, including the sharing of costs and the allocation of savings. The Parties agree that any additional costs for required utility-coordination efforts that go beyond the scope of the EE Program as originally planned and budgeted by the Company, and that are deemed prudently incurred after appropriate review, shall be recoverable.

16. All EE Program expenditures shall be filed with the Board and submitted for prudency review in annual cost recovery filings over the term of the EE Program by way of RECO's annual cost recovery proceedings.

IV. Cost Benefit Analysis / Reporting

17. The Company submitted calculations as to the cost-effectiveness of the proposed sub-programs under six (6) different cost-benefit tests: the New Jersey Cost Test ("NJCT"), the Participant Cost Test ("PCT"), the Program Administrator Cost ("PAC") Test, the Ratepayer Impact Measure ("RIM") Test, the Total Resource Cost ("TRC") Test, and the Societal Cost Test ("SCT"). Attached hereto as Attachment 2 are summaries of the results of the Company's Benefit-Cost Analysis, including the six (6) different benefit-cost tests.

18. Quantitative Performance Indicator performance periods shall be those set forth in the June 2020 Order. Quarterly, annual, and triennial reports shall be consistent with the requirements of the June 2020 Order. The details of the reporting process shall be developed by the Board's Utility Working Group or as outlined by the Board.

19. The Company shall perform EM&V for the EE sub-programs in accordance with the June 2020 Order and the EM&V Working Group. All EE projects and measures included in RECO's program portfolio completed after July 1, 2021 shall also be included in the EE EM&V plan subject to the EE EM&V process.

20. The Parties recognize that, the Parties are not in agreement regarding the inputs and calculations used to implement the NJCT while the Board established the NJCT on an interim basis through the August 24, 2020 BPU Order, the NJ Cost Test Order noted that the interim NJCT may not include the full range of possible benefits and costs and committed to further review of the NJCT with the guidance of the EM&V Working Group. All parties agree that further deliberation of both the underlying elements included within the NJCT and the approach to calculating those elements is critical to accurately evaluating the cost effectiveness of EE programs for future triennials. To support that effort, the Parties agree, through the EM&V Working Group, to work through these issues regarding the NJCT in support of establishing a consistent and transparent approach to implementing this test.

V. Capital Structure/Return on Equity

21. RECO will earn a return on its EE Program investment based upon the authorized return on equity ("ROE") and capital structure approved by the Board in the Company's most recent base rate case. As of the date of this Stipulation, the Company's most recently approved base rate case is its 2019 Base Rate Case.[7] As described in further detail below, RECO agrees the EE Program investments shall be amortized over a 10 year period, on a straight-line basis, with the return of the investment and return on the unamortized investments based upon RECO's weighted average cost of capital ("WACC") as established in the 2019 Base Rate Case, which is set forth in the below table. Attachment 3, shows the calculation of the WACC for the EE Program.

	Cost	Capital Structure %	Weighted After-Tax Cost	Weighted Pre-Tax Cost
Long Term Debt Rate	4.88%	51.68%	2.52%	2.52%

[7] Decision and Order Adopting Initial Decision and Stipulation of Settlement, *In the Matter of the Verified Petition of Rockland Electric Company for Approval of Changes in Its Electric Rates, Its Tariff for Electric Service, and Its Depreciation Rates; and for Other Relief,* BPU Docket No. ER19050552, Order January 22, 2020 ("2019 Base Rate Case").

Regulated Return on Equity	9.50%	48.32%	4.59%	6.39%
			7.11%	**8.91%**

22. The Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the appropriate corresponding subsequent monthly revenue requirement calculations. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but, in any event, no later than January 1 of the subsequent year. Any changes to current tax rates would be reflected in an adjustment to the Pre-Tax WACC and in any corresponding revenue requirement calculations.

VI. Cost Recovery

23. The Parties agree that the Company is and shall be authorized to defer and seek recovery of all reasonable and prudent EE Program costs, including customer incentives, as well as associated reasonable and prudent O&M expenses. EE Program costs shall be subject to recovery through rates pursuant to the terms of a new Clean Energy Act ("CEA") component of the Regional Greenhouse Gas Initiative ("RGGI") Surcharge and annual true-up filings. The initial CEA component of the RGGI Surcharge, based on an initial revenue requirement of $1,093,796, shall be set to $0.00078 per kWh (including Sales and Use Tax) as calculated in Attachment 4. For each subsequent program year thereafter, the Company shall file a petition by February 1 seeking to reconcile any under/over recovery from the prior program year and set the CEA component of the RGGI Surcharge for the succeeding program year. The EE Program costs shall be subject to the terms set forth in the CEA component of RGGI and shall be recovered through a per-kWh charge applicable to all service classifications. RECO has submitted proposed tariff

sheets as Attachment 5 of this Stipulation. The Parties agree that the initial CEA component of the RGGI rate will be implemented as of July 1, 2021 following the Board Order in this proceeding.

24. The calculation methodology of revenue requirements and the over/under deferred balance is detailed in Attachments 3 and 5.

25. The estimated initial bill impact for the average residential customer using 808 kWh per summer month, and 7,800 kWh on an annual basis, would be an increase of $6.12 in the annual bill from $1,281.92 to $1,288.04, or approximately 0.48%.

26. Revenues received under the EE Program, such as PJM Capacity Revenues, marketplace revenues negotiated with vendors, or any other source of revenues as a result of the implementation of the EE Program, as well as financial benefits from the usage of data as provided in Paragraph 7 herein, shall be utilized to offset revenue requirements to customers for the EE Program.

27. The Company shall offer eligible EE into the PJM capacity market, and shall credit the EE revenue requirements with any PJM market revenues. The Company agrees to confer with Staff and interested Parties regarding its approach to participation in the PJM capacity market. The purpose of these discussions is to allow the participants to continue to exchange information and ideas as to how revenues from the Company's participation in the PJM capacity market may be optimized.

28. The Parties agree to amortize the EE investments, excluding IT, over a 10-year period, on a straight-line basis, with the rate of return on the unamortized investments based upon a rate of 8.91% (7.11% net of tax), as shown in Paragraph 21 above.

29. The Parties stipulate that the Company will file to adjust the CEA component of the RGGI surcharge no later than February 1, 2022 ("True-Up Filing") and annually thereafter and

may propose an implementation of the revised CEA component on June 1 of each year. The True-Up Filing will provide information as required by the Minimum Filing Requirements ("MFRs") set forth in the June Order and Attachment 8. Each True-Up Filing will contain a reconciliation of RECO's projected EE Program costs and recoveries and actual revenue requirements for the prior period, and a forecast of revenue requirements for the estimated time period before Board approval and the 12-month period thereafter, which shall be based upon the Company's most current authorized ROE and capital structure as defined above. The Company's filings as it relates to its RGGI Surcharge shall be combined into one annual filing. The True-Up Filing also shall present actual and known costs incurred since the previous annual review, and those costs shall then be reviewed for reasonableness and prudency. The True-Up Filing shall provide information as required by the MFRs. The Parties agree that any under/over recovery of the actual revenue requirement compared to revenues shall be deferred. The calculation of the carrying costs on the average monthly balances of under/over recovery of deferred costs shall be subject to the terms of the RGGI Surcharge and computed using the methodology set out in Attachment 5. The Company shall accrue interest at a rate equal to the Federal Reserve Board US Treasury Securities at two-year constant maturity plus 60 basis points, calculated on a net-of-tax basis. The interest rate shall not exceed RECO's overall rate of return, as authorized by the Board in RECO's most recent base rate case (i.e., the WACC identified in Paragraph 21 above) or as authorized in a subsequent RECO base rate case.

30. The True-Up Filing will be subject to review by the Parties with opportunity for discovery and evidentiary hearings (if necessary) prior to the issuance of a Board Order establishing the Company's revised RGGI Surcharge. The issuance of a written Board Order will be preceded by adequate public notice and public comment hearings, including evidentiary

hearings, if necessary.

VII. Conservation Incentive Program

31. The Parties agree that RECO may implement a modified CIP to account for lost sales revenue resulting from the potential decrease in customer energy usage.

Shareholder Contribution

32. The recovery of lost revenues due to initiatives like the EE Program will be made via a CIP based on the methodology outlined below and detailed in Attachment 6. In addition, RECO agrees to implement initiatives to further customer conservation efforts, providing a funding amount ("shareholder contribution") of $1.27 per customer based on a customer count of 74,216 as of March 1, 2021, or $94,254 per year, to the extent RECO files for recovery through the CIP mechanism, commencing with the start of the CIP deferrals, as defined below. Any shareholder contribution under-spend in a year shall be added to the following year's spending amount. The shareholder contribution shall not be included in customer rates. Should Shareholder Contribution costs exceed the funding levels established for RECO in any given year, the Company will still provide funding for 100% of such program costs in future years. The shareholder contribution shall support initiatives designed to aid customers in reducing their costs of electricity and to reduce RECO's peak demand, including but not limited to outreach and education.

Filing/Tariff Details

33. The Parties agree that the Company will submit its first CIP cost recovery filing on or before July 31, 2022, with rates proposed to be effective October 1, 2022, based on an initial deferral period of July 1, 2021 through June 30, 2022. The Parties further agree that the CIP will be adjusted annually thereafter as provided herein. The CIP Surcharge will be a standalone item on customer's bills that is applicable only to the classes that are subject to the CIP. The filings will

document actual results, perform the required CIP collection tests, described in more detail below, and propose the new CIP rate. Any variances from the annual filings will be trued-up in the subsequent year.

34. Attachment 5 to this Stipulation contains the CIP tariff. The CIP tariff will reflect an initial rate of $0.00000 per kWh.

CIP Methodology

35. The monthly CIP deferral will be calculated as reflected in Attachment 6 to this Stipulation. The Company calculated group specific baseline revenue per customer ("RPC") targets by taking the monthly distribution revenue from the priced-out billing determinants approved in the Company's most recent base rate filing (BPU Docket No. ER19050552) and dividing such monthly distribution revenue by the number of customers in the group for each month. The RPC and number of customers will be adjusted with each subsequent base rate case. To determine the annual target revenue level for a customer group, the Company will take the monthly RPC target and multiply by the actual number of customers in that month and sum up these monthly revenues for the program year.

36. For purposes of determining recovery eligibility for CIP accruals, the margin impact of changes in customer usage will be segregated into weather-related and non-weather-related components. The non-weather-related components will be limited by the eligibility tests described in more detail below. The weather-related component will not be subject to those limitations.

37. The non-weather component will be calculated by first deducting the weather component. The weather will be measured by the impacts on sales and associated distribution revenue of heating degree days ("HDD") for winter weather and cooling degree days ("CDD") for

summer weather. The average of the 10 years of data for HDD and CDD will be considered normal. The monthly adjustment for HDD variation is calculated as the product of the HDD consumption factor and the variance of actual HDD from normal HDD. Similarly, the monthly adjustment for CDD variation is calculated as the product of the CDD consumption factor and the variance of actual CDD from normal CDD. The sum of these two adjustments is then multiplied by the Margin Factor to establish the sales impacts. The sales impacts will be multiplied by the current tariff rates to derive the revenue impact. The weather normalization methodology is detailed in Attachment 6.

38. The Parties further agree that recovery of non-weather related CIP impacts shall be subject to the application of two (2) eligibility tests: a BGS Savings Test and a Variable Margin Test. In order to be eligible for recovery, non-weather related CIP impacts must pass both cost recovery tests. A description of the eligibility tests is provided below.

A. BGS Savings Test – The Parties agree that reductions in customer usage provide opportunities to reduce peak demand and lower commodity costs. As a result, recovery through the CIP Tariff will be limited to BGS Savings calculated under the following methodology. Consistent with the Modified BGSS Savings Test applied to natural gas utilities, the margin impact shall be multiplied by a factor of 75% prior to application of the BGS Savings test. Further, the Parties agree to recognize three (3) categories of savings when calculating the total savings used in the BGS Savings Test.

(i) Category One includes the Company's permanent savings realized from the reduction in PJM Final Zonal Unforced Capacity ("UCAP") Obligation from the 2011/2012 energy year compared to the 2020/2021 energy year multiplied by the 2020/2021 RECO Zonal Net Load Price. The permanent BGS savings are $1.870 million, as shown in Attachment 6. This amount will remain after the re-setting of the CIP benchmarks in future base rate cases.

(ii) Category Two includes BGS cost savings from ongoing reductions of the Company's PJM Final Zonal UCAP Obligation. This category of savings will be calculated as any annual incremental UCAP Obligation savings after the 2020/2021 energy year. Any annual incremental UCAP Obligation savings will be multiplied by the most recent PJM Zonal Net Load Price. Due to the potential for Peak increases due to electric vehicles and electrification, savings are set as a minimum of the incremental obligation savings or zero.

(iii) Category Three is the Company's savings associated with avoided capacity costs to meet customer growth on a prospective basis beginning with the first annual CIP filing following implementation of these terms. Avoided capacity costs shall be calculated on a monthly basis and are equal to the net change in customers for CIP multiplied by the corresponding obligation per customer and the current PJM Zonal Net Load Price per month. Attachment 6 to this Stipulation illustrates the savings calculation.

(iv) Additional savings pursuant to sub-paragraphs 38(A)(ii) and (iii) above shall only be counted within the BGS Savings Test after agreement is reached with Rate Counsel and Staff.

B. Variable Margin Test – The Parties further agree to adopt an additional recovery limitation to non-weather-related CIP margins equal to 6.5% of variable margins for the CIP accrual year. However, for the first annual deferral period only (July 1, 2021 through June 30, 2022), the Parties agree to a recovery and refund limitation to non-weather-related CIP margins equal to 4.0% of variable margins. Specifically, variable margins will be calculated based on: (i) the number of customers and (ii) the baseline revenue per customer. The margin revenues for each month for each CIP customer class shall equal the actual number of customers multiplied by the baseline revenue per customer. The resulting monthly values shall be summed for all 12 months for all CIP groups to yield the total Variable Margins for the year. Recoverable non-weather CIP amounts shall not exceed 6.5% (or 4.0% in the first year as defined above) of the aggregate variable margin revenues under this test.

39. The dual cost recovery tests set forth in Paragraph 38 shall operate in conjunction with each other in such a manner so that the total non-weather recoverable amount is limited to the smaller of the two (2) recoverable amounts allowed under the separate BGS Savings Test and Variable Margin Revenue Test. The Parties agree that any amounts that exceed the BGS Savings Test and/or Variable Margin Revenue recovery limitations may be deferred for future recovery subject to the earnings test described below. The Company agrees to not seek recovery of interest on any deferred carry-forward amount.

Earnings Test – The Parties agree to include an earnings test, through which actual ROE shall be determined based on the actual net income of the utility for the most recent 12-month period divided by the average of the beginning and ending common equity balances for the corresponding period. The timing of the earnings test and definitions of Net Income and Common Equity are specified in the tariff provided in Attachment 5. The earnings test will be applicable to the total CIP deferral, including both weather and non-weather components. If the calculated ROE exceeds the allowed ROE from the utility's last base rate case by 50 basis points or more, recovery of lost revenues through the CIP shall not be allowed for the applicable filing period and shall not be carried over to subsequent filing periods.

VIII. <u>Rate Impact</u>

40. Attachment 7 provides the bill impact to a typical residential customer over the life of the EE Program.

IX. Continuing Review of Programs

41. The Parties shall revisit the specific EE Program incentive levels agreed to herein before the conclusion of the first triennial period in time to support consideration of revised Program incentive levels in the next triennial.

42. The Company shall also provide the following information on a quarterly/annual basis as required after consideration and recommendation of the EM&V Working Group. This information may include:

a. Estimated free ridership and spillover with any cost-benefit analysis required;

b. Participant costs (net of utility incentives), including a breakdown by sub-program with any cost-benefit analysis required; and

c. Results of program evaluations, including a breakdown by sub-program when required by the June 2020 Order.

43. The Parties recognize that the EE Working Groups referenced in the June 2020 Order have not yet completed their work as of the date of this Stipulation. The Parties recognize that these EE Working Groups will be addressing many long-term issues that will impact planning for future triennial periods. However, the Parties recognize that the EE Working Groups may issue recommendations for the current triennial period that are inconsistent with any programs and/or sub-programs set forth in Attachment 1 and/or have the potential to increase or decrease the level of investment beyond the amount agreed to herein. To the extent that any particular aspect of this Stipulation concerning establishment of core sub-programs and coordinated elements (such as incentives, marketplace, marketing, workforce development, and contractor procurement) or sub-program structure in overlapping territories are not consistent with the final consensus reached by the EE Working Groups (including the Joint Utility Working Group) and approved by the Board with regard to the current triennial, the Parties shall meet to address any inconsistencies and define

a path for resolution of these items.

44. This Stipulation represents a mutual balancing of interests, contains interdependent provisions, and, therefore, is intended to be accepted and approved in its entirety. In the event that any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event that this Stipulation is not adopted in its entirety by the Board in any applicable Order, then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

45. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

46. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, the Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

THEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

ROCKLAND ELECTRIC COMPANY

Dated May 28, 2021

By Margaret Comes
Margaret Comes
Associate Counsel

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the
New Jersey Board of Public Utilities

Dated May 28, 2021

By: ______
Brandon Simmons
Deputy Attorney General

DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR

Dated May 28, 2021

By: Brian O Lipman
Brian O Lipman, Esq.
Litigation Manager

Dated May 28, 2021

By: Nathan Howe
Nathan Howe, Esq.,
K&L Gates LLP on behalf of Intervenor, the
Energy Efficiency Alliance of NJ

Attachment 1

CORE Programs

RESIDENTIAL EFFICIENT PRODUCTS (MFR II.a.i)

The Residential Efficient Products Program will promote the installation of ENERGY STAR and other high-efficiency electric and natural gas equipment by residential customers by offering a broad range of energy efficient equipment and appliances through a variety of channels, including an online marketplace, downstream rebates to customers (including but not limited to in-store or online), up-front rebates, reduced point of sale costs, a midstream or upstream component and a network of trade allies and in collaboration with local foodbank and non-profit organizations serving customers in need. The program will provide incentives for energy efficient lighting, appliances, electronics, and heating and cooling equipment, as well as other energy efficiency products (e.g. smart thermostats, water saving measures, weatherization items, and prepackaged kits). Measures range in type and price but include both electric and natural gas technologies that improve energy efficiency in the home. The program may include customer opportunities at no up-front cost to engage and introduce customers to energy savings opportunities and achieve energy savings. Up-front rebates will also be offered to reduce initial costs on some purchases, and access to financing will be available to further reduce first cost barriers for select products. The program is designed to provide easy and cost-effective access to energy efficient measures through customers' preferred channels and provide a means to encourage customers to take the first steps toward energy-efficiency. A behavioral component will provide customers a home energy report ("HER"). This HER benchmarks customers' energy usage against their historical usage and similar homes in the area. This report also compares monthly energy usage and prompts consumers to reduce usage in order to improve against their previous month's usage and benchmark relative to their neighbors.

The program is designed to:

- Provide incentives for products that reduce energy use in the home and information about other programs that encourage the installation of high efficiency equipment, such as lighting, HVAC units, other heating and cooling equipment, electronics, and appliances.
- Provide midstream incentives to retailers and/or distributors to increase sales of ENERGY STAR or other energy efficient products.
- Continue to support and/or provide downstream approaches for certain measures to ensure market is properly supported
- Provide a marketing mechanism for retailer and high efficiency product suppliers to promote energy efficient equipment and products to end users.
- Ensure the participation process is clear, easy to understand and simple for the customer and contractor.
- Provide online or other channels for customers that include but are not limited to online and in-store eligibility options to acquire select ENERGY STAR products, as well as low and moderately priced energy-saving products.
- Recognize unique barriers that low- and moderate-income customers face and employ strategies to address those barriers, including no cost measures and/or enhanced incentives where appropriate.
- Utilize energy efficiency kits to introduce and promote energy efficiency technologies that can be easily installed in the home. The kits will serve as a gateway to other programs by including energy efficiency and conservation educational materials and promotional materials for other program opportunities, including the utility, Comfort Partners and NJCEP programs.
- Provide energy efficiency kits to local foodbank and non-profit organizations and at energy assistance outreach events to reach low- to moderate-income customers, with schools to promote

energy efficiency education in classrooms, to new movers, customers upon request, and within utility marketplaces to support customer engagement.

- Provide direct mailings and electronic HERs to benchmark energy use against prior usage and against similar homes usage
- Provide a Web portal, via the O&R website, showing real time usage information
- Cross market where engagement in the behavioral program is used to drive participation in other residential efficiency and peak demand reduction programs

This program will increase adoption of energy efficient equipment and products by harnessing the unique utility customer relationship to positively impact the entire sales process surrounding efficient equipment, from education and awareness of customers, engagement with trade ally contractors and equipment distributors and retailers, to on-bill repayment or access to financing with similar terms for select products.

The utilities will use their brand and customer outreach infrastructure to increase the availability, awareness, and customer uptake of energy efficient products. Access to financing will be available to customers to cover the remaining cost (after applying the rebate discount) for the balance of the efficient product cost for select products and services.

RECO staff and/or a third-party implementation contractor(s) will be selected to assist with the administration, oversight, and delivery of the program. Activities will include the launch of a statewide online marketplace with utility-specific interfaces, efforts to raise awareness of the program, on-going refinements to the list of eligible measures, validating customer eligibility and processing incentives and conducting outreach to and securing partnerships with retailers, wholesalers, distributors, manufacturers and trade allies to assure all customers are able to easily purchase energy efficient products and equipment through the program. Customer engagement and sales channels may include:

- **Post Purchase (Downstream) Rebates:** Rebates will be made available to customers after they have made their purchase. Applications may be available online or in stores to submit either electronically or in hard copy with proof-of-purchase.
- **Online Marketplace:** This online marketplace is an easy to use source for the online purchase of efficient products and services. Participants will be able to browse energy efficient equipment and appliances and purchase through the marketplace which will offer instant rebates and may offer the option for on-bill repayments or access to financing with similar terms for select products.
- **Point of Sale Rebates:** Prescriptive rebates will be made available at the point of sale for selected products. The utilities will also explore the viability of using a digital, smartphone-based application platform, to enable customers to purchase efficient equipment at traditional consumer retail outlets and instantly redeem rebates at point-of-sale in both physical stores and online. Allowing easy access to rebates encourages customers to purchase qualifying efficient products.
- **Appliance Recycling:** Rebates will be provided to customers for recycling qualifying, inefficient, operating appliances. Offering an incentive for the drop off or pick-up and removal of an appliance prevents the appliance from being maintained as a second unit or transferred to another customer.
- **Midstream or Upstream Rebates:** RECO will pursue a midstream or upstream rebate component to encourage purchase of certain efficient equipment. The utilities will work with retail partners (such as Home Depot, Lowes, etc.), distributors or manufacturers to assure that measures are available throughout the state. Midstream or upstream rebates encourage market transformation and wider availability of efficient equipment. Efficient products that are rebated via a midstream or upstream approach may be passed on or discounted to the customer at the

retail level. Utilities may also offer downstream rebate programs to ensure customers and trade allies are properly supported.

- **Trade Allies:** RECO will establish a network of trade allies to promote certain components of the program with a consistent experience to the customer where applicable. The trade ally network will consist of qualified installation contractors, plumbers, electricians, and other trade service professionals who meet all applicable statewide requirements for performing the respective service (e.g. HVAC license, insurance requirements). Trade allies will be able to leverage the program and offer customers rebates through their normal course of business.
- **Community Partners:** RECO will partner with foodbanks and other community organizations serving customers in need to help reduce the energy burden of those customers with no-cost energy efficient products and to raise the awareness of other energy efficiency and energy assistance programs available to help.
- **Behavioral Initiative:** RECO will send customers HERs both electronically via email and printed reports via direct mail, intended to change customer behavior and cross market energy efficiency initiatives to increase participation.

By developing relationships with both program and trade allies, the program will develop a broad reach across the marketplace and solicit feedback from the marketplace to ensure incentives and measures are impacting the market as designed. Targeted program and trade allies may include:

- Efficient equipment retailers, distributors, and manufacturers
- HVAC & appliance contractors
- General contractors, plumbers, electricians, and other trade service professionals

Regardless of the delivery mechanism, the utilities will take steps to ensure customers are made aware of utility engagement in helping to off-set up-front costs of the efficient products. Installation services may be offered to install some equipment offerings found on the marketplace.

Target Market or Segment (MFR II.a.ii)

The target market for this program will be all residential electric and/or natural gas customers. The program is focused on promoting the sale and installation of efficient electric and natural gas equipment across all major residential end-use categories, and can be easily promoted to program allies, trade allies and customers via straightforward prescriptive rebates. Technologies incentivized through this program include lighting, HVAC, other heating/cooling equipment, electronics, appliances, smart thermostats, water saving measures, weatherization items, pre-packaged kits, and other efficient products. The program will also promote the retirement, recycling, and replacement of old refrigerators, freezers, and other inefficient appliances.

The utilities may offer enhanced incentives for Low-to-Moderate income (LMI) customers (up to 400% of federal poverty level) for certain products to assure that the program reaches all customer types. Eligibility for these enhanced incentives can be determined based on screening an individual customer however the utilities will also explore implementing automatic eligibility for enhanced incentives based upon a physical location (e.g. census tract, environmental justice community, Urban Enterprise Zone) to encourage more activity in LMI communities.

Marketing Plan (MFR II.a.xiv)

The utilities will implement both multi-pronged direct and indirect marketing campaigns to promote this program. Customers will be exposed to broad-based energy efficiency awareness campaigns, web-based engagement and information, digital advertising, social media, and hard-copy materials to promote awareness, as well as tie-ins with other programs. Retailers, wholesalers, distributors, manufacturers, and trade allies will be contacted directly and through trade associations to develop networks and promote involvement in the program where applicable. The utilities will also look to leverage the behavior program for ‘warm leads’ into the program through both the home energy reports and online audit tool. In addition, the kits provided through this Program will include pamphlets and literature recommending customers visit RECO’s online portals and marketplace, further increasing engagement.

Targeting and promotion within this program will be enabled through intelligence gained through other residential programs or offerings, and other activity in the Efficient Products program including behavioral HERs. RECO will explore opportunities to provide customized information to customers with prioritized action items, to maximize availability and uptake.

A combination of strategies will be used to train and support retailers, distributors, and other program allies, including media advertising, outreach community forums, events, and direct outreach to customers. Marketing activities may include:

- Point of purchase displays and materials, joint advertising, coupons, and special “instant sales events”
- Public relations materials
- Brochures that describe the benefits and features of the program including application forms and processes. The brochures will be available for various public awareness events (community events, presentations, seminars etc.)
- Bill inserts, bill messages, email, Facebook, Twitter and other social media platforms, pop-up stores.
- RECO website content providing program information resources, contact information, online application forms, online retail store and links to other relevant service and information resources
- Customer representatives trained to promote the program to their customers
- Presence at conferences and public events used to increase general awareness of the program and distribute program promotional materials

The primary market barriers that impact this program include:

- **Initial Cost of Efficient Equipment:** Relative to the market baseline, efficient equipment often carries a higher upfront cost but a lower lifetime operating cost. Customers often may not fully value the lifetime operating cost advantage of efficient equipment and, as a result, higher upfront cost is a barrier to purchasing efficient equipment. To address this barrier, incentives are provided to the customer to reduce the initial cost. Access to financing will also help mitigate the up-front cost barrier.
- **Customer Awareness and Engagement:** Residential customers may not be aware of the benefits of installing efficient equipment and/or lack the time and resources to pursue efficient equipment when replacing existing equipment. To address this barrier, the utilities will educate customers on the benefits of installing efficient equipment through targeted marketing, ensure that incentives are easily accessible, and encourage market transformation and stocking of efficient equipment through midstream incentives. Through outreach efforts, the utilities will seek to partner with retail and wholesale entities to promote program offerings, and also focus marketing, education, and outreach efforts on the trade ally community to ensure that trade allies are aware of available incentives and prepared to serve customers.
- **Landlord/Tenant Arrangements:** Split incentives between landlord/tenants with respect to who pays for energy use vs. who owns the energy-using equipment challenge investment decisions. To address this barrier, the program will be marketed to both landlords and tenants to assure that those exposed to energy costs are able to participate in the program.

- **Sufficient Stocking and Availability of Efficient Products:** RECO will look for opportunities to develop and promote a midstream component for specific equipment to encourage high levels of participation via incenting midstream market actors and/or directly discounting the cost of the efficient equipment at the point of sale.

The utilities will seek to manage all barriers to program success through a commitment to applying best practices in program design, delivery, outreach, and marketing/advertising. The utilities established customer communication channels, data, and brand in the marketplace will all be leveraged to deliver best-practice programs that identify and confront market barriers on an ongoing basis. To the extent possible, the utilities will cross-promote programs to spread awareness of the range of efficiency opportunities proposed in this plan.

Delivery Method, Contractor Roles and Implementation Plan (MFR II.a.v) (MFR II.a.viii) (MFR.II.c) (MFR II.a.xiii)

The utilities and/or third-party implementation contractors will be responsible for identifying and engaging retail and wholesale entities dealing in energy efficient equipment to on-board them with the program vision, eligible efficient products, rebates, and ways to participate. Additionally, RECO and/or third-party implementation contractors will engage trade allies, including local HVAC, electrical, plumbing, and other contractors to educate them on program benefits and build a trade ally network which will reliably install energy efficient equipment for participating customers. RECO and/or third-party implementation contractors will also monitor participation to assess the effectiveness of outreach efforts, incentive levels, delivery methods, and both program ally and trade ally availability to provide suggestions to assure that the program is continually providing customers with their needs. RECO and/or a third-party implementation contractor will be responsible for the management of the online marketplace. RECO will utilize a third-party contractor to implement the behavioral initiative. The utilities will oversee the build-out of the online marketplace as well as the retail and Trade Ally network, which may be administered by third-party implementation contractors. RECO and/or third-party implementation contractors will also process the online instant rebates, verify eligibility of customers and manage the delivery of items purchased on the website.

To select qualified third-party implementation contractors, the utilities will prioritize criteria including but not limited to:

- Experience delivering similar programs or initiatives
- Resources and marketing strength
- Cost
- The amount of business placed with minority, women, veteran and service-disabled veteran owned businesses (“MWVBEs”).
- By allowing participants to select a trade ally they are comfortable with for select products, the program reduces barriers to entry related to knowledge of energy efficiency, confidence in assessments, and measure installation. The utilities will perform customer satisfaction and other quality assurance and quality control activities to monitor, ensure program and verify quality standards are met.

Existing and Proposed Incentives Ranges (MFR II.a.iii) (MFR II.a.iv)

The utilities propose to provide a range of incentives depending on the measure type, subject to changes based upon customer response and marketplace changes over the plan period. Incentives will vary depending on the specific product, the incremental cost of the high-efficiency technology, and the product maturity in the marketplace. Refer to Appendix A, Table 2 for the Summary of Proposed Incentive Ranges for this program.

Incentives will be available in several ways and are adapted to the retail partner needs and market response. Strategies may include:

- Mail-in applications available from the retailer and the program website or directly from contractors
- Online rebate forms
- Point of Sale or In-store "Instant Reward" coupons that are redeemed in-store at the time of purchase.
- Special sale events in retail stores
- Manufacturer buy down to Retailer
- Midstream or Upstream incentives to retailers, distributors, or manufacturers to encourage them to stock and promote efficient products or to provide product incentives at time of purchase
- Partnerships with community groups, schools, and/or non-profit organizations

Incentives may change based on market prices, as well as manufacturer and distributor co-funding. Other incentive alternatives may be used as the market evolves and new and innovative customer, program ally and trade ally engagement opportunities become apparent.

In instances where incentives are not immediate, the utilities will complete consumer or contractor payments within 60 days following completion of contractor work, submission of complete and required paperwork, and completion of program requirements such as necessary field inspections, if required.

Customer Financing Options (MFR II.a.vi)
Refer to Appendix B for the Summary of Proposed Financing for this program.

Customer Access to Current and Historic Energy Usage Data (MFR II.a.vii)
Refer to Appendix F for a description of how RECO will provide for customers to access their energy data.

Projected Participants (MFR II.a.ix) and Energy Savings (MFR II.a.x)
Refer to Appendix C for the Summary of Participation and Energy Savings associated with this program.

Program Budget (MFR II a.xi) (MFR II.a.xii)
Refer to Appendix D for the Summary of Residential Efficient Products Program Budget and Cost Categories.

Proposed Quality Control Standards and Remediation Policies (MFR II.b.i)
Refer to Appendix H for the Summary of Quality Control Standards and Remediation Policies for this program and remediation policy.

EXISTING HOMES: Home Performance with ENERGY STAR and Quick Home Energy Check-Up (QHEC) (MFR II.a.i)

The Home Performance with ENERGY STAR ("HPwES") Program will provide a holistic approach for customers to explore and invest in the efficiency and comfort of their homes and includes a Quick Home Energy Checkup ("QHEC"). All participants in this program must have an initial energy audit performed directly by a qualified HPwES contractor or auditor where QHEC measures may be installed. That audit will develop an energy efficiency action-plan that includes recommendations for upgrades and available incentives. To ensure the upgrades are accessible to customers, there will be access to financing.

This program is designed to review the entire status of a home, including equipment and envelope to achieve deeper energy savings. The program will follow guidelines and qualifying criteria associated with the U.S. Environmental Protection Agency HPwES program subject to as-needed enhancements to maximize participation and cost-effective energy savings opportunities. The utilities will also seek to increase the number of contractors certified to offer customers the U.S. Department of Energy Home Energy Score (HES) to help customers understand how HPwES improvements can improve the efficiency and comfort of their home.

The QHEC is an additional utility led initiative intended to provide residential customers with an understanding of opportunities to save energy and help them start saving energy immediately by providing standard energy saving measures at no additional cost to participants. Interested customers will sign up for an in-home visit from a qualified energy auditor, participating contractor, a RECO employee, or a third-party implementation contractor. During the visit, the auditor will perform a walk-through of the customer's home to provide education about the opportunities to save energy. The auditor may also identify larger opportunities for energy savings, including making referrals to other energy efficiency programs and program opportunities based on the needs for that premise and the customer's interest in pursuing additional upgrades. This may include sharing information about the products and incentives available under the Efficient Products Program, the potential for comprehensive upgrades through either the HPwES Program, or the Comfort Partners Program. This no-risk program is intended to appeal and provide benefits to both renters and homeowners.

Target Market or Segment (MFR II.a.ii)

HPwES and QHEC will be available to all single-family and single-family attached (1 to 4 unit properties[1]) electric and/or natural gas customers.

As noted, all customers will start with a comprehensive energy audit or through upgrading from a QHEC. Potential measures incentivized through the HPwES program include but are not limited to insulation, air sealing, smart thermostats, and HVAC. All HPwES projects must include air sealing and insulation whenever safety permits.

For QHEC, standard energy efficiency measures installed during the visit may include but not be limited to LED bulbs, energy and water saving showerheads, kitchen faucet aerators, bathroom faucet aerators, gaskets, power strips and other energy saving measures. All participants will receive a QHEC report that confirms the findings during the appointment and summarizes the measures received and the recommendations made. The QHEC report will also highlight incentives available to support the implementation of those recommendations, including educating customers about how to pursue the recommendations through other program opportunities as well as the availability of enhanced incentives. There are also additional options through other program offerings for Low-to-Moderate income ("LMI")

[1] Properties larger than 4 units will be referred for consideration in the Multi-family Program.

customers (up to 400% of Federal Poverty Level or potential automatic eligibility based on physical location) and access to financing. Eligibility for these enhanced incentives can be determined based on screening an individual customer but the utilities also intend to explore implementing automatic eligibility for enhanced incentives based upon a physical location (e.g. census tract, environmental justice community, Urban Enterprise Zone) to encourage more activity in LMI communities.

Marketing Plan (MFR II.a.xiv)
The utilities will utilize many marketing strategies to assure program awareness and participation is maximized. These traditional marketing strategies may include web-based engagement and information, digital advertising, media advertising, hard-copy materials, behavioral HERs, bill inserts, and door-to-door marketing to promote awareness among trade allies and customers. The utilities will also cross promote this program to participants in other energy efficiency program offerings. Information garnered from other programs, such as the Residential Efficient Products could also be used to identify prime candidates for participation in the HPwES and QHEC program. For example, a review of usage data contained in HERs from the behavioral initiative could allow the utilities to identify customers who are particularly susceptible to changes in weather and would be ideal candidates for an audit. Likewise, the Residential Efficient Products Program could provide leads to customers interested in energy efficiency. Most importantly, the QHEC was specifically designed to educate, engage, and provide immediate energy savings to customers and identify strong leads for candidates that would benefit from participating in the HPwES or other programs.

Consistent with current New Jersey HPwES program practices, the utilities may offer cooperative marketing funding to encourage contactors to promote the program.

The primary market barriers that impact this program include:

- **Initial Cost of Comprehensive Home Retrofits:** Home retrofits are more expensive and involved than purchasing efficient equipment and require more participant investment and commitment. Customers must be willing and able to invest in more expensive energy efficiency projects. The utilities address this barrier by offering incentives and On-Bill Repayment Programs or access to financing with similar terms and by offering the QHEC at no additional cost to the customer.
- **Traditional Credit Screening:** Many customers interested in pursuing comprehensive projects may not be able to pass traditional credit screening (e.g. requirements for debt-to-equity ratio) despite having a proven track record for paying their utility bills on time. The utilities will explore solutions to help more customers access this incentive through either an OBRP approach or access to financing with similar terms that relies on a review of utility payment history and bankruptcy check to ensure customers who have a proven track record have the opportunity to participate or through innovative approaches.
- **Split Incentives:** Many renters may not consider participating in energy efficiency programs because they do not own the premise and do not have a role in decisions regarding equipment replacement or structural improvements. This program addresses this barrier by providing simple energy efficiency measures that provide immediate energy savings and do not require landlord approval to install or use (e.g. smart strips, LEDs).
- **Customer Skepticism of Contractor Proposals:** Some customers are skeptical that contractors do not have their best interests at heart since contractors are interested in performing the work. This program addresses this barrier by ensuring the entity performing the assessment would meet stringent eligibility requirements and have been selected by the utility.

- **Customer Awareness and Engagement:** Many customers are unaware of the "whole house" approach to energy efficiency or the fact that building science exists. The utilities will work to address this by:
    - continuing to educate customers about the HPwES program and how both the structure and equipment work together
    - highlighting the extra training that participating contractors must have
    - identifying how the shell measure improvements can improve their comfort within the home
    - noting that an audit includes health and safety testing
    - reinforcing that the investments in equipment and shell measures may increase the value of their home.
- **Trade Ally Awareness and Training:** To meet the participation goals, sufficient HPwES contractors must be available to undertake the work. The utilities will address this barrier by trying to recruit more HVAC contractors to secure the additional certification necessary to participate in this program, including pursuing initiatives that align with the Workforce Development Working Group strategies to include more local, underrepresented and disadvantaged workers.

The utilities will seek to manage all barriers to program success through a commitment to applying best practices in program design, delivery, outreach, and marketing/advertising. The utilities established customer communication channels, data, and brand in the marketplace will all be leveraged to deliver best-practice programs that identify and confront market barriers on an ongoing basis.

Delivery Method, Contractor Roles and Implementation Plan (MFR II.a.v) (MFR II.a.viii) (MFR.II.c) (MFR II.a.xiii)

The utilities will administer this HPwES and QHEC program and may also choose to select a third-party implementation contractors to manage delivery of this program. RECO has an existing relationship with an implementation contractor that provides customers with a free in-home audit and professionally installed insulation and energy savings technologies through its parent, Orange and Rockland Utilities ("O&R"). This service is offered through its existing Customer Engagement and Marketplace Platform ("CEMP") which provides a whole home solution for residential customers looking to increase the overall comfort in their homes. Up-front rebates are provided to reduce the total cost of the project and the remaining cost recovered through the customer's monthly bill savings. Typical measures include air sealing, duct sealing, building envelope insulation, WiFi thermostats, and ENERGY STAR lighting. RECO plans to integrate this model into this program.

RECO staff and/or third-party implementation contractors will oversee all aspects of the program, including training and engagement, QA/QC, and rebate processing. There will be a significant focus on developing, training, and growing a qualified trade ally network. This will include trade ally training sessions, workshops, and market development events to grow and develop the trade ally network, with a priority placed on encouraging them to integrate home efficiency performance into their business and become Building Performance Institute (BPI) certified contractors. RECO staff and/or third-party implementation contractors will maintain a close relationship with trade allies to ensure consistent program delivery experience and high customer satisfaction. RECO staff and/or third-party implementation contractors will also take on the responsibility of providing an additional layer of customer support as needed and conducting selective verification of trade ally installation work.

Trade allies will consist of companies employing BPI-certified professionals to complete HPwES audits and energy-saving projects. In order to facilitate trade ally access to participants, utilities or the third-party implementation contractor will maintain a list of companies and professional services where customers can find local trade allies based on geography and other criteria.

Selection of third-party implementation contractors will prioritize criteria including but not limited to:

- Experience delivering similar programs or initiatives
- Knowledge of the current marketplace
- Ability to educate and train contractors
- Local presence
- Cost
- The amount of business placed with minority, women, veteran and service-disabled veteran owned businesses ("MWVBEs").

The utilities will encourage all participating contractors to also look for opportunities to promote measures from the Residential Efficient Products Program, such as home appliances (e.g. clothes washers) to increase energy savings and leverage those additional programs and incentives.

Existing and Proposed Incentives Ranges (MFR II.a.iii) (MFR II.a.iv)
The utilities will provide incentives for HPwES to encourage customers to implement the measures recommended during their audit. Incentives will be calculated based on modeled savings through a sliding scale up to an overall project cap. Modeled savings will be based upon software that will use consistent calculations across territories. As the utilities work to launch midstream incentives for HVAC measures through the Efficient Products program, there is a recognition that a baseline incentive may be provided when a participating contractor secures the equipment from a participating distributor or retailer. The utilities intend to adjust the calculation of the incentive when an incentive has already been provided through a midstream path. However, the utilities have a shared intention to have the value of an HVAC measure being installed through this program be higher than a standalone HVAC equipment installation to ensure that customers are encouraged to pursue comprehensive upgrades and to recognize additional energy savings associated with improving the building shell.

Consistent with current practices for the New Jersey HPwES program, the utilities are proposing an incentive range for a contractor production incentive and separate scale for incentives for multi-family properties.

The utilities will provide the QHEC to their interested customers at no additional cost, including the installation of standard energy efficiency measures that are appropriate for their home. Participating customers will also benefit from receiving energy efficiency conservation tips, recommendations and referrals to other energy efficiency programs based upon the opportunities identified for their home.

Refer to Appendix A, Table 2 for the Summary of Proposed Incentive Ranges for this program.

The utilities and/or third-party implementation contractors will complete consumer or contractor payments within 60 days following completion of contractor work, submission of complete and required paperwork, and completion of program requirements such as necessary field inspections (if required).

Customer Financing Options (MFR II.a.vi)
Refer to Appendix B for the Summary of Proposed Financing for the HPwES Program. There is no need for a financing component for QHEC since there is no cost for participating customers.

Customer Access to Current and Historic Energy Usage Data (MFR II.a.vii)
Refer to Appendix F for a description of how RECO will provide for customers to access their energy data.

Projected Participants (MFR II.a.ix) and Energy Savings (MFR II.a.x)
Refer to Appendix C for the Summary of Participation and Energy Savings associated with this program.

Program Budget (MFR II a.xi) (MFR II.a.xii)
Refer to Appendix D for the Summary of HPwES Program Budget and Cost Categories.

Proposed Quality Control Standards and Remediation Policies (MFR II.b.i)
Refer to Appendix H for the Summary of Quality Control Standards and Remediation Policies for this program and remediation policy.

EXISTING HOMES: Moderate-Income Weatherization (MFR II.a.i)

The Moderate-Income Weatherization Program will target customers in the 250-400% above poverty threshold with no-cost weatherization, lighting, low flow and smart thermostats. Currently Comfort Partners offers no cost weatherization to customers up to250% of poverty, so this program will provide energy-saving opportunities to moderate income customers who may struggle to participate in other programs.

The program includes an audit of the customer's home, which may include an air leakage blower door test. Contractors will then install energy-savings measures based on the results of the audit. The energy-savings measures may include lighting, weatherization (air sealing, insulation, and duct insulation), no-cost HVAC replacement (for customers with non-functioning heating systems), smart thermostats, and water saving measures. The audit and measures will be provided at no cost to the customer. All measures will be installed by a qualified contractor. The program also includes an up to amount to cover any health and safety concerns that need to be resolved to complete the weatherization job.

Target Market or Segment (MFR II.a.ii)

The target market for this program will be all residential customers who meet income qualification thresholds and live in single-family homes. The income qualification will require household income between 250 and 400% of the Federal Income Poverty Level. Eligibility for these enhanced incentives can be determined based on screening an individual customer but the utilities also intend to explore implementing automatic eligibility for enhanced incentives based upon a physical location (e.g. census tract, environmental justice community, Urban Enterprise Zone) or based upon participation in a qualifying program (e.g. PAGE assistance program) to encourage more energy efficiency participation in LMI communities.

Marketing Plan (MFR II.a.xiv)

This program will be marketed through multiple channels to ensure that different types of income-eligible customers will be aware and participate in the program. Some of these methods will include social media, online advertising, and online marketplaces. RECO will also use information from other programs like the Residential Behavioral Program and identify those customers who did not qualify for the Comfort Partners program but may be eligible for Moderate-Income Weatherization. Finally, utility customer service personnel will work to promote the program and educate customers on energy efficiency and the programs available to assist them.

The primary market barriers that impact this program include:

- **Initial Cost of Equipment and Weatherization:** Customers who qualify for this program may encounter barriers identifying measures for installation and the upfront costs for weatherization and installation of efficient products. This program will mitigate this barrier by providing a no-cost audit and no-cost measures for qualified customers.

- **Customer Awareness and Engagement:** Customers may not be aware of the benefits of installing energy efficiency equipment, the RECO energy efficiency program offerings, and in particular may not be aware of no-cost income qualified programs. RECO will mitigate this barrier though customer marketing including promoting the benefits of participation in the energy efficiency programs and specifically promoting the income qualified offering.

- **Awareness and Training:** To meet the participation goals, sufficient qualified contractors must be available to undertake the work. The Utilities and/or their third-party implementation contractors will address this barrier by trying to recruit qualified contractors to participate in this program, including pursuing initiatives that align with the Workforce Development Working Group strategies to include more local, under-represented and disadvantaged workers.

RECO will seek to manage all barriers to program success through a commitment to applying best practices in program design, delivery, outreach, and marketing/advertising. RECO's established customer communication channels, data, and brand in the marketplace will all be leveraged to deliver best-practice programs that identify and confront market barriers on an ongoing basis. To the extent possible, RECO will cross-promote programs to spread awareness of the range of efficiency opportunities proposed in this plan.

Delivery Method, Contractor Roles and Implementation Plan (MFR II.a.v) (MFR II.a.viii) (MFR.II.c) (MFR II.a.xiii)

RECO will oversee and manage this program and it will be delivered to customers using third-party implementation contractors. These contractors will receive qualified customer leads from RECO, or consideration will be given to contractors to generate leads through their own program marketing and outreach. Once engaged with a customer the contractor will schedule an in-home audit where energy efficiency opportunities will be identified and installed. The energy efficiency measures may include LED lighting, shower heads, aerators, smart strips, smart thermostats, insulation, air sealing, and duct sealing.

To select qualified third-party implementation contractors, RECO will prioritize criteria including but not limited to:

- Experience delivering similar programs or initiatives
- Resources and marketing strength
- Knowledge of the current marketplace
- Ability to educate and train contractors
- Cost
- The amount of business placed with minority, women, veteran and service-disabled veteran owned businesses ("MWVBEs").

Existing and Proposed Incentives Ranges (MFR II.a.iii) (MFR II.a.iv)

The program includes a no-cost audit and 100% incentive on measures for income qualified customers. There will be up to $1,500 in health and safety related costs. The limit for each individual customer is $7,500. Customers will be required to provide income qualification and account information as part of the enrollment process.

Customer Financing Options (MFR II.a.vi)

The program provides a no-cost audit and 100% incentives, therefore, no financing of project costs is necessary. Refer to Appendix C for the Customer Financing Options by Program.

Customer Access to Current and Historic Energy Usage Data (MFR II.a.vii)

Refer to Appendix F for a description of how RECO will provide for customers to access their energy data.

Projected Participants (MFR II.a.ix) and Energy Savings (MFR II.a.x)
Refer to Appendix C for the Summary of Participation and Energy Savings associated with this program.

Program Budget (MFR II a.xi) (MFR II.a.xii)
Refer to Appendix D for the Summary of Moderate-Income Weatherization Program Budget and Cost Categories.

Proposed Quality Control Standards and Remediation Policies (MFR II.b.i)
Refer to Appendix H for the Summary of Quality Control Standards and Remediation Policies for this program and remediation policy.

MULTI-FAMILY PROGRAM (MFR II.a.i)

The Multi-Family Program addresses multi-family structures with five or more units. As such, there can be significant variation in the types of structures served under this Program ranging from residential dwellings with five units, to large garden apartment complexes, to multi-story high rise buildings. In order to meet the specific needs of each customer, the Multi-Family Program will provide a structured screening review to identify and develop the project plan for the customer. Potential program services include customer engagement with energy efficiency education through energy assessments, installation of standard energy savings measures, comprehensive energy savings opportunities including prescriptive equipment replacement, custom retrofit projects, and emergency equipment replacement. In addition, the Multi-Family Program will provide access to low to no-interest interest financing and enhanced incentives for low income/affordable housing properties.

The Multi-Family Program will work with each customer to determine and package the best energy savings opportunities based on the Company's current program offerings (e.g. direct installation of standard energy savings measures, prescriptive equipment replacement, and custom designed projects), with an emphasis on encouraging more comprehensive projects wherever possible. Customers will begin participation in the Multi-Family Program with a screening to identify and develop a project plan. The initial screening may include an energy assessment and installation of standard energy savings measures to help encourage program participation. The assessment will also identify additional energy savings opportunities and develop a project plan that best fits each specific customer and building.

Applications to this program will be reviewed to determine the project plan depending on the type of housing stock and ownership structure. The screening process will consider various factors to create a project plan that will deliver a high level of energy savings in the most cost-effective manner. Examples of these factors include, but are not limited to:

- Building size
- Number of units
- If the facility is being served by a central heating and/or cooling plant
- If there are individual heating and cooling units
- If there are building envelope/weatherization opportunities
- Application review with a potential virtual site inspection
- Application review with potential telephone interview with Property Management
- An on-site pre-scoping audit may be performed

Depending upon the screening results and the customer's interests, a customer's project plan could include direct installation of standard energy savings measures, incentives for prescriptive equipment replacement, custom retrofit opportunities, or a comprehensive custom designed project. The measures within the project plan will be consistent with the terms and conditions of the Company's applicable residential and/or commercial & industrial program offerings (e.g. HPwES, Efficient Products, C&I Direct Install or C&I Rebate Program). The project plan can include prescriptive measures with set energy-savings and/or custom projects with savings on a project basis. Please refer to these program descriptions for more information on these program offerings and the associated terms and conditions, including delivery methods and contractor roles.

Target Market or Segment (MFR II.a.ii)

All multi-family buildings with five or more units that are eligible to participate. The Program targets multi-family property owners, property managers, and residents, who, because of the building owner – tenant relationship, have always had difficulty investing in energy efficiency equipment. The utilities will also target outreach to economically qualified occupants and owners of multifamily buildings who are eligible for enhanced incentives. Eligibility for these enhanced incentives can be automatic based upon the type of property that has a low- or moderate-income designation (e.g. New Jersey Housing and Mortgage Financing Agency qualified, Housing Authorities) or by a physical location (e.g. census tract, environmental justice community, Urban Enterprise Zone). The program may refer prospective customers to Comfort Partners as appropriate.

Marketing Plan (MFR II.a.xiv)

The marketing strategy will focus on informing property owners, managers, associations, tenant groups, municipalities, and community organizations about the availability and benefits of the program and how to participate. Marketing activities will also target the low and moderate-income multi-family sector. Key elements of the marketing strategy may include:

- Targeted outreach through direct mailings and presentations to inform property owners, property managers, apartment associations, tenant groups, municipalities, and community organizations about the benefits of the program and participation processes
- Printed collateral highlighting the benefits and features of the program as well as the enrollment and participation processes
- Website content providing program information resources and contact information
- In-person visits by program representatives to properties with five or more units
- Energy assessments of properties may include the direct installation of standard energy savings measures to engage, educate and promote the building owners or facility managers to participate in the other program offerings targeting deeper savings

The primary market barriers that impact this program include:

- **Business/Operational Constraints:** Multi-family properties often have unique operational and time constraints that act as a barrier to implement energy efficiency projects. This barrier will be addressed by ensuring the program operates cooperatively with participants, provides program participation and technical assistance, and offers timely incentives and financing support.
- **Customer Awareness and Engagement:** Eligible participants may be unaware of energy efficiency opportunities and programs because the segment has historically been underserved. The utilities will execute targeted outreach strategies to ensure that relevant customers are aware of program opportunities and consider energy efficiency in equipment investments and long-term planning. The program will also prepare and distribute successful case studies of prior participants and their experiences and energy savings.
- **Cost Effectiveness:** Efficiency upgrades require an initial investment that is recovered by lower long-run operating costs and non-energy benefits. Multi-family projects may carry longer payback periods than traditional energy efficiency projects due to the unique needs of the segment. To address this barrier, incentives and access to financing options will be provided to the customer to reduce the initial cost. The utilities will also communicate the non-energy benefits offered by many efficiency upgrades that may not be captured in the cost/benefit analysis to further promote efficiency upgrades to customers.

Additionally, the utilities considered the following market barriers identified in the Utility Demographic and Firmographic Profile 2020 Study.[2]

---

[2] The purpose of this study was to examine the demographics and firmographics of all customers in the service territories of each of the electric and gas public utilities in New Jersey. This is to comply with P.L. 2018, c. 17, codified at N.J.S.A. 48:3-51-87 et seq., commonly known as the Clean Energy Act of 2018 ("Clean Energy Act" or "CEA"), as well as in response to the New Jersey Board of Public Utilities (NJBPU) Order Docket Nos.

- **Split Incentives:** Multi-family properties can face challenges for energy efficiency improvements since the owner generally does not pay the utility bills and may not reap the full benefit of any energy efficiency investment. To address this barrier, the utilities will market to both landlords and tenants to assure that those effected by energy costs are able to participate in the program, provide low- and no-cost measures to the tenant or the landlord, and offer comprehensive approaches for the Multi-Family Program, including technical and engineering support to design cost-effective projects.
- **Complex Buying Process:** There can be a broad range of potential energy efficiency investments and it can be challenging to identify which strategies may be the most beneficial for owners and/or tenants. To address this barrier, the program will provide customized screening and ongoing support to help find the best solution for the customer and include incentives to encourage the customer to implement the recommended solutions.

The utilities will seek to manage all barriers to program success through a commitment to applying best practices in program design, delivery, outreach, and marketing/advertising. The utilities will leverage their established customer relationships, communication channels, data, and brand in the marketplace to identify and confront market barriers on an ongoing basis.

Delivery Method, Contractor Roles and Implementation Plan (MFR II.a.v) (MFR II.a.viii) (MFR.II.c) (MFR II.a.xiii)

The Multi-Family Program will be delivered in coordination between both electric and gas utility, where applicable, and/or qualified third-party implementation contractor(s) with experience delivering similar programs. Because of the unique and varied nature of the multi-family market, program representatives will build relationships with property management companies, owners, associations, and their members to recruit participation in the Program. The Program will assist customers to coordinate scheduling of an energy assessment and direct installations and will provide program and technical support to complete program and rebate application requirements.

Delivery of energy-saving measures will be dependent on the project plan and may include direct install of standard energy savings measures, installation of prescriptive measures, or custom projects. The installation contractors will be trained on the technical and educational aspects of the energy saving devices. Contractors will leave educational materials in each unit describing the work performed and explaining the energy-saving benefits.

Existing and Proposed Incentives Ranges (MFR II.a.iii) (MFR II.a.iv)

Refer to Appendix A, Table 3 for the Summary of Proposed Incentive Ranges for this program

Customer Financing Options (MFR II.a.vi)

Refer to Appendix B for the Summary of Proposed Financing for this program.

Customer Access to Current and Historic Energy Usage Data (MFR II.a.vii)

Refer to Appendix F for a description of how RECO will provide for customers to access their energy data.

Projected Participants (MFR II.a.ix) and Energy Savings (MFR II.a.x)

Refer to Appendix C for the Summary of Participation and Energy Savings associated with this program.

QO19010040 and QO19060748 (dated October 7, 2019), which directed the utilities to complete a demographic analysis pursuant to the Clean Energy Act. The study was released on April 30, 2020 and can be found here.

Program Budget (MFR II a.xi) (MFR II.a.xii)
Refer to Appendix D for the Summary of Multi-Family Program Budget and Cost Categories.

Proposed Quality Control Standards and Remediation Policies (MFR II.b.i)
Refer to Appendix H for the Summary of Quality Control Standards and Remediation Policies for this program and remediation policy.

ENERGY SAVINGS FOR BUSINESS: Commercial & Industrial Direct Install Program (MFR II.a.i)

The Commercial and Industrial ("C&I") Direct Install Program is focused on installation of efficiency measures for small businesses, non-profit organizations, municipalities, schools and faith-based organizations ("eligible customers") that typically lack the time, knowledge, or financial resources necessary to investigate and pursue energy efficiency. The program is designed to provide eligible customers with a turnkey streamlined customer experience and easy investment decisions for the direct installation of energy efficiency projects. The program will pay a percentage of the up-front cost to install the recommended energy efficiency measures, with the participating customer contributing the balance of the project not covered by the incentive. The program will also provide a repayment option to the customer for their required contribution. The no-cost energy assessment mitigates the time constraints and knowledge barriers while the reduced overall costs and repayment options mitigate up-front cost barriers and assist participants in making decisions, which otherwise would be time-consuming and difficult to justify. The C&I Direct Install program plays an important role in the marketplace because private providers of energy efficiency services typically do not target smaller customers due to the lower overall profit for their services when compared with larger non-residential customers. For these reasons, small businesses, non-profit organizations, municipalities, schools, and faith-based organizations are often hard to reach, and the program fills an important gap by targeting, promoting, and delivering efficiency services to these customers directly.

The energy assessment will be provided to customers free of charge and will offer recommendations on energy efficiency measures to reduce energy usage and costs. Standard basic energy savings measures may also be provided or installed at no cost at the time of the energy assessment to support customer engagement, participation, and energy savings.

The program will also focus on the smallest customers within the eligible customer segment. RECO anticipates portions of the program to be directed at restaurants, small offices, convenience stores and other small independent businesses that often are left behind in less-comprehensive energy efficiency programs. Through a number of delivery mechanisms, RECO will assure that all eligible business types are able to participate in this program.

Target Market or Segment (MFR II.a.ii)

The program seeks to address the most cost-effective measures (e.g. LED lighting retrofits) but will also address all measure retrofits that would comprise a cost-effective project. Examples of end-use categories covered by the program include lighting, HVAC, controls, refrigeration, food service, motors, low-flow devices, pipe wrap and domestic hot water equipment.

The program will be divided into two tiers of eligibility, determined by the customer's individual facility peak electrical demand over the last 12 months. Tier 1 will serve the smallest of the eligible customer base, specifically focusing on customers with an average individual facility peak electrical demand of up to 100 kW. Tier 1 will also include customers up to 200 kW within an Urban Enterprise Zone, Opportunity Zone, and owned or operated by a local government, K-12 public schools. Additionally, customers with an average peak demand from 101 – 200 kW that are located within designated opportunity zones or Urban Enterprise Zones ("UEZ") may also qualify for Tier 1 status. Tier 2 will serve the larger segment of small non-residential customers, with an average individual facility peak electrical demand of 101 - 200 kW. This figure may be increased by RECO to ensure the program is properly addressing the market in RECO's service territory.

Marketing Plan (MFR II.a.xiv)

The C&I Direct Install Program will be marketed to customers through a combination of direct outreach by program staff, and/or the third-party implementation contractor, web-based engagement and customer information analytics, digital advertising, and hard-copy materials to promote awareness among trade allies and customers. Direct outreach may include visits to customer premises to distribute hard-copy program materials, inform customers about the program directly, and solicit participation. Additionally, RECO may engage community partners, including chambers of commerce and other local organizations including those comprised of underrepresented and socially or economically disadvantaged individuals. RECO will also consider the potential to utilize customer information analytics or other targeted energy education outreach to identify and target customers best suited for participation in the program. The collective marketing plan strategy is useful for enrolling eligible customers that may be interested in participating but have not heard of the program and do not have the time or resources to prioritize investigating energy efficiency opportunities or reaching out to RECO.

The primary market barriers that impact this program include:

- **Customer Awareness and Engagement:** Small businesses, non-profit organizations, schools and faith-based organizations typically have limited resources and time to consider or prioritize energy efficiency and may have efficiency needs not well aligned with traditional commercial demand side management (DSM) programs targeted at larger customers. This program is intended to confront these market barriers by providing turnkey, direct installation of efficiency measures tailored to these eligible customers at no cost, while identifying additional efficiency opportunities directly on-site, and through directly soliciting eligible customers for participation. This personalized approach builds trust and achieves results while increasing the likelihood of further participation referrals. To increase participation rates among a diverse demographic, utilities may include focused outreach efforts to reach minority- and women-owned small businesses, and start-ups by engaging with business groups and organizations that support these customers. Partner business groups might include the Chamber of Commerce, and the Small Business Administration. RECO may also explore providing outreach materials in Spanish to reach Spanish-speaking business owners.
- **Initial Cost of Efficiency Investments:** Recommended energy efficiency projects that go beyond direct-install measures will require more participant investment and commitment. This barrier will be addressed through offering incentives and a repayment option, as well as through operating a program that is flexible and easy for small business customers to utilize.
- **Landlord/Tenant Arrangements:** Split incentives between landlord/tenants with respect to who pays for energy use versus who owns the energy-using equipment presents a unique challenge because the investor in the equipment does not experience an immediate benefit. The program will employ strategies to help the landlord understand the long-term benefits of participating. This program will be marketed to both landlords and tenants to assure that those exposed to energy costs and investments are able to participate in the program. Utilities may also provide technical and outreach assistance to property owners and managers in developing and marketing green properties.

RECO will seek to manage barriers to program success through a commitment to monitoring program performance and feedback channels for assessing effective program design, delivery, outreach, and marketing/advertising, and improvement opportunities. RECO's established customer communication channels, data, and brand in the marketplace will all be leveraged to deliver best-practice programs that identify and confront market barriers on an ongoing basis. To the extent possible, RECO will cross-promote program offerings to spread awareness of the range of efficiency opportunities proposed in this plan.

Delivery Method, Contractor Roles and Implementation Plan (MFR II.a.v) (MFR II.a.viii) (MFR.II.c) (MFR II.a.xiii)

The C&I Direct Install Program interfaces with customers via either direct solicitation or upon customer request. All participants receive a site visit, including a free on-site energy assessment to identify energy efficiency retrofit opportunities. Standard basic energy savings measures may also be provided at no cost at the time of the energy assessment for eligible Tier 1 customers, to support customer engagement, participation, and energy savings. Following the energy assessment, participants are provided with a report assessing the site and recommending investments that could further improve the energy efficiency of the facility.

Based on the results of the energy assessment report, the program will offer to initially pay a percentage of the project cost to install the recommended energy efficiency measures with the participating customer (and/or landlord). The program will also provide a payment option to the customer for their portion of the project cost. RECO will provide for the installation of all work and assure it is completed on time and to specifications. This approach frees up the participant, who may not have the time or resources to dedicate to project implementation. The distinction between Tier 1 and Tier 2 eligibility criteria will ensure that eligible customers, even those that are the smallest and often overlooked, receive ample focus. The simple, turnkey solution provides eligible customers with the initial site visit, energy assessment, and installation of recommended efficiency measures at no initial cost to participants.

RECO will administer and manage the program with the support of third-party implementation contractor(s) and/or RECO staff. The third-party implementation contractor or RECO Staff will have responsibility for most delivery tasks and customer outreach on behalf of RECO. The third-party implementation contractor will work closely with RECO to optimize the program offering, including, but not limited to:

- Initial participant recruitment, energy assessment, and equipment installation
- Program data tracking
- Direct customer outreach/program delivery strategy
- Development of measure mix
- Marketing
- Promotion of emerging technology
- Customer satisfaction

The third-party implementation contractor or RECO Staff will take on the responsibility of implementing the program, directing the qualification and enrollment of participating contractors, and will work to assure that ample participating contractors are available to complete all work derived from the program. The participating contractors will perform the energy assessments and installations, working with RECO and/or the third-party implementation contractor's oversight to undertake all construction and installation work identified in the energy assessment process.

Existing and Proposed Incentives Ranges (MFR II.a.iii) (MFR II.a.iv)

Both tiers of the program will encompass many of the same benefits, including a simple, turnkey solution for eligible customers, which requires no up-front investment. The initial site visit, energy assessment, and installation of recommended energy efficiency measures are provided at no initial cost to participants. The utilities propose to provide an incentive level of up to 70-80% of the project costs, and to continue discussions to determine the appropriate level and at what level the incentive is applied to best promote the completion of comprehensive projects while maintaining overall program cost effectiveness. Additionally, the utilities plan to coordinate on the methodologies and calculations used to determine energy savings and program incentives.

For Tier 1 customers, standard basic energy savings measures may be installed at no cost during the time of the energy assessment. The program will offer to pay up to 80% of the project cost to install the recommended energy efficiency measures with the participating customer (and/or landlord) repaying the balance not covered through the incentive either in a lump sum or through an available repayment option. Customers located in an Urban Enterprise Zone, Opportunity Zone, owned or operated by a local government, or K-12 public schools. may also qualify for Tier 1 status, up to an average individual facility peak electrical demand of 200 kW.

Tier 2 will serve the larger segment of eligible customers, with an average individual facility peak electrical demand of 101 - 200 kW over the past 12 months. Incentives up to 70% of the total project cost will be offered.

Customer Financing Options (MFR II.a.vi)
The participating customer will repay the balance not covered through the incentive either in a lump sum or through a financing option. Refer to Appendix B for the Summary of Proposed Financing for this program.

Projected Participants (MFR II.a.ix) and Energy Savings (MFR II.a.x)
Refer to Appendix C for the Summary of Participation and Energy Savings associated with this program.

Program Budget (MFR II a.xi) (MFR II.a.xii)
Refer to Appendix D for the Summary of Direct Install Program Budget and Cost Categories.

Proposed Quality Control Standards and Remediation Policies (MFR II.b.i)
Refer to Appendix H for the Summary of Quality Control Standards and Remediation Policies for this program and remediation policy.

ENERGY SOLUTIONS FOR BUSINESS: C&I Rebate Program-Prescriptive and Custom Measures (MFR II.a.i)

The C&I Rebate Program will promote the installation of high-efficiency electric and/or natural gas equipment by RECO C&I customers, via the installation of prescriptive or custom measures or projects. The program provides prescriptive and custom based incentives to commercial and industrial customers to purchase and install energy efficient products. The program will continue to support and/or provide downstream approaches to ensure the market is properly supported. The program may also provide midstream or upstream incentives or buydowns and support to manufacturers, distributors, contractors, and retailers that sell select energy efficient products. The rebates will incent energy efficient lighting, appliances, heating and cooling equipment, and food service equipment, among other efficiency measures. Type and value of incentive provided will vary and will include electric and/or natural gas technologies that improve energy efficiency. Up-front rebates will be offered to reduce initial costs and some purchases may qualify for low to no-interest financing to further reduce first cost barriers. Prescriptive measures are designed to provide easy and cost-effective access to energy efficient measures through customers' preferred channels.

Prescriptive rebates are designed to:

- Provide incentives to facility owners and operators for the installation of high efficiency equipment and controls
- Promote the marketing of high efficiency measures by trade allies such as electrical contractors, mechanical contractors, and their distributors to increase market demand
- Ensure the participation process is clear and simple

Prescriptive incentives will increase adoption of energy efficient equipment by harnessing RECO's unique customer relationships to positively impact the entire sales process surrounding efficient equipment, from education and awareness with customers, engagement with trade ally contractors and equipment distributors, to financing opportunities for the high efficiency equipment.

The program also rebates custom measures that provide calculated or performance-based savings for electric and/or natural gas efficiency opportunities for commercial, industrial, and other non-residential customers that are non-standard and not captured by prescriptive rebates. Calculated or performance-based incentives are designed to reduce the customer's capital investment for qualifying energy efficient equipment, to retrofit specialized processes and applications and/or to implement qualifying high efficiency building shell or system improvements. Typical custom measures that are eligible for incentives are either less common measures or efficiency opportunities in specialized applications that may include manufacturing or industry-specific processes, or non-traditional use cases. In many cases, custom efficiency projects are more complex than prescriptive equipment replacement.

Potential participants are required to submit an application for pre-approval to confirm project eligibility and reserve funding. RECO and/or implementation contractors will develop electronic rebate application forms that will guide applicants through eligibility guidelines, program requirements, terms and conditions, and general information. In addition, RECO and/or implementation contractors will provide applications in web ready formats to ensure participants have easy access to the forms. The pre-approval process provides for the review of the customer's proposed project to confirm measure eligibility and incentive budget availability. This also supports the Company's program administration as it identifies projects that are in the pipeline. If accepted and pre-approved by RECO, a timeline is established for project completion to qualify for a rebate. The typical lead time for completing a custom project is 90 to 120 days but can be longer depending on the complexity of the project. Large projects, or subsets of projects, may be required to undergo pre-and post-inspection to validate project energy savings. Approved projects may also be eligible for low to no cost financing to further reduce first-cost barriers.

Target Market or Segment (MFR II.a.ii)

The C&I Rebate Program will be available to all commercial, industrial, and other non-residential customers located within RECO's service territory. This program is focused on promoting the sale and installation of efficient electric and/or natural gas equipment across all major end-use categories and can be easily promoted to trade allies and customers via straightforward prescriptive rebates, or more complex custom rebates. Potential technologies incentivized through prescriptive measures include energy efficient lighting, appliances, heating and cooling equipment, and food service equipment, among other efficiency measures. Customers pursuing custom incentives will generally be customers with more complex needs and non-standard efficiency opportunities, and typically include building types such as light/heavy industrial, manufacturing, data centers, and distribution centers, among others.

Marketing Plan (MFR II.a.xiv)

The C&I Rebate Program will engage with customers and trade allies at multiple levels, including broad-based energy efficiency awareness campaigns, direct outreach by program staff and representatives, web-based engagement and information, digital advertising, and hard-copy materials to promote awareness among trade allies and customers. In some cases, program staff and representatives will reach out directly to large customers. Use of appropriate types of media are anticipated to be included in the marketing plan, such as direct mail, email, print, and digital media. Engagement with trade associations (e.g. builders, architects, engineers, equipment distributors, professional and contractor associations, etc.) will also be important venues for RECO to present information about the program, raise awareness and encourage participation.

Marketing will be used to target specific customer sectors to ensure awareness in the program and enhance participation. RECO and/or implementation contractor will target various market sectors (i.e. education, medical/health care, manufacturing, retail, food service) to enhance participation and promote a cross-section of measures applicable to each market. Since prescriptive retrofits are generally one-for-one replacements, measure-specific collateral pieces will be developed for new measures. These will be delivered to sectors most likely to utilize the specific technology. Fact sheets, mailings, post cards, e-blasts, and on-location seminars will also be used to promote specific measures. Custom marketing efforts require a consistent and directed outreach to trade allies and associations, RECO and/or implementation contractors will be required to develop and implement a marketing plan to identify and target customers to connect them to appropriate measures using e-blasts, webinars, on-site seminars, and large customer publications, among other marketing and outreach initiatives. Further, in order to attract multiple measure participation, RECO and/or implementation contractor will target market to sectors, as well as to trade allies and associations such as architects, engineers and professional associations. Targeted advertisements in industry/trade publications will also be utilized to bring awareness of the opportunities and savings available through the custom offering.

The primary market barriers that impact this program include:

- **Initial Cost of Efficient Equipment:** Relative to the market baseline, efficient equipment often carries a higher upfront premium cost but a lower lifetime operating cost. Purchasers often may not fully value the lifetime operating cost advantage of efficient equipment and as a result, higher upfront cost is a barrier to purchasing efficient equipment. To address this barrier, incentives are provided to the customer to reduce the initial cost through a variety of channels including at midstream and downstream points. Access to financing for certain measures will also help address this barrier.

- **Customer Awareness and Engagement:** C&I customers may not be aware of the benefits of installing efficient equipment and/or lack the time and resources to pursue efficient equipment when replacing existing equipment. To address this barrier, RECO will educate customers on the benefits of installing efficient equipment through targeted marketing, ensure that incentives are easily accessible, and encourage market transformation and stocking of efficient equipment through midstream incentives. Through outreach efforts, RECO will seek to partner with retail and wholesale entities to promote program offerings, and also focus marketing, education, and outreach efforts on the trade ally community to ensure that trade allies are aware of available incentives and prepared to serve customers. To increase participation rates among a diverse demographic, utilities may include focused outreach efforts to reach minority- and women-owned small businesses, and start-ups by engaging with business groups and organizations that support these customers. Partner business groups might include the Chamber of Commerce, and the Small Business Administration. Utilities may also explore providing outreach materials in Spanish to reach Spanish-speaking business owners.
- **Landlord/Tenant Arrangements:** Split incentives between landlords, who own the energy-using equipment, and tenants, who pay for energy use, present a unique challenge because the investor in the equipment does not experience an immediate benefit. The program will employ strategies to help the landlord understand the long-term benefits of participating. This program will be marketed to both landlords and tenants to assure those who incur energy costs are able to participate in program. Utilities may also provide technical and outreach assistance to property owners and managers in developing and marketing green properties.
- **Sufficient Stocking and Availability of Efficient Products:** To support a robust marketplace for efficient equipment, RECO may promote midstream incentives for specific equipment types to encourage participation via incentives for distributors or retailers to stock and promote the purchase of or for directly marking down the cost of the efficient equipment at the point of sale.

RECO will seek to manage barriers to program success through a commitment to monitoring program performance and feedback channels for assessing effective program design, delivery, outreach, and marketing/advertising, and improvement opportunities. RECO's established customer communication channels, data, and brand in the marketplace will all be leveraged to deliver best-practice programs that identify and address market barriers on an ongoing basis. RECO will cross-promote programs to spread awareness of the range of efficiency opportunities proposed in this plan.

Delivery Method, Contractor Roles and Implementation Plan (MFR II.a.v) (MFR II.a.viii) (MFR.II.c) (MFR II.a.xiii)

RECO may outsource some, or all, of the implementation of this program to an implementation contractor who would be responsible for defined functions, which could include administration, marketing, application processing and documentation regarding purchased products and processing incentives and rebates. The Company will perform overall administration and oversight of the program. To maximize customer participation and streamline the customer experience, RECO will use its strong customer and marketplace relationships to support multiple implementation strategies to achieve program goals:

- **Trade Allies:** RECO and/or the implementation contractor will target trade allies (e.g. electricians, HVAC contractors, lighting retailers and distributors, building energy managers, etc.) to promote the efficiency opportunities and incentives to their clients. Preserving this downstream approach will ensure that customers and trade allies are properly supported. Trade allies will be able to leverage the program and offer customers rebates through their normal course of business. By developing relationships with trade allies, the program will develop a broad reach across the marketplace and solicit feedback to ensure incentives and measures are impacting the market as designed. Examples of targeted trade ally firms include:

    - Design, engineering, and controls firms
    - HVAC and lighting distributors, contractors, and retail providers
    - Food service retailers and service providers
    - Commercial lighting distributors and wholesalers
- **Retail:** RECO staff, the implementation contractor, and/or field representatives will work with retailers and distributors that directly target C&I customers to inform them of the participation process and available equipment incentives. RECO and/or implementation contractor will also provide support and assistance to retailers or distributors to support identification and promotion of qualifying energy efficient products. This will also include training and instruction to participating retailers and distributors about RECO application forms.
- **Midstream:** RECO and/or the implementation contractor may promote a midstream component for specific equipment types to encourage purchase of efficient equipment via directly marking down the cost of the efficient equipment at the point of sale. Midstream rebates encourage market transformation and wider availability of efficient equipment. RECO anticipates offering midstream point of sale discounts across numerous equipment types, including, but not limited to: LED lighting, HVAC, and food service equipment. Efficient products that are rebated via a midstream approach will not be eligible for rebates in any other RECO rebate program. RECO and/or implementation contractor will also provide support and assistance to distributors to support identification and promotion of qualifying energy efficient products. This will also include training and instruction to participating distributors as well as enrollment of distributors to participate in midstream program offerings
- **Digital:** The program will be marketed directly to C&I customers on RECO's website, where customers will have easy access to information regarding eligible equipment and savings opportunities, how to participate, and incentives across all efficient equipment types and end-uses.
- **Targeted Customer Outreach:** RECO staff may choose to reach out directly to large business and commercial customers to develop relationships with energy and facilities managers, operations staff, and procurement personnel. RECO staff will facilitate completion of rebate applications and serve as a direct resource to these customers, providing technical support and helping to assist customers in identifying efficiency opportunities, fostering long-term relationships. Additionally, RECO anticipates utilizing hourly usage data and software analytics to deliver energy saving insights to C&I customers that are on real-time pricing and/or hourly metered. Once AMI is installed systemwide, software analytics can be used for all C&I customers. These insights will accelerate and expand the adoption of energy efficient upgrades, optimizing EE programs, and increasing customer engagement and satisfaction. In addition, the integration of software data analytics or virtual audits, which are specifically designed to analyze individual customer facilities to determine cost and savings associated with EE improvements, will provide a customer platform that supports the utility's role as a trusted energy advisor. Software analytics will be utilized to target C&I customers and provide a detailed view of their energy usage, as well as insights and personalized EE recommendations to drive efficiency.
- **Technical Customer Assistance:** An important element of the C&I Rebate Program is the availability of technical support. RECO and/or implementation contractor will provide technical support to customers on the application of the energy efficiency measures and technologies included in this program, including supporting project identification, developing energy savings calculations, and assessing project payback economics.

Measurement & Verification ("M&V") for projects that do not have reliable information to accurately forecast energy savings may require energy monitoring before and after project installation to determine savings and incentive amounts.

Third-party implementation contractors will work closely with RECO to optimize the program's strategic direction, including, but not limited to, the following activities:

- Design incentive levels and strategies
- Assess customer satisfaction
- Measure and verify savings during on-site visits
- Monitor program data tracking
- Process rebate payments

RECO may select a qualified third-party implementation contractor (or contractors) based on, but not limited to, the following factors:

- Technical Approach
- Organizational and Management Capability
- Experience
- Cost
- The amount of business placed with minority, women, veteran, and service-disabled veteran owned businesses ("MWVBEs").

A comprehensive contractor agreement, containing information about equipment certification (such as DLC lighting, etc.), licensing, insurance requirements and more, will be developed and provided to all participating contractors.

Existing and Proposed Incentives Ranges (MFR II.a.iii) (MFR II.a.iv)
The utilities propose to provide a range of incentives depending on the measure type, subject to changes based upon customer response and market conditions over the plan period. Incentives will vary depending on factors including but not limited to the specific product, the incremental cost of the high-efficiency technology, and the product maturity in the marketplace. Refer to Appendix A, Table 1 for the Summary of Proposed Incentive Ranges for this program. In instances where incentives are not immediate, the utilities will complete consumer or contractor payments within 60 days following completion of contractor work, submission of complete and required paperwork, and completion of program requirements such as necessary field inspections, if required.

Customer Financing Options (MFR II.a.vi)
The participating customer will repay the balance not covered through the incentive either in a lump sum or through a financing option. Refer to Appendix B for the Summary of Proposed Financing for this program.

Projected Participants (MFR II.a.ix) and Energy Savings (MFR II.a.x)
Refer to Appendix C for the Summary of Participation and Energy Savings associated with this program.

Program Budget (MFR II a.xi) (MFR II.a.xii)
Refer to Appendix D for the Summary of C&I Rebate Program Budget and Cost Categories.

Proposed Quality Control Standards and Remediation Policies (MFR II.b.i)
Refer to Appendix H for the Summary of Quality Control Standards and Remediation Policies for this program and remediation policy.

PILOT Programs

CLEAN HEAT BENEFICIAL ELECTRIFICATION PROGRAM – PILOT (MFR II.a.i)

The Clean Heat Beneficial Electrification Program is designed to promote the installation of clean heat pump technology by residential, multi-family, and C&I customers by offering a range of incentives to advance the adoption of this clean and highly efficient air-source and ground-source heat pump technology for space and water heating. O&R, RECO's parent company, is implementing a similar program[3] in its New York territory and RECO will benefit from the synergy of implementing the same program across its contiguous service territories.

This program supports the 2019 New Jersey Energy Master Plan ("EMP") to reach the goals of 100% clean energy and 80% emissions reductions from 2006 levels by 2050. Specifically, this program supports three EMP key strategies: 1) to reduce energy consumption and emissions in the building sector; 2) to decarbonize and modernize New Jersey's energy grid; and 3) to expand the clean energy innovation economy. This program will begin to electrify the building sector and reduce carbon emission from fossil fuel alternatives like oil and propane.

Additionally, on page 10 of the Order Directing the Utilities to Establish Energy Efficiency and Peak Demand Reduction Programs[4], proposes that "utilities should also develop programs that, where possible, incorporate energy controls and strategic energy management, reduce peak demand, incorporate strategies to change behavior, advance strategic electrification, provide opportunity for fuel switching, utilize heat pumps, and include design elements that promote participation of all customers, regardless of income, annual usage, or other demographic characteristics." This program will address several of the above BPU strategies and will provide opportunities for fuel switching and advance strategic electrification, with energy savings measured in MMBTu.

According to the Department of Energy[5], heat pumps provide the equivalent space conditioning at as little as one quarter of the cost of operating conventional heating or cooling appliances. In addition, air-source heat pump technology has advanced so that it now offers a legitimate space heating alternative in colder regions.

Cold Climate Air-Source Heat Pumps ("ccASHPs[6]")

For many homeowners across the county, ccASHPs can be a cost-effective option for improving home comfort while delivering energy and cost savings that make their homes more affordable to live in. These newer technologies are capable of delivering heating in extremely cold regions, such as New England and the upper Midwest. The Northeast Energy Efficiency Partnerships (NEEP) identifies ccASHPs and this program will promote the installation of ccASHPs to meet our climate heating needs and provide a whole home heating solution.

This program will incentivize the purchase of ccASHPs, ground-source or geothermal heat pumps and heat pump water heaters. A custom component will be utilized for larger

---

[3] NYS Clean Heat Program Manual and Implementation Plan

[4] In the Matter of Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, issued June 10, 2020

[5] Department of Energy

[6] NEEP Cold Climate Air Source Heat Pump (ccASHP) Specification (Version 3.0) effective January 1, 2019

commercial projects not eligible under the prescriptive rebate schedule. Heat pump technology can provide customers with the following:

- Less volatile annual energy bills, especially advantageous for customers with fixed, low, or moderate incomes and service-oriented institutions like nonprofits, schools, community centers, and houses of worship.
- Greater comfort and health because of added air conditioning and improved indoor air quality delivered by emissions-free technology.
- A long-term solution to heating and cooling needs that is easier to maintain than fossil fuel alternatives.

Up-front rebates via a midstream delivery mechanism utilizing a network of trade allies will also be offered to increase stocking patterns of heat pump technology and to reduce initial costs.

The program is designed to:

- Provide incentives for heat pump technology utilized for space heating and/or water heating.
- Provide midstream incentives to contractors and/or distributors to increase adoption of energy efficient heat pump technology as an alternative to fossil fuel heating equipment.
- Ensure the participation process is clear, easy to understand and simple for the customer and contractor.

This program will increase adoption of heat pump equipment by harnessing the contractor-customer relationship to positively impact the entire sales process surrounding heat pump equipment, from education and awareness of customers, engagement with trade ally contractors and equipment distributors and retailers, and provide access to no or low cost financing.

To launch this program, RECO will utilize its third-party implementation contractor in its O&R service territory to assist with the administration, oversight, and delivery of the program. Activities will include efforts to raise awareness of the program, validating customer eligibility and processing incentives and conducting outreach to and securing partnerships with retailers, wholesalers, distributors, manufacturers and trade allies to assure all customers are able to easily purchase heat pump equipment through the program. Customer engagement and sales channels may include:

- **Midstream Rebates:** RECO will pursue a midstream rebate component to encourage the purchase of heat pump equipment. A third-party implementation contractor will work with distributors or manufacturers to assure that measures are available. Midstream rebates encourage market transformation and wider availability of heat pump equipment. Products that are rebated via a midstream approach may be passed on or discounted to the customer.
- **Trade Allies:** The implementation contractor will establish a network of trade allies to promote the program with a consistent experience to the customer where applicable. The trade ally network will consist of qualified HVAC installation contractors, designers, ground-loop drillers, and other trade service professionals who meet all applicable program requirements for performing the respective service (e.g. HVAC license, insurance requirements). Trade allies will be able to leverage the program and offer customers rebates through their normal course of business.

By developing relationships with both program and trade allies, the program will develop a broad reach across the marketplace and will solicit feedback from the marketplace to ensure incentives and measures are impacting the market as designed. Targeted program and trade allies may include:

- Heat pump distributors and manufacturers
- HVAC contractors
- General contractors and other trade service professionals

Target Market or Segment (MFR II.a.ii)
The target market for this program will be all customers served by RECO. The program is focused on promoting the sale and installation of heat pump equipment across all major residential, multi-family, and commercial end-use categories, and can be easily promoted to program allies, trade allies and customers via prescriptive or custom rebates. Technologies incentivized through this program include air source heat pumps (mini-split or central), ground source heat pumps and desuperheaters, and heat pump water heaters.

The utilities may offer enhanced incentives for Low-to-Moderate income (LMI) customers (up to 400% of federal poverty level) for certain products to assure that the program reaches all customer types. Eligibility for these enhanced incentives can be determined based on screening an individual customer however the utilities will also explore implementing automatic eligibility for enhanced incentives based upon a physical location (e.g. census tract, environmental justice community, Urban Enterprise Zone) to encourage more activity in LMI communities.

Marketing Plan (MFR II.a.xiv)
RECO and/or the third-party implementation contractor will implement both multi-pronged direct and indirect marketing campaigns to promote this program. Customers will be exposed to broad-based energy efficiency awareness campaigns, web-based engagement and information, digital advertising, social media and hard-copy materials to promote awareness, as well as tie-ins with other programs. Distributors, manufacturers, and trade allies will be contacted to develop networks and promote involvement in the program where applicable. RECO will also look to leverage the behavior program for ‘warm leads’ into the program through both the home energy reports and online audit tool.

Targeting and promotion within this program will be enabled through intelligence gained through other programs or offerings, primarily behavioral HERs, HPwES, and the Efficient Products program. RECO will explore opportunities to provide customized information to customers with prioritized action items, to maximize availability and uptake.

The market development effort includes support for training and qualification of contractors, processes to assure quality installations, and marketing and education to help customers understand and select among options and to operate systems optimally. A combination of strategies will be used to train and support distributors and other program allies, including media advertising, outreach community forums, events, and direct outreach to customers. Marketing activities may include:

- Point of purchase displays and materials, joint advertising, coupons, and special “instant sales events”
- Public relations materials
- Brochures that describe the benefits and features of the program including application forms and processes. The brochures will be available for various public awareness events (community events, presentations, seminars etc.)

- Bill inserts, bill messages, email, Facebook, Twitter and other social media platforms, pop-up stores.
- Company website content providing program information resources, contact information, online application forms, online retail store and links to other relevant service and information resources
- Customer representatives trained to promote the program to their customers
- Presence at conferences and public events used to increase general awareness of the program and distribute program promotional materials

The primary market barriers that impact this program include:

- **Initial Cost of Efficient Equipment:** Relative to the market baseline, efficient equipment often carries a higher upfront cost but a lower lifetime operating cost. Customers often may not fully value the lifetime operating cost advantage of efficient equipment and, as a result, higher upfront cost is a barrier to purchasing efficient equipment. To address this barrier, incentives are provided to the customer to reduce the initial cost. Access to financing will also help mitigate the up-front cost barrier.
- **Customer Awareness and Engagement:** Customers may not be aware of the benefits of installing heat pump equipment and realize the technology as a whole home or building heat solution and lack the time and resources to pursue efficient equipment when replacing existing equipment. To address this barrier, RECO and its implementation contractor will educate customers on the benefits of installing efficient equipment through targeted marketing, ensure that incentives are easily accessible, and encourage market transformation and stocking of efficient equipment through midstream incentives. Through outreach efforts, RECO will focus marketing, education, and outreach efforts on the trade ally community to ensure that trade allies are aware of available incentives and prepared to serve customers.
- **Landlord/Tenant Arrangements:** Split incentives between landlord/tenants with respect to who pays for energy use vs. who owns the energy-using equipment challenge investment decisions. To address this barrier, the program will be marketed to both landlords and tenants to assure that those exposed to energy costs are able to participate in the program.
- **Sufficient Stocking and Availability of Efficient Products:** RECO will look for opportunities to develop and promote a midstream component for specific equipment to encourage high levels of participation via incenting midstream market actors and/or directly discounting the cost of the efficient equipment at the point of sale.

RECO will seek to manage all barriers to program success through a commitment to applying best practices in program design, delivery, outreach, and marketing/advertising. Established customer communication channels, data, and brand in the marketplace will all be leveraged to deliver best-practice programs that identify and confront market barriers on an ongoing basis. To the extent possible, RECO will cross-promote programs to spread awareness of the range of efficiency opportunities proposed in this plan.

Delivery Method, Contractor Roles and Implementation Plan (MFR II.a.v) (MFR II.a.viii) (MFR.II.c) (MFR II.a.xiii)

A third-party implementation contractor will be responsible for identifying and engaging contractors and distributors dealing in heat pump equipment to on-board them with the program vision, eligible products, rebates, and ways to participate. Additionally, the third-party implementation contractor will engage trade allies, including local HVAC and other contractors to educate them on program benefits and build a trade ally network which will reliably install heat pump equipment for participating customers. The third-party implementation contractor will also monitor participation to assess the effectiveness of outreach efforts, incentive levels, delivery methods, and both program ally and trade ally availability to provide suggestions to assure that the program is continually providing customers with their needs.

To select qualified third-party implementation contractors to complement the existing trade ally network from its O&R program, RECO will prioritize criteria including but not limited to:

- Experience delivering similar programs or initiatives
- Resources and marketing strength
- The amount of business placed with minority, women, veteran and service-disabled veteran owned businesses ("MWVBEs").
- By allowing participants to select a trade ally they are comfortable with for select products, the program reduces barriers to entry related to knowledge of energy efficiency, confidence in assessments, and measure installation. RECO will perform customer satisfaction and other quality assurance and quality control activities to monitor, ensure program delivery and verify quality standards are met.

Existing and Proposed Incentives Ranges (MFR II.a.iii) (MFR II.a.iv)
RECO proposes to provide a range of incentives depending on the measure type, subject to changes based upon customer response and marketplace changes over the plan period. Incentives will vary depending on the specific product, the incremental cost of the high-efficiency technology, and the product maturity in the marketplace. Refer to Appendix A, Table 4 for the Summary of Proposed Incentive Ranges for this program.

Incentives will be available in several ways and are adapted to the retail partner needs and market response. Strategies may include:

- Mail-in applications available from the retailer and the program website or directly from contractors
- Online rebate forms
- Midstream incentives to distributors or manufacturers to encourage them to stock and promote heat pumps or to provide product incentives at time of purchase

Incentives may change based on market prices, as well as manufacturer and distributor co-funding. Other incentive alternatives may be used as the market evolves and new and innovative customer, program ally and trade ally engagement opportunities become apparent.

Customer Financing Options (MFR II.a.vi)
Refer to Appendix B for the Summary of Proposed Financing for this program.

Customer Access to Current and Historic Energy Usage Data (MFR II.a.vii)
Refer to Appendix F for a description of how RECO will provide for customers to access their energy data.

Projected Participants (MFR II.a.ix) and Energy Savings (MFR II.a.x)
New York State Electric Utilities and the Department of Public Service Staff recently revised the New York Standard Approach for Estimating Energy Savings from Energy Efficiency Programs[7], or the NYS

[7] New York Standard Approach for Estimating Energy Savings from Energy Efficiency Programs – Residential, Multi-Family, and Commercial/Industrial Measures, Version 8, Issue Date – July 31, 2020

Technical Resource Manual, to include the overall annual and lifetime fuel energy savings of heat pumps as a strategic beneficial electrification measure. RECO has used the NY TRM to estimate the cost-effectiveness and is proposing to use the NY TRM when calculating energy savings. Refer to Appendix C for the Summary of Participation and Energy Savings associated with this program.

Program Budget (MFR II a.xi) (MFR II.a.xii)
Refer to Appendix D for the Summary of Clean Heat Program Budget and Cost Categories.

Proposed Quality Control Standards and Remediation Policies (MFR II.b.i)
Refer to Appendix H for the Summary of Quality Control Standards and Remediation Policies for this program and remediation policy.

PEAK DEMAND REDUCTION PROGRAM - PILOT (MFR II.a.i)

RECO will offer a peak demand response ("DR") pilot, emulating the existing programs that operate in the Company's New York service territory. The pilot will include a Bring Your Own Thermostat ("BYOT") program for residential and small commercial customers that are eligible to participate in the Company's C&I Direct Install Program, a behavioral DR component for residential customers, and a Commercial System Relief Program ("CSRP") option for commercial customers. The BYOT program will remotely control central heat pump and central air conditioning ("AC") equipment in residential customers' homes and small businesses during peak shaving or critical contingency events. The behavioral DR program will educate and engage residential customers, utilizing data analytics to provide personalized usage and demand history to establish an additional peak shaving resource. CSRP will serve as a peak shaving program that can be called on a day-ahead basis when the day-ahead forecast load approaches the Company's forecasted summer electric system peak.

These programs will provide incentives for reducing demand when called upon and will be used in conjunction with energy efficiency ("EE") programs to provide a holistic approach to customer engagement and program offerings. The BYOT program will leverage the Company's online marketplace and will enable combining rebates on smart thermostats from EE programs, resulting in reduced costs for the customer and additional benefits for both the customer and utility. Similarly, the behavioral DR program provides a no-cost opportunity for customers seeking to utilize billing and usage data and an educational and cost-saving resource. RECO will utilize CSRP to enhance the suite of available programs to commercial customers, seeking to pair DR with EE when possible and providing commercial customers with another revenue stream, and the utility with demand response resources. CSRP participants will have the opportunity to enroll directly, or through an aggregator/third-party energy supplier as part of an aggregation network.

The program is designed to:

- Provide incentives for products and mechanisms that reduce energy use during peak times and facilitate the creation of holistic EE and DR programs that can be seamlessly paired together.
- Encourage residential and commercial customers to actively engage with their energy usage, providing opportunities for bill-savings and the creation of additional revenue streams.
- Provide a marketing mechanism for retailer and aggregators/third-party energy suppliers to promote demand response opportunities and/or products to end users.
- Ensure the participation process is clear, easy to understand and simple for the customer and aggregator/third-party energy supplier.
- Provide an additional opportunity for the online marketplace, which will streamline the customer journey, pair EE and DR rebates, and reduce up-front costs for smart thermostats.
- Recognize unique barriers that low- and moderate-income customers face and employ strategies to address those barriers, including no cost measures and/or enhanced incentives where appropriate, helping to increase comfort and reduce energy burden.

The utilities will use their brand and customer outreach infrastructure to increase the availability, awareness, and customer uptake of demand response-enabled products and opportunities. Access to financing will be available in accordance with Appendix B, Table 4.

RECO staff and/or a third-party implementation contractor(s) will assist with the administration, oversight, and delivery of the program. RECO will explore the selection of a Demand Response Management System ("DRMS") or Distributed Energy Resources Management System ("DERMS"), enabling the Company to manage residential and commercial resources, schedule and call demand response events, analyze performance data, tailor program offerings and process payments, providing a streamlined, turnkey software platform for program management as the program matures.

- **Post Purchase (Downstream) BYOT Rebates:** Rebates will be made available to customers after they have made their purchase. Applications will be available online to submit electronically. See Appendix A, Table 5.
- **Online Marketplace BYOT Rebates:** Eligible smart-thermostats will be available for purchase on the online marketplace, and the platform may be expanded to include additional DR-capable devices, such as EV chargers, battery storage systems, etc. The Company will explore the viability of implementing instant rebates and auto-enrollment opportunities, which would enable a streamlined purchasing and enrollment process, resulting in an easy and intuitive customer experience. Customers will also be able to purchase additional energy efficient appliances and bundle them, which may make purchases eligible for no-to-low interest financing options. See Appendix A, Table 5.
- **Behavioral Messaging:** Behavioral peak demand messaging engages customers with timely, personalized communications that motivate them to reduce energy demand during the most critical hours of the year. Behavioral peak demand programs are designed to deliver behavioral prompts and tools to engage customers to reduce consumption during the limited duration of the system peak.
- **CSRP Rebates:** RECO will pay commercial customers or third-party aggregators/energy service providers a monthly reservation payment from May – September, which will serve as the "Capability Period", and any applicable performance payments. Reservation payments will be calculated based on load reduction pledge, performance factor, and a fixed $/kW calculation. Performance payments will be calculated on actual load reduction during an event and a fixed $/kWh calculation. See Appendix A, Table 5.
- **Trade Allies:** RECO will establish and leverage a network of trade allies to install thermostats at a fixed rate for customers that are unable to do so themselves.

By developing relationships with both program and trade allies, the program will develop a broad reach across the marketplace and solicit feedback from the marketplace to ensure incentives are impacting the market as designed.

Target Market or Segment (MFR II.a.ii)
The target market for this program will be all electric customers served by RECO. The residential component is focused on promoting the sale and installation of program eligible smart thermostats that control a central heat pump or central AC unit and are connected to WiFi, along with educating customers on behavioral adjustments that could result in bill savings. The commercial component is primarily focused on energy users that can shed at least 50 kW, though smaller commercial customers can be aggregated into a network so long as the network exceeds 50 kW in total pledges. These commercial customers will provide load relief through a variety of strategies, including shifting operation processes to off-peak times, curtailing usage, or utilizing to localized on-site generation.

The utilities may offer enhanced incentives for Low-to-Moderate income (LMI) customers (up to 400% of federal poverty level) for certain products to assure that the program reaches all customer types. Eligibility for these enhanced incentives can be determined based on screening an individual customer however the utilities will also explore implementing automatic eligibility for enhanced incentives based upon a physical location (e.g. census tract, environmental justice community, Urban Enterprise Zone) to encourage more activity in LMI communities.

Marketing Plan (MFR II.a.xiv)

The utilities will implement both multi-pronged direct and indirect marketing campaigns to promote this program. Residential demand response offerings will be marketed to customers both independently and in conjunction with broad-based energy efficiency awareness campaigns, web-based engagement and information, digital advertising, social media, and hard-copy materials to promote awareness. Retailers and trade allies will be contacted directly and through trade associations to develop networks to promote eligible product availability, point-of-sale rebates, and installation services. The utilities will also look to leverage the behavioral EE initiative for 'warm leads' into the program through both the home energy reports and online audit tool. RECO staff will engage directly with commercial customers and aggregators/third-party energy service providers. The Company will leverage existing relationships and relationships developed through promoting C&I programs to promote CSRP.

Targeting and promotion within this program will be enabled through intelligence gained directly though DR marketing and through other EE offerings, including behavioral HERs, HPwES, activity in the Residential Efficient Products program, marketplace engagement, and commercial utilization of C&I programs. The utilities will explore opportunities to provide customized information to customers with prioritized action items, to maximize availability and uptake.

The primary market barriers that impact this program include:

- **Lack of Familiarity with Demand Response Programs:** Currently, the Office of Clean Energy does not offer demand response initiatives of incentives for either residential or commercial customers. Because of this, educating the customer base will be a key requirement in developing the DR portfolio. Furthermore, information regarding eligibility requirements must be conveyed in a simple, easy to understand manner to help facilitate a positive customer experience. (e.g., BYOT customers must have an eligible smart thermostat that controls a central heat pump or central AC unit, not just heat). The benefits and reasoning for offering DR programs also must be conveyed in an understandable manner, as customers are not as familiar with the concept of reducing peak demand.
- **Customer Awareness and Engagement:** Residential customers may not be aware of the benefits of installing efficient, demand response compatible thermostats and/or lack the time and resources to pursue and install smart thermostats. To address this barrier, the utilities will educate customers on the benefits of smart thermostats through targeted marketing, ensuring that incentives are easily accessible. Through outreach efforts, RECO will seek to partner with the trade ally community to ensure that customers that do not have the ability to install a smart thermostat themselves will have access to resources than can assist in the installation process. Behavioral peak demand messaging engages customers with timely, personalized communications to motivate them to reduce energy demand during the most critical hours of the year.
- **Metering Infrastructure:** Commercial customers will need interval metering, either through legacy interval meters or through AMI. The Company will continue its AMI deployment efforts to ensure commercial customers that wish to participate either have the necessary metering infrastructure or will be able to have it installed in a timely manner. Additionally, the Company will be able to assist customers with holistic energy usage strategies by utilizing interval data, providing a value-added service.

The utilities will seek to manage barriers to program success through a commitment to applying best practices in program design, delivery, outreach, and marketing/advertising. The utilities established customer communication channels, data, and brand in the marketplace will all be leveraged to deliver best-practice programs that identify and confront market barriers on an ongoing basis. To the extent possible, the utilities will cross-promote programs to spread awareness of the range of demand response opportunities proposed in this plan.

Delivery Method, Contractor Roles and Implementation Plan (MFR II.a.v) (MFR II.a.viii) (MFR.II.c) (MFR II.a.xiii)

RECO will seek to procure a DRMS or DERMS platform, enabling the Company to manage residential and commercial resources, schedule and call demand response events, analyze performance data, tailor program offerings and process payments, providing a streamlined, turnkey software platform for program management. Additionally, the company will market the program to both residential and commercial customers, both independently and in conjunction with EE program offerings, seeking to pair the EE and DR whenever possible. The Company will utilize customer, provide tailored Home Energy Reports, and assist commercial customers with forming comprehensive energy usage strategies. Eligible thermostats will be available in local retail stores, along with the utility's online marketplace, and the Company will pursue offering point-of-sales rebates, instant-rebates, and auto-enrollment mechanisms to simplify and streamline the customer experience. Additionally, RECO will establish a trade ally network which will provide installation services for smart thermostats for customers that are unable to install the devices themselves, reducing this barrier. RECO staff will also directly engage with commercial customers and aggregators/third-party energy suppliers to promote the program and help convey program benefits and potential revenue streams.

To select qualified installation contractors, the utilities will prioritize criteria including but not limited to:

- Experience delivering similar programs or initiatives
- Resources and marketing strength
- Cost
- The amount of business placed with minority, women, veteran and service-disabled veteran owned businesses ("MWVBEs").
- By allowing participants to select a trade ally they are comfortable with for select products, the program reduces barriers to entry related to knowledge of energy efficiency, confidence in assessments, and measure installation. The utilities will perform customer satisfaction andother quality assurance and quality control activities to monitor, ensure program and verify quality standards are met.

Existing and Proposed Incentives Ranges (MFR II.a.iii) (MFR II.a.iv)

The utilities propose to provide a range of incentives depending on the measure type, subject to changes based upon customer response and marketplace changes over the plan period. Incentives will vary depending on the specific product, the incremental cost of the high-efficiency technology, and the product maturity in the marketplace. Refer to Appendix A, Table 5 for the Summary of Proposed Incentive Ranges for this program.

Customer Financing Options (MFR II.a.vi)

Refer to Appendix B for the Summary of Proposed Financing for this program.

Customer Access to Current and Historic Energy Usage Data (MFR II.a.vii)

Refer to Appendix F for a description of how RECO will provide for customers to access their energy data.

Projected Participants (MFR II.a.ix) and Energy Savings (MFR II.a.x)

Refer to Appendix C for the Summary of Participation and Energy Savings associated with this program.

Program Budget (MFR II a.xi) (MFR II.a.xii)
Refer to Appendix D for the Summary of Efficient Product Program Budget and Cost Categories.
Proposed Quality Control Standards and Remediation Policies (MFR II.b.i)
Refer to Appendix H for the Summary of Quality Control Standards and Remediation Policies for this program and remediation policy.

Reporting Plan (MFR VIII)

RECO will provide quarterly reports, no later than 60 days following the end of each quarter, in a user-friendly, public report, with accompanying spreadsheet(s), that include an overview of program performance, a narrative about customer participation and incentives paid, and results on the following program-level parameters compared to program projections and goals:

- Energy savings: gross and net savings
- Number of program participants
    - total, low-income, moderate-income, and small commercial
- Program expenditures

RECO will provide annual progress reports, no later than 75 days following the end of each program year, in a user-friendly, public report, with accompanying spreadsheet(s), that includes the same program-level data and accompanying progress/performance narratives as those that are included in the quarterly reports. The annual report will show overall progress and performance of programs that are seasonal or cyclical in nature. In addition, the annual report shall include the utility program administrator's initial and final benefit-cost test results for the programs and portfolio (as defined in Section V), assessment of the portfolio's compliance with the targets established pursuant to the QPIs (as defined in Section VII), and any proposed changes or additions for the next year or cycle.

RECO will provide triennial reports, no later than 90 days following the end of the third program year, that take the place of the annual report for that year. This report will be identical to the annual report but will also review the portfolio's data and assess the portfolio's success over the three-year program cycle.

RECO will provide evaluation studies, no later than 365 days following the end of the third program year, including a process and impact evaluations pursuant to requirements issued by the Board.

Overview of Utility Energy Efficiency Program Evaluation, Measurement and Verification Plan (MFR II.b.v., VI.a)

The utilities recognize the importance of incorporating Evaluation, Measurement and Verification ("EM&V") into the energy-efficiency programs. EM&V can help assess whether program objectives are being achieved, document energy and non-energy benefits and inform future program development. This overview will address common definitions of the types of evaluations and primary evaluation objectives, the philosophy of monitoring and improving program performance, and EM&V budget considerations. Proposed budgets for evaluation are reflected on a program-by-program basis in Appendix D.

Further, the utilities are not including a detailed Evaluation Plan for the Core Programs as part of this filing because of the clear intention of the June 10th Board Order for the evaluation plans to be developed in collaboration with the soon to be formed EM&V Working Group. All of the utilities are interested in being active participants in this EM&V Work Group to share both program experiences and understand the interests and concerns of the other stakeholders. The utilities anticipate that this new EM&V workgroup will provide significant input that will shape the slate of evaluation activities for this first triennial program cycle. Further, we expect that there will be a robust discussion of which types of evaluations make the most sense in the early stages of this transition. Accordingly, the utilities did not want to prejudge the outcome of the EM&V work group efforts with our own recommendations, but we have included sufficient funding to support the anticipated evaluation work within our filing.

Common definitions and objectives

The State and Local Energy Efficiency Action Network ("SEE Action") offers resources, discussion forums, and technical assistance to state and local policymakers as they seek to advance energy efficiency. Their Energy Efficiency Program Impact Evaluation Guide from December 2012 identified three primary objectives for evaluations.

- **Document the benefits** (i.e., impacts) of a program and determine whether the subject program (or portfolio of programs) met its goals
- **Identify ways to improve current and future programs** through determining why program-induced impacts occurred
- **Support energy demand forecasting and resource planning** by understanding the historical and future resource contributions of energy efficiency as compared to other energy resources.

That same guide provides the following standard categories of evaluations:

- **Impact evaluations:** assessments that determine and document the direct and indirect benefits of an energy efficiency program. Impact evaluation involves real-time and/or retrospective assessments of the performance and implementation of an efficiency program or portfolio of programs. Program benefits, or impacts, can include energy and demand savings and non-energy benefits (sometimes called co-benefits, with examples being avoided emissions, and water savings). Impact evaluations can also include cost-effectiveness analyses aimed at identifying relative program costs and benefits of energy-efficiency as compared to other energy resources, including both demand- and supply-side options.
- **Process evaluations:** formative, systematic assessments of an energy-efficiency program from both a customer and program administrator viewpoint. They document program operations and identify and recommend improvements that are likely to increase the

program's efficiency or effectiveness for acquiring energy-efficiency resources and improve the customer experience with the program.

- **Market evaluations:** assessments of structure or functioning of a market, the behavior of market participants, and/or market changes that result from one or more program efforts. Market evaluation studies may include estimates of the current market role of energy-efficiency (market baselines), as well as the potential role of efficiency in a local, state, regional, or national market (potential studies). Market evaluation studies indicate how the overall supply chain and market for energy-efficiency products works and how they have been affected by a program(s). These evaluations can also include assessments of other societal, customer, or utility benefits of Energy Efficiency programs, such as the economic and job creation impacts of the programs, health benefits to society, or T&D benefits to utilities. And finally, these studies can also be used to inform changes to the portfolio of efficiency measures to be offered to customers, or the savings achieved by the measures.

Monitoring and Improving Program and Portfolio Performance

There is a feedback loop among program design and implementation, impact evaluation, and process evaluation. Program design and implementation, and evaluation are elements in a cyclical feedback process. Initial program design is informed by prior baseline and market potential studies. Ongoing impact evaluation quantifies whether a program is meeting its goals and may raise questions related to program processes and design. Process evaluation tells the story behind how the impact was achieved and points the way toward improving program impacts by providing insight into program operations. Thus, the three elements work together to create a better, more effective program.

Budget Considerations for EM&V work

As noted, proposed budgets for evaluation are reflected in Appendix D. These budgets were established with consideration of the industry standard of reserving 3% to 5% of budget for this type of work[8], excluding the cost of financing and any anticipated costs associated with a Statewide Evaluator.

[8] https://www.aceee.org/toolkit/2020/02/evaluation-measurement-verification

Overview of Workforce Development Provisions (MFR II.b.ii.)

The utilities recognize the importance of developing and supporting strong Workforce Development Programs. There needs to be a strong pool of qualified candidates ready for companies to hire to meet the increased demand for the energy efficiency programs and projects as the utilities implement programs to strive to meet the new energy savings targets required by the Clean Energy Act. This overview will address thoughts on training needs and career paths, trade ally needs, and contracting provisions. However, the utilities are not including a detailed Workforce Development Plan for the Core Programs as part of this filing because of the clear direction in the June 10th Board Order for the workforce development and job training partnerships and pipelines to be developed in collaboration with the State and the Workforce Development Working Group and Equity Working Group.

RECO is interested in being an active participant in the Workforce Development Working Group to share anticipated program hiring needs and understand the interests, feedback and concerns of the other stakeholders. The utilities anticipate that this new work group will provide significant input that will shape the recommended slate of programs and policies to develop a robust pipeline of workers able to meet the needs of a growing energy efficiency industry in New Jersey and to ensure that local, underrepresented, and disadvantaged workers are included in those opportunities.

Training Needs and Career Paths

In order for the utilities to reach the aggressive energy efficiency goals established by the Clean Energy Act, New Jersey will need to significantly increase the number of trained professionals and skilled trade persons who are proficient in meeting the needs of residential, commercial and multi-family projects, such as:

- Auditors
- HVAC technicians
- Plumbers
- Electricians
- Seal-up and insulation contractors
- Engineers
- Analysts (energy modeling and evaluation, customer service, financial tracking, cost benefit analysis, demographic analysis)
- Program staff with a strong understanding of the approved energy efficiency programs and supporting administrative staff
- Outreach Specialists

We recognize that these positions require a broad range of technical training and educational experience and that it is in our interest to partner with New Jersey based vocational institutions, community colleges, universities, community-based organizations, and non-profits. We anticipate that most of these entities will have some level of representation with either the Workforce Development Working Group or the Equity Working Group and look forward to hearing their input. We expect the discussion within those working groups will include insights from successful models in other states and other industries as well as efforts already underway in New Jersey. Taking into account recommendations from those groups and funding from either the State or what the utilities are reserving within these filings, we hope to start to launch programs in Spring of 2021.

Trade Ally Needs

While ensuring there is trained staff available is a critical path, the utilities also recognize there must be a pool of employers interested in hiring these individuals. While the utilities will be hiring some individuals directly and will see strong interest from implementers and trade allies under direct contracts with the utilities, we recognize that we must also engage the open market to understand the needs of contractors and other firms. Organizations like the New Jersey Air Conditioning Contractors Association (NJACCA), the New Jersey Association of Plumbing, Heating, and Cooling Contractors (NJPHCC) and the New Jersey Association of Energy Engineers (NJAEE) provide industry leadership and guidance to energy businesses, and should be included in the Working Group to guide policies and program designs that will meet the needs of existing and new contractors.

With the Equity lens in mind, we expect the Working Groups to also explore paths that can help Women and Minority Owned Businesses grow and thrive in the Clean Energy Economy. The potential for coaching or incubator programs could ensure that underrepresented individuals have a greater chance to share in management and ownership opportunities.

Contracting Provisions

The utilities will be following internal procurement protocols for the services that will be secured to implement our programs. We are all willing to include the amount of business placed with minority, women, veteran and service, disabled veteran owned businesses ("MWVBEs") as part of our rating criteria when evaluating contract proposals.

Budget Considerations for Workforce Development Programs

Proposed budgets for Workforce Development Programs are estimated at $50,000 annually for RECO. These budgets were established to ensure that there is adequate funding to launch and maintain programs during this initial triennial period. In the event that the State identifies adequate funding from other sources to support these types of programs, the utilities may be able to reduce their planned expenditures.

EE as a Resource Potential

The Company provided initial estimates of the PJM Summer MW EE potential for each PJM delivery year as shown in Appendix E. These estimates were developed from the MWh savings modeled in the EE Plan, with the following additional assumptions and modifications.

- RECO identified and removed energy savings of all measures not eligible for PJM including:
    - online audits
    - appliance recycling
    - building lighting controls and occupancy sensors
    - smart thermostats, energy management systems or smart homes
    - behavioral programs
    - educational programs
- RECO assumes utilities retain all Utility EE program Capacity Rights to support their offered EE resources and to ensure no double counting of EE resources by third parties
- RECO will categorize all PJM eligible measures by PJM Program name
- RECO will segregate EE Plan MWh estimates provided for NJ fiscal year (July-June) into the applicable PJM delivery year (June-May)
- RECO will assign an initial savings load shape to each PJM eligible EE measure
- RECO will estimate the potential KW savings values for each measure for the PJM defined Summer and Winter periods using the appropriate load shape curve values including estimates for HVAC interactive factors and fuel type
- RECO included T & D line losses to adjust retail kW values to wholesale kW values

The Capacity Performance potential kW will be the lesser of the Summer or Winter kW values by installation period.

EE Offer Determination

The Board Order requires participation of EE Resources beginning with PY2 in the 2024/25 Base Residual Auction ("BRA"). All EE sell offer values and buy bids shall remain confidential as they are considered market sensitive information; however, they can be provided to BPU Staff via confidential submission and after the applicable auction results are available.

The Company proposes the following process to further evaluate the potential values provided in Appendix E to facilitate participation in the PJM Interconnection, L.L.C. ("PJM") Capacity Auctions. Adjustment of the PJM kW estimates for any Point of Sales (POS), Mid-Stream, and Up-Stream Programs. Measures from these programs require additional PJM EM&V and annual persistence studies to ensure offered EE measures are initially installed in the RECO load zone and remain in service during each applicable delivery year.

- The Initial EE Plan values are based on many assumptions including adoption/installation rates, more generic or composite measure savings curve shapes, initial incentives or rebate levels, line losses and current measure baselines. Adjustments to each must be considered for EE offers and subsequent true up of positions.
- Adjustments to recognize that EE resources have a limited offer duration of four years with additional installation period limitations.

EE Offers need to consider Capacity Market rule changes like the pending PJM Minimum Offer Price Rules ("MOPR") and Board's finalization of the Resource Adequacy activities. MOPR rules may necessitate the need for more aggressive BRA EE offers to ensure resources with significant floor prices clear vs. not clear an Incremental Auction or if the Board authorizes the use of an FRR Alternative Auction for the EDCs, PJM Capacity Market EE Offers would not be applicable.

EE Offers are made in Installed Capacity ("ICAP") values but clear in Unforced Capacity ("UCAP") values based on PJM's Planning Parameters for each specific auction. The UCAP values that clear an auction will remain the obligation for the delivery year regardless of subsequent Incremental Auction parameter changes. True ups may be needed during incremental auctions or at a minimum the Third Incremental Auction when parameters become final, to either purchase any shortfall resources or possibly sell any excess resources.

APPENDIX A - Existing and Proposed Incentives Ranges (MFR II.a.iii) (MFR II.a.iv)

Table 1: Commercial and Industrial Incentives

Commercial and Industrial Incentives			
Measure[1]	**Paid**	**Rebate Strategy[2]**	**NJCEP Existing Rebate Strategy**
Lighting (Retrofit & New Construction)			
LED TROFFER LUMINAIRES			
New LED linear recessed troffer/panel for 2x2, 1x4 and 2x4 luminaires	Per Fixture	$100	$15 to $25
LED FLAT PANEL LUMINAIRES			
New LED flat panel for 2x2, 1x4 and 2x4 luminaires	Per Panel	$50	
LED LINEAR AMBIENT/STAIRWELL LUMINAIRES			
New LED linear ambient luminaire	Per Foot	$30	$5 to $7.50
New LED stairwell luminaire	Per Fixture	$100	$45
LED INTERIOR DIRECTIONAL LUMINAIRES			
New LED wall wash luminaire	Per Foot	$30	$55 per fixture
New LED track/mono-point luminaire	Per Head	$40	$30
LED DISPLAY CASE LUMINAIRES			
New LED display case luminaire, including refrigerator/freezer display	Per Fixture	$50	$15 to $25
LED HIGH/LOW BAY LUMINAIRES			
New LED high/low bay luminaire	Per Fixture	$600	$50 to $150
LED EXTERIOR LUMINAIRES			
New LED luminaire - wall packs, flood lights, canopy, landscape	Per Fixture	$600	$50 to $100
LED RETROFIT KITS			
LED linear retrofit kit for 2x2, 1x4 and 2x4 fixtures	Per Fixture	$45	$15 to $25
LED integrated retrofit kit for 2x2, 1x4 and 2x4 fixtures	Per Fixture	$120	$15 to $25
LED integrated flat panel retrofit kit for 2x2, 1x4 and 2x4 fixtures	Per Panel Kit	$40	$15 to $25
LED retrofit kit for linear ambient luminaire	Per Foot	$15	$15 to $40
LED retrofit kit for high/low bay luminaires	Per Fixture	$100	-
LED retrofit kit for exterior luminaire	Per Fixture	$100	-
LED ENERGY STAR FIXTURES			
New LED ENERGY STAR LED fixture - recessed downlight, specialty, cove, under cabinet, vent fan, ceiling mount, etc.	Per Fixture	$100	$5 to $15

LED REPLACEMENT LAMPS			
LED linear replacement lamp with new LED driver for wall pack, flood light, canopy, recessed fixture.	Per Lamp	$80	$50 to $150
LED mogul-screw base replacement for HID lamps and new external driver	Per Lamp	$100	$50 to $150
LED SIGN LIGHTING			
Exterior/Dusk-to-Dawn, Interior and 24-hour application	Per Watt Reduced	$2	-
OTHER LIGHTING			
Exit Signs	Per Unit	$23	-
Linear Fluorescent HE T8	Per Fixture	$15	-
Street/Roadway and Area Lighting	Per Fixture	$500	$100 to $150
Lighting Controls			
NETWORKED LIGHTING CONTROLS			
Networked lighting control system controlling efficient luminaires	Per Watt Controlled	$0.60	-
Networked lighting control - fixture level control	Per Fixture	$60	-
DUAL DAYLIGHT/OCCUPANCY CONTROLS			
Dual daylight & occupancy sensor (DOS)	Per Control	$100	-
DAYLIGHT CONTROLS			
Daylight continuous dimming control	Per Control	$100	$45
OCCUPANCY/VACANCY CONTROLS			
Vacancy or Occupancy control	Per Control	$100	$20
Unitary HVAC			
AIR CONDITIONERS & HEAT PUMPS			
Air Conditioning (AC) only - all sizes	Per Ton	$250	$72 to $105
Heat Pumps - Air Source and Water Source - all sizes	Per Ton	$250	$40 to $100
WATER-COOLED & EVAPORATIVE COOLING AIR CONDITIONERS			
<5.4 to <11.25 tons	Per Ton	$250	-
>11.25 to > 63.3 tons	Per Ton	$250	-
GEOTHERMAL HEAT PUMPS			
Geothermal Heat Pumps – (Ground Source/Ground Water Source) Tier I or Tier II	Per Ton	$500	$80 to $100
DUCTLESS, MINI SPLIT AIR CONDITIONERS OR HEAT PUMPS - ALL SIZES			
All sizes	Per Ton	$150	-
PACKAGED TERMINAL AIR CONDITIONERS OR HEAT PUMPS			
All sizes	Per Ton	$125	$40

OTHER HVAC EQUIPMENT			
HVAC - Smart Thermostat	Per Unit	$125 [3]	-
Dual Enthalpy Economizer Controls	Per Unit	$250	$85 to $170
ECM motors for HVAC Applications (fans/pumps) - refer to ECM motors table below			
Chillers			
Air-Cooled Chiller with Condenser	Per Ton	$300	$20, plus $2.75 to $3.50 performance
Water-Cooled Screw Chiller & Reciprocating Chillers	Per Ton	$300	$13 to $30, plus $2 to $2.25 performance
Water-Cooled Centrifugal Chillers	Per Ton	$300	$8 to $24, plus $2 to $2.25 performance
Chillers with a VFD			
Air-Cooled Chiller with Condenser	Per Ton	$300	$90 to $92, plus $4.00 performance
Water-Cooled Screw and Reciprocating Chillers	Per Ton	$300	$40 to $44, plus $2 to $2.50 performance
Water-Cooled Centrifugal Chillers	Per Ton	$300	$20 to $30, plus $2 to $2.75 performance
Refrigeration			
Anti-Fog Film	Per Sq. Ft.	$15	-
Anti-Sweat Heat Control	Per Door	$50	$50
ECM Evaporator Fan Motor, <1 hp	Per Unit	$150	$40
Evaporator/Compressor Controller	Per Cooler	$1,000	-
Evaporator Fan Controller on Existing Shaded-Pole Motor	Per Unit	$100	$75
Night Covers - Open Reach-In Coolers	Per Case	$500	-
Reach-In Door Closer	Per Unit	$75	-
Refrigeration Display Case Doors on Open Display Case	Per Case	$600	-
Gaskets	Per Ln Ft.	$4	-
Strip Curtains for Walk-In Coolers and Freezers	Per Sq. Ft.	$5	-
Refrigerator Case Light Sensor	Per Case	$30	-
VFD - Variable Frequency Drives			
< 100 hp	Per HP	$250	$50 to $100

>100 to ≤200	Per HP	$50	$35
ECM Motors			
<1 HP	Per unit	$150	-
1 HP	Per unit	$150	-
2 HP	Per unit	$175	-
3-5 HP	Per unit	$250	-
6-10 HP	Per unit	$500	-
11+ HP	Per unit	$750	-
Commercial Kitchen Equipment			
COMMERCIAL DISHWASHERS	Per Unit	$1,500	$400 to $1500
COOKING EQUIPMENT			
Fat Fryers	Per Unit	$250	$200
Griddles	Per Unit	$300	$300
Insulated Holding Cabinets	Per Unit	$400	$200 to $300
COMBINATION and CONVECTION OVENS			
Convection Ovens	Per Unit	$400	$350
Combination Ovens	Per Unit	$1,200	$750
STEAM COOKERS	Per Pan	$150	-
OTHER FOOD SERVICE			
Energy Star Beverage Vending Machine	Per Unit	$75	-
Food Warmers/Rethermalizer Well/Coffee Pots	Per Unit	$200	-
Pre-Rinse Spray Valve	Per Unit	$75	-
ICE MACHINES - CEE Tier I	Per Unit	$200	$50 to $250
ICE MACHINES - CEE Tier II	Per Unit	$300	$100 to $500
SOLID DOOR REACH-IN REFRIGERATORS	Per Unit	$225	$50 to $200
SOLID DOOR REACH-IN FREEZERS	Per Unit	$500	$100 to $600
GLASS DOOR REACH-IN REFRIGERATORS	Per Unit	$150	$75 to $150
GLASS DOOR REACH-IN Freezers	Per Unit	$300	$200 to $1000
COMMERICAL APPLIANCES			
CLOTHES WASHER			
CEE Tier 1	Per Unit	$100	-
CEE Tier 2	Per Unit	$200	-
WATER HEATING			
Heat Pump Water Heater - C&I	Per Unit	$1,500	-
PLUG LOAD CONTROLS			
Personal Occupancy Sensor	Per Unit	$20	-
Hotel Room HVAC Controls	Per Unit	$90	-
Hotel Room HVAC/Receptacle Control	Per Unit	$20	-
Smart Power Strip	Per Unit	$20	-
Electric Vehicle Charger	Per Unit	$50	-

Vending Machine Controls			
Non-Refrigerated	Per Unit	$75	-
Refrigerated	Per Unit	$125	-
OFFICE EQUIPMENT			
Monitors - C&I	Per Unit	$25	-
Computers - C&I	Per Unit	$25	-
Uninterruptible Power Supply (UPS)	Per kVA	$40	-
Imaging - C&I	Per Unit	$25	-
Small Network PC Controller	Per PC Controlled	$25	-
AGRICULTURE			
Auto Milker Takeoff	Per Unit	$90	-
Dairy Scroll Compressor	Per Unit	$1,000	-
HE Ventilation Fans	Per Unit	$215	-
Heat Reclaimers	Per Unit	$1,000	-
High Volume Low Speed Fans (Destratification)	Per Ft of Fan Blade	$25	-
Livestock Waterer	Per Unit	$60	-
Dairy Vac Pump VSD Controls	Per Unit	$1,000	-
Low Pressure Irrigation	Per acre	$100	-
Dairy Refrigeration Tune-Up	Per Unit	$200	-
Engine Block Heater Timer	Per Unit	$25	-
RECYCLING			
Dehumidifier Recycling	Per Unit	Refer to Residential Incentive Table	-
Refrigerator Recycling	Per Unit	"	-
Freezer Recycling	Per Unit	"	-
Room A/C Unit Recycling	Per Unit	"	-
RESIDENITAL APPLIANCES in C&I BUILDING - Non-Commercial Duty			
Clothes Washer Tier 2 - C&I	Per Unit	Refer to Residential Incentive Table	-
Clothes Washer Tier 3 - C&I	Per Unit	"	-
Clothes Dryer (w Moisture Sensor) - C&I	Per Unit	"	-
Refrigerators Tier 2 - C&I	Per Unit	"	-
Refrigerators Tier 3 - C&I	Per Unit	"	-
ES Freezer - C&I	Per Unit	"	-
ENERGY STAR Dehumidifier	Per Unit	"	-
ENERGY STAR Room Air Conditioner	Per Unit	"	-
ENERGY STAR Water Cooler	Per Unit	"	-
CUSTOM PROJECTS			

Compressed Air, Refrigeration, Data Center Equipment/Servers, HVAC/Chillers, HVAC Controls, Motors/VFD - Large Building Improvements, Process Improvements, Agricultural Lighting/Process, Custom Lighting	per kWh	Up to $0.35	$0.16 per kWh
ENERGY MANAGEMENT			
Retro-commissioning (including Virtual and Meter Data Commissioning)	per kWh	Up to $0.35	-
HVAC TUNE UP			
Single compressor units	Per Unit	$175	-
Multiple compressor units	Per Unit	$250	-
PTAC, PTHP, Mini-Splits	Per Unit	$75	-
BUILDING TUNE UP		Up to 70% of Project Cost	-
BUILDING OPERATIONS TRAINING		Up to 70% of the cost to attend qualified BOC training up to $1000 per person.	-
ENGINEERED SOLUTIONS			
		Formula buy down based on payback	Formula buy down based on payback

[1]The utilities reserve the right to include additional measures that are supported by established protocols or evaluation results in the industry to ensure we include a broad range of energy savings measures to maximize energy savings for customers and avoid market disruption (e.g. new NJCEP measures added in FY21)

[2]All rebates will be offered equal to or less than the "Up to" value

[3]The total rebate value for a smart thermostat will be up to $125 total between both fuel utilities

Table 2: Residential Incentives

Residential Incentives				
Program	**Program**	**Measure[1]**	**Proposed Rebate Strategy [2]**	**NJCEP Existing Rebate Strategy**
Efficient Products		LED Lamps	Up to $5 std Up to $7 special	Up to $3 std Up to $5 special
		LED Fixtures	Up to $10	Up to $8
		Occupancy Sensors	Up to $7	-
		LED Holiday Lights	Up to $5	-
		Ceiling Fans	Up to $35	-
		LED Table/Desk Lamps	Up to $15	-
		Clothes Washer	Up to $100	Up to $75

		Clothes Dryer	Up to $300	Up to $300
		Refrigerator	Up to $100	Up to $75
		Freezers	Up to $75	-
		Dishwasher	Up to $25	-
		Induction Cooktop Stove	Up to $25	-
		Air Purifier / Cleaner	Up to $50	Up to $50
		Room A/C Unit	Up to $30	Up to $15
		Dehumidifier	Up to $35	Up to $25
		Heat Pump Water Heater	Up to $1,000	Up to $750
		Smart Thermostats	Up to $125[3]	-
		Pool Pump	Up to $500	-
		Sound Bars	Up to $20	-
		Water Cooler	Up to $25	-
		Electric Vehicle Charger	Up to $50	-
		Monitors	Up to $25	-
		Computers	Up to $25	-
		Imaging	Up to $25	-
		Smart Strip Plug Outlets	Up to $40	Up to $40
		TVs	Up to $50	-
		Smart Home	Up to $10	-
		Refrigerator Recycling	Up to $100	Up to $50
		Freezer Recycling	Up to $100	Up to $50
		Room A/C Unit Recycling	Up to $35	Up to $25
		Dehumidifier Recycling	Up to $35	Up to $25
		EE Kits	Up to $60	-
		Central Air Conditioning	Up to $500	Up to $500
		Air Source Heat Pump	Up to $1,000	Up to $1,000
		Geothermal Heat Pump	Up to $1500	-
		Ductless Mini-Split Heat Pump	Up to $400	-
		Ductless Mini Split A/C	Up to $500	Up to $500

		Furnace Fans (ECM)	Up to $100	-
		PTAC - CEE Tier 2 - Multi Family	Up to $50	-
		PTHP - CEE Tier 2- Multi Family	Up to $125	-
		Circulating Pump	Up to $75	-
		Bathroom Fan	Up to $20	-
		HVAC Maintenance	Up to $100	-
		HVAC Quality Install	Up to $450	-
Existing Homes	Home Performance with Energy Star (HPwES)	Home Performance with Energy Star	The following incentive structure will be used: Customer must have a minimum savings percentage of 5% based on modeled reduction of consumption Rebate is $2,000 + $200 for each percentage point of savings above 5% Rebate Cap = $6,000	Tiered incentive cash rebate of 50% of the costs of the measures used to calculate TES up to $4,000.
	Quick Home Energy Checkup (QHEC)	Quick Home Energy Checkup (QHEC)	No up-front cost to customer for walk through audit with no cost or low cost measures installed at time of audit	-
	Moderate Income Weatherization	Moderate Income Weatherization	No up-front cost to customer for BPI-certified audit with up to $6,000 of direct install and weatherization measures and up to $1,500 on health and safety expenses	-

[1]The utilities reserve the right to include additional measures that are supported by established protocols or evaluation results in the industry to ensure we include a broad range of energy savings measures
to maximize energy savings for customers and avoid market disruption (e.g. new NJCEP measures added in FY21)

[2]All rebates will be offered equal to or less than the "Up to" value

[3]The total rebate value for a smart thermostat will be up to $125 total between both fuel utilities

Table 3: Multi-Family Incentives

Multi-Family				
Program	**Program**	**Measure[1]**	**Rebate Strategy[2]**	**NJCEP Existing Rebate Strategy**
Multi-Family	Multi-Family	Energy Assessment with installation of standard energy savings measures	Energy Assessment with the equipment and installation costs for the standard energy savings measures will be provided to eligible properties with "Up to 100%" of the cost provided by the program.	Same values offered currently in the HPwES Program.
		Prescriptive Equipment replacement and custom retrofit projects	- Same value as incentives offered through the Residential and Commercial & Industrial programs applicable for the prescriptive equipment replacement and custom retrofits. - Includes enhanced incentives offered for properties that are located in qualifying target areas or for LMI qualified customers.	Same value as incentives offered through the Residential and Commercial & Industrial programs applicable for the prescriptive equipment replacement and custom retrofits.
MF - Engineered Solutions	MF - Engineered Solutions	MF - Engineered Solutions	- No cost ASHRAE Level I, II, or III audit. - Program will buy-down the simple payback of the recommended energy efficiency project cost for approved measures by up to six years, with the resulting payback not less than three years.	- No cost ASHRAE Level I, II, or III audit. - Program will buy-down the simple payback of the recommended energy efficiency project cost for approved measures by up to six years, with the resulting payback not less than three years.

[1] The utilities reserve the right to include additional measures that are supported by established protocols or evaluation results in the industry to ensure we include a broad range of energy savings measures to maximize energy savings for customers and avoid market disruption (e.g. new NJCEP measures added in FY21)
[2] All rebates will be offered equal to or less than the "Up to" value

Table 4: Clean Heat Beneficial Electrification Pilot Program Incentives

Clean Heat Beneficial Electrification Pilot Program				
Program	**Measure**	**Paid**	**Rebate Strategy**	**NJCEP Existing Rebate Strategy**[9]
Clean Heat Beneficial Electrification Pilot Program	Cold Climate Mini-Split Air Source Heat Pump (ASHP) - partial load heating	Per outdoor unit	$500	Up to $1,000
	Cold Climate Mini-Split Air Source Heat Pump (ASHP) - full load heating	Per 10,000 Btu/h of maximum heating capacity at 5 deg F according to NEEP	$1,600	Up to $1,000
	Ground Source Heat Pump (GSHP)	Per 10,000 Btu/h of full load heating capacity as certified by AHRI	$2,000	
	Residential Heat Pump Water Heater (up to 120 Gallons)	Per unit	$1,000	Up to $750
	Custom (VRF, PTHP)	Per MMBtu of annual energy savings	$80	
	Commercial Heat Pump Water Heater (above 120 Gallons)	Per unit	$80	
	GSHP Desuperheater	Per unit	$150	
	Dedicated Domestic Hot Water (DHW) Water to Water Heat Pump (WWHP)	Per unit	$1,000	
	Simultaneous Installation of Space Heating and Water Heating	Additional	$250	

[9] Existing NJCEP rebates are per unit

Table 5: Peak Demand Reduction Pilot Program Incentives

Peak Demand Reduction Pilot Program					
Program	**Program**	**Measure**	**Paid**	**Rebate Strategy[2]**	**NJCEP Existing Rebate Strategy**
Peak Demand Reduction Pilot Program	Residential (BYOT)	Smart thermostats	Per eligible thermostat	$85 per eligible thermostat (must have WiFi connection and control a central heat pump/central AC)	N/A
	Commercial (CSRP)	Demand reduction	Per kW/kWh	Reservation Payment customers receive $3 per kW-month pledged * Performance Factor (May – Sept) Performance Payment is $0.50 per kWh provided during an Event Performance Factor is calculated by kW pledged/kW reduced, not to exceed 1.0, and will carry over until the next event. All Performance Factors begin at 0.5	N/A

APPENDIX B - Customer Financing Options (MFR II.a.vi)

Financing Options

Program	Eligibility	Terms	
Efficient Products	Efficient program eligible HVAC and water heating equipment	Maximum to be financed	Up to $15,000
		Minimum to be financed	As low as $2,500
		Interest Rate	As low as 0%
		Term	Up to 7 years
Existing Homes	Comprehensive HPwES projects recommended by the program audit	Maximum to be financed	Up to $15,000
		Minimum to be finances	As low as $2,500
		Interest Rate	As low as 0%
		Term	Up to 10 years
Multifamily	Prescriptive/Custom equipment, retrofit and comprehensive projects, Engineered Solutions projects	Maximum to be financed	Up to $3,000/unit with a maximum of $250,000/project
		Minimum to be financed	As low as $2,500
		Interest Rate	As low as 0%
		Term	Up to 10 years, depending on eligibility
Direct Install	Balance of program eligible project costs	Maximum to be financed	Up to $75,000
		Minimum to be financed	As low as $2,500
		Interest Rate	As low as 0%
		Term	Up to 5 years
Energy Solutions for Business	Prescriptive/Custom equipment, retrofit and comprehensive projects, Engineered Solutions projects	Maximum to be financed	Up to $250,000
		Minimum to be financed	As low as $2,500
		Interest Rate	As low as 0%
		Term	Up to 5 years
Clean Heat Beneficial Electrification	Clean Heat eligible HVAC and water heating equipment	Maximum to be financed	Up to $15,000
		Minimum to be financed	As low as $2,500
		Interest Rate	As low as 0%
		Term	Up to 7 years

APPENDIX C (MFR II.A.I): – Projected Participants (MFR II.a.ix) and Energy Savings (MFR II.a.x) – Quantitative Performance Indicators (MFR VII.a,b.i-vii)

Residential Efficient Products Program			
Metric	**PY1**	**PY2**	**PY3**
Estimated Participants	1,480	1,911	2,505
Net Annual Energy Savings (MWh)	3,185	4,113	5,392
Net Annual Peak Demand Savings (kW)	554	796	1,045
Net Lifetime Energy Savings (MWh)	35,705	45,940	60,222
Net Lifetime Demand Savings (kW)	6,791	10,092	13,256
NPV of UCT Net Benefits ($)	755,722	1,413,890	2,051,117
Net Lifetime Energy Savings Derived from Qualifying Low-Income Customers (MWh)	1,785	2,297	3,011
Net Lifetime Energy Savings Derived from Qualifying Small Commercial Customers (MWh)	0	0	0

Home Performance with Energy Star Program			
Metric	**PY1**	**PY2**	**PY3**
Estimated Participants	564	729	954
Net Annual Energy Savings (MWh)	562	726	951
Net Annual Peak Demand Savings (kW)	166	215	281
Net Lifetime Energy Savings (MWh)	9,673	12,503	16,362
Net Lifetime Demand Savings (kW)	2,857	3,692	4,832
NPV of UCT Net Benefits ($)	81,985	181,769	283,775
Net Lifetime Energy Savings Derived from Qualifying Low-Income Customers (MWh)	484	625	818
Net Lifetime Energy Savings Derived from Qualifying Small Commercial Customers (MWh)	0	0	0

Multi-Family Program			
Metric	**PY1**	**PY2**	**PY3**
Estimated Participants	22	28	37
Net Annual Energy Savings (MWh)	268	346	453
Net Annual Peak Demand Savings (kW)	32	40	53
Net Lifetime Energy Savings (MWh)	1,697	2,160	2,854
Net Lifetime Demand Savings (kW)	194	247	326
NPV of UCT Net Benefits ($)	(276,895)	(325,652)	(411,073)
Net Lifetime Energy Savings Derived from Qualifying Low-Income Customers (MWh)	85	108	143
Net Lifetime Energy Savings Derived from Qualifying Small Commercial Customers (MWh)	0	0	0

Commercial and Industrial Direct Install Program			
Metric	**PY1**	**PY2**	**PY3**
Estimated Participants	80	103	135
Net Annual Energy Savings (MWh)	1,784	2,304	3,021
Net Annual Peak Demand Savings (kW)	204	262	344
Net Lifetime Energy Savings (MWh)	26,494	34,111	44,708
Net Lifetime Demand Savings (kW)	3,024	3,894	5,104
NPV of UCT Net Benefits ($)	(71,596)	52,422	203,464
Net Lifetime Energy Savings Derived from Qualifying Low-Income Customers (MWh)	0	0	0
Net Lifetime Energy Savings Derived from Qualifying Small Commercial Customers (MWh)	26,494	34,111	44,708

Commercial and Industrial Rebate Program			
Metric	**PY1**	**PY2**	**PY3**
Estimated Participants	166	214	280
Net Annual Energy Savings (MWh)	3,123	4,033	5,286
Net Annual Peak Demand Savings (kW)	740	957	1,270
Net Lifetime Energy Savings (MWh)	37,996	49,251	64,561
Net Lifetime Demand Savings (kW)	8,107	10,511	14,062
NPV of UCT Net Benefits ($)	1,060,859	1,515,673	2,132,243
Net Lifetime Energy Savings Derived from Qualifying Low-Income Customers (MWh)	0	0	0
Net Lifetime Energy Savings Derived from Qualifying Small Commercial Customers (MWh)	0	0	0

Electric Energy Efficiency Portfolio Total			
Metric	**PY1**	**PY2**	**PY3**
Estimated Participants	2,312	2,986	3,912
Net Annual Energy Savings (MWh)	8,922	11,522	15,103
Net Annual Peak Demand Savings (kW)	1,694	2,270	2,992
Net Lifetime Energy Savings (MWh)	111,565	143,964	188,707
Net Lifetime Demand Savings (kW)	20,973	28,436	37,579
NPV of UCT Net Benefits ($)	1,550,075	2,838,101	4,259,527
Net Lifetime Energy Savings Derived from Qualifying Low-Income Customers (MWh)	2,354	3,030	3,972
Net Lifetime Energy Savings Derived from Qualifying Small Commercial Customers (MWh)	26,494	34,111	44,708

Clean Heat Beneficial Electrification Pilot Program			
Metric	**PY1**	**PY2**	**PY3**

Estimated Participants	116	144	179
Net Annual Energy Savings (MMBtu)	2,169	3,484	4,363
Net Annual Peak Demand Savings (kW)	19	30	38
Net Lifetime Energy Savings (MMBtu)	33,501	53,669	67,361
Net Lifetime Demand Savings (kW)	296	471	594
NPV of UCT Net Benefits ($)	(399,944)	(588,225)	(727,274)
Net Lifetime Energy Savings Derived from Qualifying Low-Income Customers (MMBtu)	1,675	2,683	3,368
Net Lifetime Energy Savings Derived from Qualifying Small Commercial Customers (MMBtu)	0	0	0

Peak Demand Reduction Pilot Program			
Metric	**PY1**	**PY2**	**PY3**
Estimated Participants	757	1,008	1,260
Net Annual Energy Savings (MWh)	0	0	0
Net Annual Peak Demand Savings (kW)	4,930	5,680	6,430
Net Lifetime Energy Savings (MWh)	0	0	0
Net Lifetime Demand Savings (kW)	4,930	5,680	6,430
NPV of UCT Net Benefits ($)	306,707	404,758	485,095
Net Lifetime Energy Savings Derived from Qualifying Low-Income Customers (MWh)	0	0	0
Net Lifetime Energy Savings Derived from Qualifying Small Commercial Customers (MWh)	0	0	0

These programs are designed to achieve annual energy savings of 0.57% in 2021, 0.74% in 2022, and 0.97% in 2023, of the three-year average of RECO sales for 2017, 2018, and 2019 as established in BPU order. The program descriptions above provide the implementation plans to strategic initiative to achieve these targets.

APPENDIX D (MFR II.A.I): – Program Budgets (MFR II.a.xi) and Cost Categories (MFR II.a.xii)

Residential Efficient Products Program			
Cost Category	**PY1**	**PY2**	**PY3**
Capital Cost			
Utility Administration	$66,250	$67,969	$69,737
Marketing	$35,000	$35,875	$36,772
Outside Services	$461,634	$432,270	$476,023
Incentives-Rebates	$337,240	$435,528	$570,895
Incentives-Financing	$41,968	$54,199	$71,045
Inspections and Quality Control	$15,606	$10,077	$13,209
Evaluation	$45,032	$47,152	$55,766
Total	**$1,002,730**	**$1,083,070**	**$1,293,447**

Home Performance with Energy Star Program			
Cost Category	**PY1**	**PY2**	**PY3**
Capital Cost			
Utility Administration	$46,375	$47,578	$48,816
Marketing	$24,500	$25,113	$25,740
Outside Services	$63,018	$60,649	$75,381
Incentives-Rebates	$227,637	$293,982	$385,354
Incentives-Financing	$68,291	$88,195	$115,606
Inspections and Quality Control	$8,921	$7,687	$10,059
Evaluation	$18,910	$21,584	$26,798
Total	**$457,652**	**$544,786**	**$687,755**

Moderate Income Weatherization			
Cost Category	**PY1**	**PY2**	**PY3**
Capital Cost			
Utility Administration	$8,500	$8,713	$8,930
Marketing	$7,930	$7,424	$7,018
Outside Services	$72,496	$56,637	$56,483
Incentives-Rebates	$153,678	$190,560	$230,516
Incentives-Financing	$14,695	$17,333	$20,956
Inspections and Quality Control	$2,900	$3,300	$3,800
Evaluation	$8,522	$8,367	$9,270
Total	**$268,721**	**$292,334**	**$336,973**

Multi-Family Program			
Cost Category	**PY1**	**PY2**	**PY3**
Capital Cost			
Utility Administration	$21,375	$21,928	$22,497
Marketing	$10,500	$10,763	$11,032
Outside Services	$56,059	$51,662	$63,600
Incentives-Rebates	$211,444	$273,069	$357,942
Incentives-Financing	$12,195	$15,749	$20,644
Inspections and Quality Control	$3,480	$4,494	$5,891
Evaluation	$14,743	$17,448	$22,027
Total	**$329,796**	**$395,113**	**$503,633**

Commercial and Industrial Direct Install Program			
Cost Category	**PY1**	**PY2**	**PY3**
Capital Cost			
Utility Administration	$71,250	$73,094	$74,990
Marketing	$35,000	$35,875	$36,772
Outside Services	$253,588	$239,192	$241,583
Incentives-Rebates	$713,736	$921,753	$1,208,244
Incentives-Financing	$30,589	$39,504	$51,782
Inspections and Quality Control	$1,265	$1,089	$1,428
Evaluation	$50,165	$58,810	$71,886
Total	**$1,155,593**	**$1,369,317**	**$1,686,685**

Commercial and Industrial Rebate Program			
Cost Category	**PY1**	**PY2**	**PY3**
Capital Cost			
Utility Administration	$71,250	$73,094	$74,990
Marketing	$35,000	$35,875	$36,772
Outside Services	$160,072	$165,253	$208,380
Incentives-Rebates	$546,454	$705,717	$925,062
Incentives-Financing	$140,517	$181,470	$237,873
Inspections and Quality Control	$5,064	$5,076	$6,654
Evaluation	$39,077	$46,441	$58,541
Total	**$997,435**	**$1,212,927**	**$1,548,271**

Clean Heat Beneficial Electrification Pilot Program			
Cost Category	**PY1**	**PY2**	**PY3**
Capital Cost			
Utility Administration	$19,500	$19,988	$20,487
Marketing	$13,000	$13,325	$13,658
Outside Services	$77,057	$99,236	$120,302
Incentives-Rebates	$231,485	$374,582	$468,254
Incentives-Financing	$46,297	$74,916	$93,651
Inspections and Quality Control	$3,467	$1,435	$1,783
Evaluation	$16,448	$23,758	$29,010
Total	**$407,253**	**$607,239**	**$747,145**

Peak Demand Reduction Pilot Program			
Cost Category	**PY1**	**PY2**	**PY3**
Capital Cost			
Utility Administration	$19,500	$19,988	$20,487
Marketing	$13,000	$13,000	$13,000
Outside Services	$193,750	$180,000	$186,250
Incentives-Rebates	$113,750	$145,000	$176,250
Incentives-Financing	$0	$0	$0
Inspections and Quality Control	$2,491	$2,491	$2,491
Evaluation	$16,313	$17,134	$18,856
Total	**$358,803**	**$377,612**	**$417,334**

Total Plan - Energy Efficiency and Pilot Programs			
Cost Category	**PY1**	**PY2**	**PY3**
Capital Cost			
Utility Administration	$324,000	$332,350	$340,935
Marketing	$173,930	$177,249	$180,764
Outside Services	$1,337,674	$1,284,898	$1,428,001
Incentives-Rebates	$2,535,425	$3,340,192	$4,322,518
Incentives-Financing	$354,551	$471,366	$611,557
Inspections and Quality Control	$43,193	$35,649	$45,315
Evaluation	$209,209	$240,694	$292,154
Total	**$4,977,983**	**$5,882,398**	**$7,221,244**

<u>APPENDIX E: – PJM Summer MW EE Potential</u>

EE as a Resource - Summer			
	2021	**2022**	**2023**
Total EE Demand Reductions (MW)	1.9	4.5	7.8
Less Ineligible PJM Measure Demand Reductions (MW)	0.2	0.5	0.7
Total Bid Target Reduction (MW)	1.7	4.0	7.1

APPENDIX F: - Customer Access to Current and Historic Energy Usage Data (MFR II.a.vii)

General: RECO shares granular usage data with customers (collected via AMI) through Home Energy Reports ("HERs"), weekly AMI reports, and customers' My Account portal. This usage data provides customers visibility into their own unique usage patterns and gives them the information to help them make more informed decisions to reduce their utility bills through active management of their usage. Customers can play an active role in providing benefits to the electric grid by managing their consumption to support peak load reduction. Further, making customer data available to third parties, with the appropriate customer consent and subject to all applicable privacy and security provisions, provides solar developers and other DER providers with the data needed to market and manage DERs of their customers.

GBD: The Company implemented Green Button Download in May 2016 giving customers the ability to obtain and analyze up to 13 months of energy use data in a simple spreadsheet. This data can be used by customers for a variety of purposes, such as measuring EE impacts, and analyzing and reviewing solutions to cost-effectively manage their energy usage. In addition, it provides the customer the ability to download their energy usage data in an Extensible Markup Language ("XML") standard format file, making it easier for customers to analyze their data because the XML format is a default file type for Microsoft programs (i.e., Word, PowerPoint, and Excel). Customers can choose to share this information with third-parties enabling them to tailor their energy savings solutions based on the customer's needs or preferences.

GBC: As part of the Company's AMI deployment and the accompanying Customer Engagement Plan, the Company is improving its customer data sharing capabilities through the implementation of GBC. GBC is a national data sharing standard that allows customers to authorize registered third-parties to access the customer's energy data through an automated process in machine-readable format. It provides a reliable protocol for customer authorization, data transfer, data formatting, and data exchange.

Share My Data leverages the more granular data available from AMI to allow customers to authorize registered third-parties to access their energy data through an automated process in machine-readable

APPENDIX G - NJ Statewide Coordinator Role and Responsibilities for Plan Development

In response to the New Jersey Board of Public Utilities' Order (see BPU DOCKET NOS. QO1901040, QO19060748 & QO17091004 dated June 10, 2020), directing each electric public utility and gas public utility in the State of New Jersey to establish energy efficiency ("EE") and peak demand reduction ("PDR") programs pursuant to the Clean Energy Act of 2018, the New Jersey investor-owned electric and gas utilities are collaborating in order to implement programs in a consistent manner and develop supportive processes, procedures, requirements, and forms.

Coordinated Program Offerings

To support the coordinated delivery of Core and certain Additional program offerings in situations that involve gas and electric savings opportunities in overlapping utility territories, the Utilities have established a framework that will align key program elements through use of Interconnected Tracking Systems supported by use of a Statewide Coordinator System, aligned Utility Responsibilities, and Coordinated Program Elements as further described below. This structure will support the coordinated delivery of appropriate energy efficiency measures in the following Program or Sub-program offerings:

Core Offerings

- Energy Efficient Products
- Home Performance with ENERGY STAR
- Multi-Family
- Direct Install
- Prescriptive and Custom Measures

Additional Utility-Led Offerings

- Moderate-Income Weatherization
- Quick Home Energy Check-Up
- Engineered Solutions
- Energy Management

Interconnected Tracking Systems

To support consistency across the state and to align the above coordinated program offerings, the utilities will contract with a single third-party entity to serve as a Statewide Coordinator ("SWC") for measures and costs that impact more than one utility in situations where gas and electric service territories overlap. This entity, to be selected through a competitive procurement process, will provide a software platform to cross-reference eligible customers, identify the local gas and electric company serving the customer, identify completed and in-progress efficiency projects, and perform independent allocations of energy savings and costs for coordinated program offerings. These costs and savings will be allocated between the Utility that provides the program services (i.e. "Lead Utility") and the Utility with whom the services were coordinated (i.e. "Partner Utility').

In areas where gas and electric service territories overlap, the utilities will design program elements that support consistent delivery of the above coordinated program offerings among all of the utilities to enable the SWC to allocate shared costs and energy savings appropriately based on the fuel types impacted by EE measures.

Statewide Coordinator System Responsibilities

- Serve as a central platform to ensure data minimums required for coordinated data elements, exchange protocols, and serve as a repository for shared measure costs and shared savings for applicable programs.

- Track participation specific to utility programs that require coordination (e.g. screen prior participation in coordinated program offerings)
- Serve as a clearing house for pre-determined data formats and exchanges
- Perform allocation of dual-fuel or partner-fuel savings and cost for customers with separate gas and electric utilities, sharing of costs, investments, and applicable to customer financing
- Determine and provide supporting reports respective to utility invoice balances for allocation of shared measure costs (e.g. costs of respective measures and share of costs)
- Provide monthly reports of coordinated program activity so that customer participation and program results may be tracked

Utility Responsibilities
The Utilities will implement certain program operations through either internal resources, or under contract with third-party implementation contractor(s) ("TPIC"), outside of the Statewide Coordinator system. By retaining these functions, the Utilities can maintain a strong line of sight to program operations and still work collaboratively with the other Utilities in offering coordinated programs to New Jersey customers. These functions include, where appropriate:

- Customer enrollment
- Developing consistent enrollment forms to collect agreed-upon customer information to share between the utilities
- Screening and qualifying contractors for Utility programs
- Customer care functions
- Marketing of programs
- Providing in-home/business auditing or direct-install of efficiency measures
- Communicating availability of customer financing options
- Integrating with other Utility or Co-managed programs
- Sponsoring EE program applications including paying initial incentives to customers and contractors
- Invoicing peer Utility partners for coordinated program costs

Coordinated Program Elements
As envisioned by the Board's direction on coordinated program offerings, the Utilities' programs are designed in a way to minimize customer confusion and present consistent opportunities for customer participation with access to both electric and gas measures simultaneously, where appropriate. The utilities recognize that programs will evolve after initial launch and commit to ongoing collaborative efforts among the Utilities to continue program alignment. Central to both initial launch and ongoing efforts will be a focus by the Utilities to standardize the following wherever possible:

- Common forms for contractors and customers with uniform field requirements
- Contractor minimum requirements and credentials for applicable programs
- Eligible customers and property requirements
- Eligible measures
- Incentive structures through use of an agreed-upon standard range
- Software platforms or interfaces to be used by market contractors
- Targeted bonus approaches for customers that meet specific policy priorities (e.g. income qualified, targeted geographic locations)

<u>APPENDIX H – Quality Control Standards and Remediation Policy (MFR II.b.i)</u>

Residential Efficient Products Program

Customer Rebate Initiative
Applications and tracking will include information necessary to verify that the customer and equipment information submitted meet the program qualification criteria. This includes confirming the customer account, eligibility information and sales data, including equipment make and model numbers, to meet rebate requirements. In addition, unique equipment serial numbers are verified to prevent multiple rebates issued for the same equipment. RECO and third-party contractors will perform on-site verification inspections for at least 10 percent of participants to confirm that equipment is purchased and installed as required to meet the program guidelines. Data tracking software will streamline rebate processing, increase productivity, and minimize reporting inaccuracies.

Behavioral Initiative
RECO will provide quality assurance on claimed savings by using the control group to quantify the savings of the treatment group. This is performed using an industry accepted methodology. Further, RECO will develop po10tial metrics to track the success of the program with the vendor. If total savings, as measured by the impact evaluation comparing the control and treatment groups, are falling short of expected results, RECO will work with the selected vendor to improve performance and examine other alternatives or enhancements to the program.

Midstream Initiative
RECO will work with its retailer/distributor partners so that only quality Energy Star® or DLC certified bulbs are incentivized, and that the partner is able to track all bulbs purchased through the initiative. Energy savings products will be added over time to move rebates upstream, streamline customer participation, and to increase stocking patterns of energy saving equipment. The third-party implementation vendors visit stores to verify that signage communicates program participation and tracks data points necessary to calculate energy savings for products rebated in midstream efforts.

Home Performance with Energy Star / Multi-Family / C&I Direct Install Program

RECO will conduct a sampling of pre- and post- on-site inspections to confirm that contractor surveys are accurate, and that equipment installed meets the program eligibility guidelines. RECO internal staff and third-party contractors will perform on-site inspections designed to gauge both customer satisfaction and address any issues with program compliance. Data tracking software will help streamline rebate processing, increase productivity, and minimize reporting inaccuracies.

Commercial & Industrial Rebate Program

Downstream Rebate Initiative
Applications and tracking will include information necessary to verify that the customer and equipment information submitted meet the program qualification criteria. This includes confirming the customer account, eligibility information and sales data, including equipment make and model numbers, to meet rebate requirements. In addition, unique equipment serial numbers are verified to prevent multiple rebates issued for the same equipment. RECO and third-party contractors will perform on-site verification inspections for at least 10% percent of participants to confirm that equipment is purchased and installed as

required to meet the program guidelines. Data tracking software will streamline rebate processing, increase productivity, and minimize reporting inaccuracies.

Midstream Initiative
RECO will work with its retailer/distributor partners so that Energy Star® or better HVAC equipment is incentivized, and that the partner is able to track all equipment purchased through the program. RECO and third-party contractors will perform on-site verification inspections for at least 10% of participants to confirm that equipment is purchased and installed as required to meet program guidelines. Data tracking software will streamline rebate processing, increase productivity, and minimize reporting inaccuracies.

Custom Initiative
RECO will conduct pre-inspections on all custom projects to determine the existing baseline conditions and post-inspections to determine if the project was installed as approved. Post-inspections will be performed on a minimum of 10 percent of all other prescriptive projects. RECO staff and third-party contractors will be engaged in performing on-site inspection designed to gauge both customer satisfaction and address any issues with program compliance. Data tracking software will streamline rebate processing, increase productivity, and minimize reporting inaccuracies.

Clean Heat Beneficial Electrification Program - Pilot

Applications and tracking will include information necessary to verify that the customer and equipment information submitted meet the program qualification criteria. This includes confirming the customer account, eligibility information and sales data, including equipment make and model numbers, to meet rebate requirements. In addition, unique equipment serial numbers are verified to prevent multiple rebates issued for the same equipment. RECO and third-party contractors will perform on-site verification inspections for at least 10% percent of participants to confirm that equipment is purchased and installed as required to meet the program guidelines. Data tracking software will streamline rebate processing, increase productivity, and minimize reporting inaccuracies.

Peak Demand Reduction Program - Pilot

Bring Your Own Thermostat Program
Applications and tracking will include information necessary to verify that the customer and equipment information submitted meet the program qualification criteria. This includes confirming the customer account, eligibility information and sales data, including equipment make and model numbers, to meet rebate requirements. In addition, unique equipment serial numbers are verified to prevent multiple rebates issued for the same equipment. The Company will clearly display eligibility requirement with regards to central heat pump/central AC systems. Data tracking software will streamline rebate processing, increase productivity, and minimize reporting inaccuracies. Tech support will be available directly through the the implementation contractor.

Behavioral Initiative
RECO will provide quality assurance on claimed savings by using the control group to quantify the savings of the treatment group. This is performed using an industry accepted methodology. Further, RECO will develop po10tial metrics to track the success of the program with the vendor. If total savings, as measured by the impact evaluation comparing the control and treatment groups, are falling short of expected results, RECO will work with the selected vendor to improve performance and examine other alternatives or enhancements to the program.

Commercial System Relief Program Initiative
RECO will work with direct participants and aggregators/third-party energy suppliers to analyze baseload data and demand response options and opportunities. RECO will confirm customer account and eligibility requirements and data tracking software will streamline rebate processing, increase productivity, and minimize reporting inaccuracies.

Remediation Policy for all Programs

RECO will address all customer complaints expeditiously and all contractors will inform the Company within 24 hours of any customer complaints received during normal business hours.

APPENDIX I: – Benefit Cost Analysis (MFR II.b.iv)

New Jersey Cost Test – Core and Pilot Programs

EE Portfolio NJCT Ratios	
Program	**Ratio**
Residential Efficient Products Program	4.05
Home Performance with Energy Star Program	0.71
Multi-Family Program	1.19
Small Business Direct Install Program	2.10
Commercial and Industrial Rebate Program	2.58
Electric Portfolio Total	**1.58**

Peak Demand Reduction Portfolio NJCT Ratio	
Program	**Ratio**
Peak Demand Reduction Program	**2.07**

Clean Heat Beneficial Electrification Portfolio NJCT Ratio	
Program	**Ratio**
Clean Heat Beneficial Electrification Program	**1.17**

Societal Cost Test, Total Resource Cost Test, Program Administrator Cost Test, Ratepayer Impact Measure Test Results

EE Portfolio SCT Ratios	
Program	**Ratio**
Residential Efficient Products Program	3.95
Home Performance with Energy Star Program	0.70
Multi-Family Program	1.18
Small Business Direct Install Program	2.04
Commercial and Industrial Rebate Program	2.50
Electric Portfolio Total	**1.54**

EE Portfolio TRC Ratios	
Program	**Ratio**
Residential Efficient Products Program	2.14
Home Performance with Energy Star Program	0.36
Multi-Family Program	0.57
Small Business Direct Install Program	1.11
Commercial and Industrial Rebate Program	1.51
Electric Portfolio Total	**0.84**

EE Portfolio PACT Ratios	
Program	**Ratio**
Residential Efficient Products Program	2.15
Home Performance with Energy Star Program	1.29
Multi-Family Program	0.25
Small Business Direct Install Program	1.04
Commercial and Industrial Rebate Program	2.18
Electric Portfolio Total	**1.56**

EE Portfolio PCT Ratios	
Program	**Ratio**
Residential Efficient Products Program	5.74
Home Performance with Energy Star Program	0.17
Multi-Family Program	1.82
Small Business Direct Install Program	2.40
Commercial and Industrial Rebate Program	2.98
Electric Portfolio Total	**1.20**

EE Portfolio RIM Ratios	
Program	**Ratio**
Residential Efficient Products Program	0.67
Home Performance with Energy Star Program	0.61
Multi-Family Program	0.19
Small Business Direct Install Program	0.44
Commercial and Industrial Rebate Program	0.68
Electric Portfolio Total	**0.59**

Peak Demand Reduction Portfolio Benefit-Cost Ratios	
Benefit-Cost Test	**Ratio**
Societal Cost Test	2.07
Total Resource Cost Test	1.97
Program Administrator Cost Test	1.97
Participant Cost Test	1.00
Ratepayer Impact Measure Test	1.97

Clean Heat Beneficial Electrification Portfolio Benefit-Cost Ratios	
Benefit-Cost Test Ratios	**Ratio**
Societal Cost Test	1.17
Total Resource Cost Test	0.63
Program Administrator Cost Test	0.08
Participant Cost Test	4.35
Ratepayer Impact Measure Test	0.08

Attachment 2 - Benefit Cost Analysis

New Jersey Cost Test – Core and Pilot Programs

EE Portfolio NJCT Ratios	
Program	**Ratio**
Residential Efficient Products Program	4.05
Home Performance with Energy Star Program	0.71
Multi-Family Program	1.19
Small Business Direct Install Program	2.10
Commercial and Industrial Rebate Program	2.58
Electric Portfolio Total	**1.58**

Peak Demand Reduction Portfolio NJCT Ratio	
Program	**Ratio**
Peak Demand Reduction Program	**2.07**

Clean Heat Beneficial Electrification Portfolio NJCT Ratio	
Program	**Ratio**
Clean Heat Beneficial Electrification Program	**1.17**

Societal Cost Test, Total Resource Cost Test, Program Administrator Cost Test, Ratepayer Impact Measure Test Results

EE Portfolio SCT Ratios	
Program	**Ratio**
Residential Efficient Products Program	3.95
Home Performance with Energy Star Program	0.70
Multi-Family Program	1.18
Small Business Direct Install Program	2.04
Commercial and Industrial Rebate Program	2.50
Electric Portfolio Total	**1.54**

EE Portfolio TRC Ratios	
Program	**Ratio**
Residential Efficient Products Program	2.14
Home Performance with Energy Star Program	0.36
Multi-Family Program	0.57
Small Business Direct Install Program	1.11
Commercial and Industrial Rebate Program	1.51
Electric Portfolio Total	**0.84**

EE Portfolio PACT Ratios	
Program	**Ratio**
Residential Efficient Products Program	2.15
Home Performance with Energy Star Program	1.29
Multi-Family Program	0.25
Small Business Direct Install Program	1.04
Commercial and Industrial Rebate Program	2.18
Electric Portfolio Total	**1.56**

EE Portfolio PCT Ratios	
Program	**Ratio**
Residential Efficient Products Program	5.74
Home Performance with Energy Star Program	0.17
Multi-Family Program	1.82
Small Business Direct Install Program	2.40
Commercial and Industrial Rebate Program	2.98
Electric Portfolio Total	**1.20**

EE Portfolio RIM Ratios	
Program	**Ratio**
Residential Efficient Products Program	0.67
Home Performance with Energy Star Program	0.61
Multi-Family Program	0.19
Small Business Direct Install Program	0.44
Commercial and Industrial Rebate Program	0.68
Electric Portfolio Total	**0.59**

Peak Demand Reduction Portfolio Benefit-Cost Ratios	
Benefit-Cost Test	**Ratio**
Societal Cost Test	2.07
Total Resource Cost Test	1.97
Program Administrator Cost Test	1.97
Participant Cost Test	1.00
Ratepayer Impact Measure Test	1.97

Clean Heat Beneficial Electrification Portfolio Benefit-Cost Ratios	
Benefit-Cost Test Ratios	**Ratio**
Societal Cost Test	1.17
Total Resource Cost Test	0.63
Program Administrator Cost Test	0.08
Participant Cost Test	4.35
Ratepayer Impact Measure Test	0.08

Attachment 3
Schedule 1

Rockland Electric Company
Rate of Return Calculation

	Cost *	Capital Structure % *	Weighted After-Tax Cost	Weighted Pre-Tax Cost
Long Term Debt Rate	4.88%	51.68%	2.52%	2.52%
Regulated Return on Equity	9.50%	48.32%	4.59%	6.39%
			7.11%	**8.91%**

State tax rate	9.00%	a
Federal tax rate	21.00%	b
Combined Income Tax Rate after Federal Tax Deduction for State Income Taxes Paid	28.11%	c = 1-(1-b)*(1-a)
Net of Tax Factor	71.89%	d = 1/(1-c)

After-Tax Return on Equity	4.59%
Divide by: Net of Tax Factor	71.89%
Pre-Tax Return on Equity	6.39%

* From RECO's most recently approved electric base rate case, ER19050552

Attachment 3
Schedule 2

			1	2	3	4	5	6	7	8	9	10	11	12	13
			2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
REVENUE REQUIREMENT															
Beginning Plant				4,016,268	8,435,137	13,546,699	11,978,081	10,409,462	8,840,844	7,272,225	5,703,607	4,134,989	2,566,370	1,209,134	318,104
+ Additions			4,227,651	5,096,456	6,362,077	-	-	-	-	-	-	-	-	-	-
- Depreciation			(211,383)	(677,588)	(1,250,515)	(1,568,618)	(1,568,618)	(1,568,618)	(1,568,618)	(1,568,618)	(1,568,618)	(1,568,618)	(1,357,236)	(891,031)	(318,104)
-Cost of removal			-	-	-	-	-	-	-	-	-	-	-	-	-
End of period Net Plant		**0**	**4,016,268**	**8,435,137**	**13,546,699**	**11,978,081**	**10,409,462**	**8,840,844**	**7,272,225**	**5,703,607**	**4,134,989**	**2,566,370**	**1,209,134**	**318,104**	**(0)**
- End of period Cumulative Deferred Taxes			(1,128,973)	(2,371,117)	(3,807,977)	(3,367,038)	(2,926,100)	(2,485,161)	(2,044,223)	(1,603,284)	(1,162,345)	(721,407)	(339,888)	(89,419)	0
Rate Base		**0**	**2,887,295**	**6,064,020**	**9,738,722**	**8,611,042**	**7,483,362**	**6,355,683**	**5,228,003**	**4,100,323**	**2,972,643**	**1,844,964**	**869,247**	**228,685**	**(0)**
Avg. rate base			**1,443,648**	**4,475,657**	**7,901,371**	**9,174,882**	**8,047,202**	**6,919,522**	**5,791,843**	**4,664,163**	**3,536,483**	**2,408,803**	**1,357,105**	**548,966**	**114,342**
* Pre-tax WACC for rev req	8.91%		8.91%	8.91%	8.91%	8.91%	8.91%	8.91%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
Carrying charge			128,590	398,660	703,798	817,234	716,788	616,342	515,897	415,451	315,005	214,559	120,881	48,898	10,185
+ Depreciation			211,383	677,588	1,250,515	1,568,618	1,568,618	1,568,618	1,568,618	1,568,618	1,568,618	1,568,618	1,357,236	891,031	318,104
+ O&M			751641	785414	858386	0	0	0	0	0	0	0	0	0	0
+ Property tax			-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expense			**1,091,613**	**1,861,662**	**2,812,699**	**2,385,852**	**2,285,406**	**2,184,961**	**2,084,515**	**1,984,069**	**1,883,623**	**1,783,178**	**1,478,117**	**939,929**	**328,289**
* Gross up factor	1.002		1.002	1.002	1.002	1.002	1.002	1.002	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Revenue Requirement	**$ 23,150,121**		**1,093,796**	**1,865,385**	**2,818,325**	**2,390,624**	**2,289,977**	**2,189,331**	**2,088,684**	**1,988,037**	**1,887,391**	**1,786,744**	**1,481,073**	**941,808**	**328,945**

SUPPORTING SCHEDULES

Reg Asset & Program Implementation

				2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Book depreciation schedule		**Spend**	**Depreciable life**													
	2021	4,227,651	10	211,383	422,765	422,765	422,765	422,765	422,765	422,765	422,765	422,765	422,765	211,383	-	-
	2022	5,096,456	10	-	254,823	509,646	509,646	509,646	509,646	509,646	509,646	509,646	509,646	509,646	254,823	-
	2023	6,362,077	10	-	-	318,104	636,208	636,208	636,208	636,208	636,208	636,208	636,208	636,208	636,208	318,104
	2024	-	0	-	-	-		-	-	-	-	-	-	-	-	-
	2025	-	0	-	-	-	-		-	-	-	-	-	-	-	-
Total book depreciation				211383	677588	1250515	1568618	1568618	1568618	1568618	1568618	1568618	1568618	1357236	891031	318104

					2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
New tax basis per year					4,227,651	5,096,456	6,362,077	-	-	-	-	-	-	-	-	-	-
Less: bonus depreciation per year	**0%**				-	-	-	-	-	-	-	-	-	-	-	-	-
CapEx eligible for MACRS depreciation per vintage					**4,227,651**	**5,096,456**	**6,362,077**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		Spend	1	**Tax life**													
	2021	4,227,651		1	4,227,651	-	-	-	-	-	-	-	-	-	-	-	-
	2022	5,096,456		1		5,096,456	-	-	-	-	-	-	-	-	-	-	-
	2023	6,362,077		1			6,362,077	-	-	-	-	-	-	-	-	-	-
	2024	-		1				-	-	-	-	-	-	-	-	-	-
	2025	-		1					-	-	-	-	-	-	-	-	-
Annual tax depreciation					**4,227,651**	**5,096,456**	**6,362,077**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Deferred Tax Calculation
Federal

		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Tax depreciation		4,227,651	5,096,456	6,362,077	-	-	-	-	-	-	-	-	-	-
Book depreciation (excluding cost of removal)		211383	677588	1250515	1568618	1568618	1568618	1568618	1568618	1568618	1568618	1357236	891031	318104
Difference between tax and book depreciation		4,016,268	4,418,869	5,111,562	(1,568,618)	(1,568,618)	(1,568,618)	(1,568,618)	(1,568,618)	(1,568,618)	(1,568,618)	(1,357,236)	(891,031)	(318,104)
* Tax rate	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Increase/(decrease) in normalized deferred taxes		1,128,973	1,242,144	1,436,860	(440,939)	(440,939)	(440,939)	(440,939)	(440,939)	(440,939)	(440,939)	(381,519)	(250,469)	(89,419)
Cumulative normalized deferred taxes		1,128,973	2,371,117	3,807,977	3,367,038	2,926,100	2,485,161	2,044,223	1,603,284	1,162,345	721,407	339,888	89,419	(0)

Attachment 4

Rockland Electric Company
Calculation of Energy Efficiency and
Peak Demand Reduction Cost Recovery Charge

	Rate Year 1
Revenue Requirement	**$1,093,796**
Estimated kWh Sales October 2021 - September 2022	1,505,194,400
Initial Surcharge ($/kWH) Excluding SUT	0.00073
SUT	6.625%
Initial Surcharge ($/kWH) Including SUT	0.00078
Initial Surcharge (¢/kWH) Including SUT	0.078

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE

The RGGI Surcharge shall be applied to the kWh usage on the bills of all customers served under this Schedule. The RGGI Surcharge shall include the costs related to the Company's:

(a) Energy Efficiency Stimulus Program ("EES Program");
(b) Low Income Audit and Direct Install Energy Efficiency Program ("Low Income Audit II Program");
(c) Low Income Audit and Direct Install Energy Efficiency Program ("Low Income Audit III Program);
(d) Solar Renewable Energy Certificate Program ("SREC Program"), including both the SREC I and SREC II Programs;
(e) Transitional Renewable Energy Certificate Program ("TREC Program"); and
(f) Clean Energy Act Energy Efficiency ("EE") and Peak Demand Reduction ("PDR") programs.

The RGGI Surcharge to be effective on and after the date indicated below shall be set at 0.1935 cents per kWh, including sales and use tax ("SUT"). The RGGI Surcharge includes the following rate components:

	RGGI Surcharge Rate Components (Cents per kWh)	
	Excluding SUT	Including SUT
EES Program	(0.0115)	(0.0123)
Low Income Audit II Program	0.0148	0.0158
Low Income Audit III Program	(0.0080)	(0.0085)
SREC I Program	0.0808	0.0862
SREC II Program	0.0000	0.0000
TREC Program	0.0444	0.0473
Clean Energy Act Program	0.0730	0.0780
Total RGGI Surcharge	0.1935	0.2065

(a) EES Program

The EES Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the EES Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the EES Program and actual recoveries through the EES Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the EES Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The EES Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following June 1.

(Continued)

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE (Continued)

(d) SREC Program

The SREC Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected for both the SREC I and SREC II Programs. Any differences will be included in the SREC Program components of the following year's RGGI Surcharge. The differences between the actual monthly costs associated with the SREC I and SREC II Programs and actual recoveries through the SREC Program components of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the SREC I and SREC II Program components of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The SREC Program components of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted SREC I and SREC II Program costs over the twelve-month period commencing the following June 1. For the initial period, the SREC Program component of the RGGI Surcharge will collect one-third of the accumulated SREC Program costs through December 31, 2016. The SREC Program filings made on February 1, 2018, and February 1, 2019, will also each include the remaining one-third of the of the accumulated SREC Program costs through December 31, 2016 in addition to the recovery of the prior year's over- or under-recovered balances and the forecasted SREC Program costs for the following twelve-month period.

(e) TREC Program

The TREC Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the TREC Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the TREC Program and actual recoveries through the TREC Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the TREC Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The TREC Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted TREC Program costs over the twelve-month period commencing the following June 1.

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE (Continued)

(f) Clean Energy Act

The Clean Energy Act component of the RGGI will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the Clean Energy Act component of the following year's RGGI. The difference between the actual monthly revenue requirement associated with the Clean Energy Act EE and PDR programs and actual recoveries through the Clean Energy Act component of the RGGI will be deferred, with interest, for future recovery in the case of an under-collection or for future credits in the case of an over-collection. The initial Clean Energy Act component of the RGGI rate will become effective on July 1, 2021. Thereafter, on February 1 of each year, the Company shall file with the Board the Clean Energy Act component of the RGGI to be effective for the twelve-month period commencing on the following June 1. The Clean Energy Act component of the RGGI shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted Clean Energy Act EE and PDR programs revenue requirement over the twelve-month period commencing the following June 1.

Interest will be included in the deferred balance for both an over-collection and for an under-collection for each component of the RGGI Surcharge and will be calculated as determined by the Board in its Order dated October 21, 2008 in Docket Number ER08060455.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT

Subject to an earnings test, the non-bypassable CIP Adjustment shall be applied to the kWh delivered under Service Classification ("SC") Nos. 1, 2, 3, and 5. For CIP Adjustment purposes, the following customer groups have been established:

Group A – SC Nos. 1, 3, and 5
Group B – SC No. 2 – Secondary
Group C – SC No. 2 – Primary

The earnings test will compare the Company's actual return on equity ("ROE") to its allowed ROE from the most recently approved base rate filing. Should the actual ROE exceed the approved base rate filing ROE by 50 basis points or more, the CIP Adjustment surcharge or sur-credit shall not be allowed for the applicable program year.

The CIP Adjustment shall be based on the difference between actual revenue and allowed revenue based upon group specific Revenue Per Customer ("RPC") targets for the twelve-month period ended June 30 of each year.

Actual Revenue shall be equal to the sum of billed distribution charge revenue (*i.e.,* customer charge revenue, distribution usage revenue, and distribution demand revenue). Actual Revenue will not include revenues derived from the CIP Adjustment.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT (Continued)

Monthly customer group specific RPC targets are calculated by dividing the number of customers for each month into the monthly distribution revenue approved in the Company's most recent base rate filing. On a monthly basis, the allowed revenue shall be calculated by multiplying the customer group specific RPC target by the actual number of customers for that month in the customer group.

RPC Targets ($/customer)

Month	Group A	Group B	Group C
Jul	78.35	259.72	2,820.97
Aug	78.90	300.80	2,896.44
Sep	65.72	254.89	2,145.01
Oct	44.79	210.65	3,245.17
Nov	43.02	230.44	3,422.46
Dec	48.01	242.20	3,071.14
Jan	56.86	236.88	2,928.16
Feb	48.67	198.58	2,540.24
Mar	43.33	202.18	2,291.07
Apr	40.45	226.44	2,811.01
May	41.37	241.96	3,768.58
Jun	53.36	230.78	2,991.16

The Company will determine the maximum amount of revenue the Company may collect in a program year through the CIP Adjustment charges. For the first annual deferral period (July 1, 2021 through June 30, 2022), the maximum amount of revenue will be determined by taking 4.0% of the customer charge revenue, distribution usage revenue, and distribution demand revenue of customer groups A – C. In subsequent years, the maximum amount of revenue will be determined by taking 6.5% of the customer charge revenue, distribution usage revenue, and distribution demand revenue of customer groups A – C. If the amount to be collected (*i.e.*, the difference between actual revenue and allowed revenue) is larger than baseline amount established by the savings test, the difference between the total amount to be collected and the baseline will be deferred for collection in the following year.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT (Continued)

Each month, the Company will compare the monthly actual distribution revenue to the monthly target distribution revenue for each customer group. A carrying charge will be calculated on the deferred balance for any over-collection or under-collection. The carrying charge will be calculate in accordance with the Board's Order dated October 21, 2008 in BPU Docket No. ER08060455.

Commencing July 31, 2022 and every July 31 thereafter, the Company will file to determine each customer group specific CIP Adjustment applicable for the 12-month period commencing October 1.

	CIP Adjustment (¢ per kWh)	
	Excluding SUT	Including SUT
Group A	0.0000	0.0000
Group B	0.0000	0.0000
Group C	0.0000	0.0000

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE

The RGGI Surcharge shall be applied to the kWh usage on the bills of all customers served under this Schedule. The RGGI Surcharge shall include the costs related to the Company's:

(a) Energy Efficiency Stimulus Program ("EES Program");
(b) Low Income Audit and Direct Install Energy Efficiency Program ("Low Income Audit II Program");
(c) Low Income Audit and Direct Install Energy Efficiency Program ("Low Income Audit III Program);
(d) Solar Renewable Energy Certificate Program ("SREC Program"), including both the SREC I and SREC II Programs; ~~and~~
(e) Transitional Renewable Energy Certificate Program ("TREC Program~~").~~"); and
(f) Clean Energy Act Energy Efficiency ("EE") and Peak Demand Reduction ("PDR") programs.

The RGGI Surcharge to be effective on and after the date indicated below shall be set at 0.~~1285~~ 1935 cents per kWh, including sales and use tax ("SUT"). The RGGI Surcharge includes the following rate components:

	RGGI Surcharge Rate Components (Cents per kWh)	
	Excluding SUT	Including SUT
EES Program	(0.0115)	(0.0123)
Low Income Audit II Program	0.0148	0.0158
Low Income Audit III Program	(0.0080)	(0.0085)
SREC I Program	0.0808	0.0862
SREC II Program	0.0000	0.0000
TREC Program	0.0444	0.0473
Clean Energy Act Program	0.0730	0.0780
Total RGGI Surcharge	0.~~1205~~.1935	0.~~1285~~2065

(a) EES Program

The EES Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the EES Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the EES Program and actual recoveries through the EES Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the EES Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The EES Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following June 1.

(Continued)

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE (Continued)

(d) SREC Program

The SREC Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected for both the SREC I and SREC II Programs. Any differences will be included in the SREC Program components of the following year's RGGI Surcharge. The differences between the actual monthly costs associated with the SREC I and SREC II Programs and actual recoveries through the SREC Program components of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the SREC I and SREC II Program components of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The SREC Program components of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted SREC I and SREC II Program costs over the twelve-month period commencing the following June 1. For the initial period, the SREC Program component of the RGGI Surcharge will collect one-third of the accumulated SREC Program costs through December 31, 2016. The SREC Program filings made on February 1, 2018, and February 1, 2019, will also each include the remaining one-third of the of the accumulated SREC Program costs through December 31, 2016 in addition to the recovery of the prior year's over- or under-recovered balances and the forecasted SREC Program costs for the following twelve-month period.

(e) TREC Program

The TREC Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the TREC Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the TREC Program and actual recoveries through the TREC Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the TREC Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The TREC Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted TREC Program costs over the twelve-month period commencing the following June 1.

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE (Continued)

(f) Clean Energy Act

The Clean Energy Act component of the RGGI will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the Clean Energy Act component of the following year's RGGI. The difference between the actual monthly revenue requirement associated with the Clean Energy Act EE and PDR programs and actual recoveries through the Clean Energy Act component of the RGGI will be deferred, with interest, for future recovery in the case of an under-collection or for future credits in the case of an over-collection. The initial Clean Energy Act component of the RGGI rate will become effective on July 1, 2021. Thereafter, on February 1 of each year, the Company shall file with the Board the Clean Energy Act component of the RGGI to be effective for the twelve-month period commencing on the following June 1. The Clean Energy Act component of the RGGI shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted Clean Energy Act EE and PDR programs revenue requirement over the twelve-month period commencing the following June 1.

Interest will be included in the deferred balance for both an over-collection and for an under-collection for each component of the RGGI Surcharge and will be calculated as determined by the Board in its Order dated October 21, 2008 in Docket Number ER08060455.

ROCKLAND ELECTRIC COMPANY
B.P.U. NO. 3 - ELECTRICITY

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT

Subject to an earnings test, the non-bypassable CIP Adjustment shall be applied to the kWh delivered under Service Classification ("SC") Nos. 1, 2, 3, and 5. For CIP Adjustment purposes, the following customer groups have been established:

Group A – SC Nos. 1, 3, and 5
Group B – SC No. 2 – Secondary
Group C – SC No. 2 – Primary

The earnings test will compare the Company's actual return on equity ("ROE") to its allowed ROE from the most recently approved base rate filing. Should the actual ROE exceed the approved base rate filing ROE by 50 basis points or more, the CIP Adjustment surcharge or sur-credit shall not be allowed for the applicable program year.

The CIP Adjustment shall be based on the difference between actual revenue and allowed revenue based upon group specific Revenue Per Customer ("RPC") targets for the twelve-month period ended June 30 of each year.

Actual Revenue shall be equal to the sum of billed distribution charge revenue (*i.e.,* customer charge revenue, distribution usage revenue, and distribution demand revenue). Actual Revenue will not include revenues derived from the CIP Adjustment.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT (Continued)

Monthly customer group specific RPC targets are calculated by dividing the number of customers for each month into the monthly distribution revenue approved in the Company's most recent base rate filing. On a monthly basis, the allowed revenue shall be calculated by multiplying the customer group specific RPC target by the actual number of customers for that month in the customer group.

RPC Targets ($/customer)

Month	Group A	Group B	Group C
Jul	78.35	259.72	2,820.97
Aug	78.90	300.80	2,896.44
Sep	65.72	254.89	2,145.01
Oct	44.79	210.65	3,245.17
Nov	43.02	230.44	3,422.46
Dec	48.01	242.20	3,071.14
Jan	56.86	236.88	2,928.16
Feb	48.67	198.58	2,540.24
Mar	43.33	202.18	2,291.07
Apr	40.45	226.44	2,811.01
May	41.37	241.96	3,768.58
Jun	53.36	230.78	2,991.16

The Company will determine the maximum amount of revenue the Company may collect in a program year through the CIP Adjustment charges. For the first annual deferral period (July 1, 2021 through June 30, 2022), the maximum amount of revenue will be determined by taking 4.0% of the customer charge revenue, distribution usage revenue, and distribution demand revenue of customer groups A – C. In subsequent years, the maximum amount of revenue will be determined by taking 6.5% of the customer charge revenue, distribution usage revenue, and distribution demand revenue of customer groups A – C. If the amount to be collected (*i.e.*, the difference between actual revenue and allowed revenue) is larger than baseline amount established by the savings test, the difference between the total amount to be collected and the baseline will be deferred for collection in the following year.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT (Continued)

Each month, the Company will compare the monthly actual distribution revenue to the monthly target distribution revenue for each customer group. A carrying charge will be calculated on the deferred balance for any over-collection or under-collection. The carrying charge will be calculate in accordance with the Board's Order dated October 21, 2008 in BPU Docket No. ER08060455.

Commencing July 31, 2022 and every July 31 thereafter, the Company will file to determine each customer group specific CIP Adjustment applicable for the 12-month period commencing October 1.

	CIP Adjustment (¢ per kWh)	
	Excluding SUT	Including SUT
Group A	0.0000	0.0000
Group B	0.0000	0.0000
Group C	0.0000	0.0000

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE

The RGGI Surcharge shall be applied to the kWh usage on the bills of all customers served under this Schedule. The RGGI Surcharge shall include the costs related to the Company's:

(a) Energy Efficiency Stimulus Program ("EES Program");
(b) Low Income Audit and Direct Install Energy Efficiency Program ("Low Income Audit II Program");
(c) Low Income Audit and Direct Install Energy Efficiency Program ("Low Income Audit III Program);
(d) Solar Renewable Energy Certificate Program ("SREC Program"), including both the SREC I and SREC II Programs;
(e) Transitional Renewable Energy Certificate Program ("TREC Program"); and
(f) Clean Energy Act Energy Efficiency ("EE") and Peak Demand Reduction ("PDR") programs.

The RGGI Surcharge to be effective on and after the date indicated below shall be set at 0.1935 cents per kWh, including sales and use tax ("SUT"). The RGGI Surcharge includes the following rate components:

	RGGI Surcharge Rate Components (Cents per kWh)	
	Excluding SUT	Including SUT
EES Program	(0.0115)	(0.0123)
Low Income Audit II Program	0.0148	0.0158
Low Income Audit III Program	(0.0080)	(0.0085)
SREC I Program	0.0808	0.0862
SREC II Program	0.0000	0.0000
TREC Program	0.0444	0.0473
Clean Energy Act Program	0.0730	0.0780
Total RGGI Surcharge	0.1935	0.2065

(a) EES Program

The EES Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the EES Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the EES Program and actual recoveries through the EES Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the EES Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The EES Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following June 1.

(Continued)

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE (Continued)

(d) SREC Program

The SREC Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected for both the SREC I and SREC II Programs. Any differences will be included in the SREC Program components of the following year's RGGI Surcharge. The differences between the actual monthly costs associated with the SREC I and SREC II Programs and actual recoveries through the SREC Program components of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the SREC I and SREC II Program components of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The SREC Program components of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted SREC I and SREC II Program costs over the twelve-month period commencing the following June 1. For the initial period, the SREC Program component of the RGGI Surcharge will collect one-third of the accumulated SREC Program costs through December 31, 2016. The SREC Program filings made on February 1, 2018, and February 1, 2019, will also each include the remaining one-third of the of the accumulated SREC Program costs through December 31, 2016 in addition to the recovery of the prior year's over- or under-recovered balances and the forecasted SREC Program costs for the following twelve-month period.

(e) TREC Program

The TREC Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the TREC Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the TREC Program and actual recoveries through the TREC Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the TREC Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The TREC Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted TREC Program costs over the twelve-month period commencing the following June 1.

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE (Continued)

(f) Clean Energy Act

The Clean Energy Act component of the RGGI will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the Clean Energy Act component of the following year's RGGI. The difference between the actual monthly revenue requirement associated with the Clean Energy Act EE and PDR programs and actual recoveries through the Clean Energy Act component of the RGGI will be deferred, with interest, for future recovery in the case of an under-collection or for future credits in the case of an over-collection. The initial Clean Energy Act component of the RGGI rate will become effective on July 1, 2021. Thereafter, on February 1 of each year, the Company shall file with the Board the Clean Energy Act component of the RGGI to be effective for the twelve-month period commencing on the following June 1. The Clean Energy Act component of the RGGI shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted Clean Energy Act EE and PDR programs revenue requirement over the twelve-month period commencing the following June 1.

Interest will be included in the deferred balance for both an over-collection and for an under-collection for each component of the RGGI Surcharge and will be calculated as determined by the Board in its Order dated October 21, 2008 in Docket Number ER08060455.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT

Subject to an earnings test, the non-bypassable CIP Adjustment shall be applied to the kWh delivered under Service Classification ("SC") Nos. 1, 2, 3, and 5. For CIP Adjustment purposes, the following customer groups have been established:

Group A – SC Nos. 1, 3, and 5
Group B – SC No. 2 – Secondary
Group C – SC No. 2 – Primary

The earnings test will compare the Company's actual return on equity ("ROE") to its allowed ROE from the most recently approved base rate filing. Should the actual ROE exceed the approved base rate filing ROE by 50 basis points or more, the CIP Adjustment surcharge or sur-credit shall not be allowed for the applicable program year.

The CIP Adjustment shall be based on the difference between actual revenue and allowed revenue based upon group specific Revenue Per Customer ("RPC") targets for the twelve-month period ended June 30 of each year.

Actual Revenue shall be equal to the sum of billed distribution charge revenue (*i.e.,* customer charge revenue, distribution usage revenue, and distribution demand revenue). Actual Revenue will not include revenues derived from the CIP Adjustment.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM (“CIP”) ADJUSTMENT (Continued)

Monthly customer group specific RPC targets are calculated by dividing the number of customers for each month into the monthly distribution revenue approved in the Company’s most recent base rate filing. On a monthly basis, the allowed revenue shall be calculated by multiplying the customer group specific RPC target by the actual number of customers for that month in the customer group.

RPC Targets ($/customer)

Month	Group A	Group B	Group C
Jul	78.35	259.72	2,820.97
Aug	78.90	300.80	2,896.44
Sep	65.72	254.89	2,145.01
Oct	44.79	210.65	3,245.17
Nov	43.02	230.44	3,422.46
Dec	48.01	242.20	3,071.14
Jan	56.86	236.88	2,928.16
Feb	48.67	198.58	2,540.24
Mar	43.33	202.18	2,291.07
Apr	40.45	226.44	2,811.01
May	41.37	241.96	3,768.58
Jun	53.36	230.78	2,991.16

The Company will determine the maximum amount of revenue the Company may collect in a program year through the CIP Adjustment charges. For the first annual deferral period (July 1, 2021 through June 30, 2022), the maximum amount of revenue will be determined by taking 4.0% of the customer charge revenue, distribution usage revenue, and distribution demand revenue of customer groups A – C. In subsequent years, the maximum amount of revenue will be determined by taking 6.5% of the customer charge revenue, distribution usage revenue, and distribution demand revenue of customer groups A – C. If the amount to be collected (*i.e.*, the difference between actual revenue and allowed revenue) is larger than baseline amount established by the savings test, the difference between the total amount to be collected and the baseline will be deferred for collection in the following year.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT (Continued)

Each month, the Company will compare the monthly actual distribution revenue to the monthly target distribution revenue for each customer group. A carrying charge will be calculated on the deferred balance for any over-collection or under-collection. The carrying charge will be calculate in accordance with the Board's Order dated October 21, 2008 in BPU Docket No. ER08060455.

Commencing July 31, 2022 and every July 31 thereafter, the Company will file to determine each customer group specific CIP Adjustment applicable for the 12-month period commencing October 1.

	CIP Adjustment (¢ per kWh)	
	Excluding SUT	Including SUT
Group A	0.0000	0.0000
Group B	0.0000	0.0000
Group C	0.0000	0.0000

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE (“RGGI”) SURCHARGE

The RGGI Surcharge shall be applied to the kWh usage on the bills of all customers served under this Schedule. The RGGI Surcharge shall include the costs related to the Company’s:

(a) Energy Efficiency Stimulus Program (“EES Program”);
(b) Low Income Audit and Direct Install Energy Efficiency Program (“Low Income Audit II Program”);
(c) Low Income Audit and Direct Install Energy Efficiency Program (“Low Income Audit III Program);
(d) Solar Renewable Energy Certificate Program (“SREC Program”), including both the SREC I and SREC II Programs; ~~and~~
(e) Transitional Renewable Energy Certificate Program (“TREC Program~~”).~~”); and
(f) Clean Energy Act Energy Efficiency (“EE”) and Peak Demand Reduction (“PDR”) programs.

The RGGI Surcharge to be effective on and after the date indicated below shall be set at 0.~~1285~~ 1935 cents per kWh, including sales and use tax ("SUT"). The RGGI Surcharge includes the following rate components:

	RGGI Surcharge Rate Components (Cents per kWh)	
	Excluding SUT	Including SUT
EES Program	(0.0115)	(0.0123)
Low Income Audit II Program	0.0148	0.0158
Low Income Audit III Program	(0.0080)	(0.0085)
SREC I Program	0.0808	0.0862
SREC II Program	0.0000	0.0000
TREC Program	0.0444	0.0473
Clean Energy Act Program	0.0730	0.0780
Total RGGI Surcharge	0.~~1205~~.1935	0.~~1285~~2065

(a) EES Program

The EES Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the EES Program component of the following year’s RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the EES Program and actual recoveries through the EES Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the EES Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The EES Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following June 1.

(Continued)

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE (Continued)

(d) SREC Program

The SREC Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected for both the SREC I and SREC II Programs. Any differences will be included in the SREC Program components of the following year's RGGI Surcharge. The differences between the actual monthly costs associated with the SREC I and SREC II Programs and actual recoveries through the SREC Program components of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the SREC I and SREC II Program components of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The SREC Program components of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted SREC I and SREC II Program costs over the twelve-month period commencing the following June 1. For the initial period, the SREC Program component of the RGGI Surcharge will collect one-third of the accumulated SREC Program costs through December 31, 2016. The SREC Program filings made on February 1, 2018, and February 1, 2019, will also each include the remaining one-third of the of the accumulated SREC Program costs through December 31, 2016 in addition to the recovery of the prior year's over- or under-recovered balances and the forecasted SREC Program costs for the following twelve-month period.

(e) TREC Program

The TREC Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the TREC Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the TREC Program and actual recoveries through the TREC Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On February 1 of each year, the Company shall file with the Board the TREC Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The TREC Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted TREC Program costs over the twelve-month period commencing the following June 1.

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE (Continued)

(f) Clean Energy Act

The Clean Energy Act component of the RGGI will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the Clean Energy Act component of the following year's RGGI. The difference between the actual monthly revenue requirement associated with the Clean Energy Act EE and PDR programs and actual recoveries through the Clean Energy Act component of the RGGI will be deferred, with interest, for future recovery in the case of an under-collection or for future credits in the case of an over-collection. The initial Clean Energy Act component of the RGGI rate will become effective on July 1, 2021. Thereafter, on February 1 of each year, the Company shall file with the Board the Clean Energy Act component of the RGGI to be effective for the twelve-month period commencing on the following June 1. The Clean Energy Act component of the RGGI shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted Clean Energy Act EE and PDR programs revenue requirement over the twelve-month period commencing the following June 1.

Interest will be included in the deferred balance for both an over-collection and for an under-collection for each component of the RGGI Surcharge and will be calculated as determined by the Board in its Order dated October 21, 2008 in Docket Number ER08060455.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT

Subject to an earnings test, the non-bypassable CIP Adjustment shall be applied to the kWh delivered under Service Classification ("SC") Nos. 1, 2, 3, and 5. For CIP Adjustment purposes, the following customer groups have been established:

Group A – SC Nos. 1, 3, and 5
Group B – SC No. 2 – Secondary
Group C – SC No. 2 – Primary

The earnings test will compare the Company's actual return on equity ("ROE") to its allowed ROE from the most recently approved base rate filing. Should the actual ROE exceed the approved base rate filing ROE by 50 basis points or more, the CIP Adjustment surcharge or sur-credit shall not be allowed for the applicable program year.

The CIP Adjustment shall be based on the difference between actual revenue and allowed revenue based upon group specific Revenue Per Customer ("RPC") targets for the twelve-month period ended June 30 of each year.

Actual Revenue shall be equal to the sum of billed distribution charge revenue (*i.e.*, customer charge revenue, distribution usage revenue, and distribution demand revenue). Actual Revenue will not include revenues derived from the CIP Adjustment.

ROCKLAND ELECTRIC COMPANY
B.P.U. NO. 3 - ELECTRICITY

Revised Leaf No. 65B
Superseding Revised Leaf No. 65B

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT (Continued)

Monthly customer group specific RPC targets are calculated by dividing the number of customers for each month into the monthly distribution revenue approved in the Company's most recent base rate filing. On a monthly basis, the allowed revenue shall be calculated by multiplying the customer group specific RPC target by the actual number of customers for that month in the customer group.

RPC Targets ($/customer)

Month	Group A	Group B	Group C
Jul	78.35	259.72	2,820.97
Aug	78.90	300.80	2,896.44
Sep	65.72	254.89	2,145.01
Oct	44.79	210.65	3,245.17
Nov	43.02	230.44	3,422.46
Dec	48.01	242.20	3,071.14
Jan	56.86	236.88	2,928.16
Feb	48.67	198.58	2,540.24
Mar	43.33	202.18	2,291.07
Apr	40.45	226.44	2,811.01
May	41.37	241.96	3,768.58
Jun	53.36	230.78	2,991.16

The Company will determine the maximum amount of revenue the Company may collect in a program year through the CIP Adjustment charges. For the first annual deferral period (July 1, 2021 through June 30, 2022), the maximum amount of revenue will be determined by taking 4.0% of the customer charge revenue, distribution usage revenue, and distribution demand revenue of customer groups A – C. In subsequent years, the maximum amount of revenue will be determined by taking 6.5% of the customer charge revenue, distribution usage revenue, and distribution demand revenue of customer groups A – C. If the amount to be collected (*i.e.*, the difference between actual revenue and allowed revenue) is larger than baseline amount established by the savings test, the difference between the total amount to be collected and the baseline will be deferred for collection in the following year.

GENERAL INFORMATION

No. 40 CONSERVATION INCENTIVE PROGRAM ("CIP") ADJUSTMENT (Continued)

Each month, the Company will compare the monthly actual distribution revenue to the monthly target distribution revenue for each customer group. A carrying charge will be calculated on the deferred balance for any over-collection or under-collection. The carrying charge will be calculate in accordance with the Board's Order dated October 21, 2008 in BPU Docket No. ER08060455.

Commencing July 31, 2022 and every July 31 thereafter, the Company will file to determine each customer group specific CIP Adjustment applicable for the 12-month period commencing October 1.

	CIP Adjustment (¢ per kWh)	
	Excluding SUT	Including SUT
Group A	0.0000	0.0000
Group B	0.0000	0.0000
Group C	0.0000	0.0000

Attachment 6 – CIP Methodology

Rockland Electric Company
Proposed Conservation Incentive Program

Revenue Per Customer Factor - SC Nos. 1, 3, and 5

Month	Distribution Revenue (1)	# of Customers	RPC Factor $ / Customer
Jul	5,031,778	64,224	78.35
Aug	5,072,760	64,296	78.90
Sep	4,226,012	64,307	65.72
Oct	2,868,715	64,050	44.79
Nov	2,758,604	64,119	43.02
Dec	3,078,793	64,127	48.01
Jan	3,648,133	64,163	56.86
Feb	3,125,538	64,214	48.67
Mar	2,783,919	64,248	43.33
Apr	2,596,693	64,203	40.45
May	2,657,111	64,223	41.37
Jun	3,427,074	64,220	53.36

1. Distribution Revenue based on billing determinants for the 12 ME September 2019
2019 approved in the Company's prior base rate proceeding, BPU Docket No. ER19050552

Rockland Electric Company
Proposed Conservation Incentive Program

Revenue Per Customer Factor - SC No. 2 - Secondary

Month	Distribution Revenue (1)	# of Customers	RPC Factor $ / Customer
Jul	2,238,237	8,618	259.72
Aug	2,592,913	8,620	300.80
Sep	2,194,831	8,611	254.89
Oct	1,812,651	8,605	210.65
Nov	1,987,301	8,624	230.44
Dec	2,090,465	8,631	242.20
Jan	2,044,529	8,631	236.88
Feb	1,712,931	8,626	198.58
Mar	1,743,177	8,622	202.18
Apr	1,949,902	8,611	226.44
May	2,084,956	8,617	241.96
Jun	1,989,107	8,619	230.78

1. Distribution Revenue based on billing determinants for the 12 ME September 2019
2019 approved in the Company's prior base rate proceeding, BPU Docket No. ER19050552

Rockland Electric Company
Proposed Conservation Incentive Program

Revenue Per Customer Factor - SC No. 2 - Primary

Month	Distribution Revenue (1)	# of Customers	RPC Factor $ / Customer
Jul	220,036	78	2,820.97
Aug	225,922	78	2,896.44
Sep	165,166	77	2,145.01
Oct	246,633	76	3,245.17
Nov	260,107	76	3,422.46
Dec	233,407	76	3,071.14
Jan	219,612	75	2,928.16
Feb	187,978	74	2,540.24
Mar	60,042	74	811.38
Apr	210,826	75	2,811.01
May	286,412	76	3,768.58
Jun	230,319	77	2,991.16

1. Distribution Revenue based on billing determinants for the 12 ME September 2019
2019 approved in the Company's prior base rate proceeding, BPU Docket No. ER19050552

Rockland Electric Company
Proposed Conservation Incentive Program

Total Annual Distribution Revenue ($)

Illustrative Example

SC Nos. 1, 3, and 5	$40,148,000
SC No. 2 Secondary	23,495,000
SC No. 2 Primary	2,615,300
Total	$66,258,300

Rockland Electric Company
Proposed Conservation Incentive Program

Illustrative Reconciliation - Revenue Per Customer - SC Nos. 1, 3, and 5 (Residential)

Month	Actual Revenue (a)	Actual Customer Count (b)	Actual Avg Revenue / Customer (c) = (a)/(b)	RPC Factor $ / Customer (d)	Difference (e) = (d) - (c)	Margin Variance (Over)/Under (f) = (e) *(b)	Interest Rate	(Over)/Under with Interest
Jul-21	$5,051,000	64,498	$78.31	$78.35	$0.04	$2,580	2.50%	$2,584
Aug-21	5,242,000	64,570	81.18	78.90	-2.28	(147,220)	3.27%	(147,508)
Sep-21	4,390,000	64,581	67.98	65.72	-2.26	(145,953)	3.26%	(146,238)
Oct-21	3,125,000	64,627	48.35	44.79	-3.56	(230,072)	3.42%	(230,544)
Nov-21	2,512,000	64,664	38.85	43.02	4.17	269,650	3.44%	270,205
Dec-21	2,959,000	64,703	45.73	48.01	2.28	147,524	3.43%	147,827
Jan-22	3,239,000	64,767	50.01	56.86	6.85	443,653	3.10%	444,477
Feb-22	2,858,000	64,762	44.13	48.67	4.54	294,019	3.12%	294,568
Mar-22	2,623,000	64,772	40.50	43.33	2.83	183,304	3.12%	183,647
Apr-22	2,403,000	64,790	37.09	40.45	3.36	217,693	3.12%	218,100
May-22	2,395,000	64,787	36.97	41.37	4.40	285,065	3.12%	285,598
Jun-22	3,351,000	64,784	51.73	53.36	1.63	105,599	3.12%	105,796
	$40,148,000					$1,425,841		$1,428,512

Fed & State Income Tax Rate	
Federal Income Tax Rate (Effective 1/1/2018)	21.00%
State Income Tax Rate	9.00%
Income Tax Gross Up Factor = 1 / [(1 - 0.21) * (1 - 0.0900)]	28.11%

Notes:
(d) Calculated on tab RES RPC Factor

Rockland Electric Company
Proposed Conservation Incentive Program

Illustrative Reconciliation - Revenue Per Customer - SC No. 2 - Secondary

Month	Actual Revenue (a)	Actual Customer Count (b)	Actual Avg Revenue / Customer (c) = (a)/(b)	RPC Factor $ / Customer (d)	Difference (e) = (d) - (c)	Margin Variance (Over)/Under (f) = (e) *(b)	Interest Rate	(Over)/Under with Interest
Jul-21	$2,288,000	8,674	$263.78	$259.72	($4.06)	($35,216)	2.50%	($35,269)
Aug-21	2,377,000	8,676	273.97	300.80	26.83	232,777	3.27%	233,233
Sep-21	2,208,000	8,666	254.79	254.89	0.10	867	3.26%	868
Oct-21	2,016,000	8,675	232.39	210.65	(21.74)	(188,595)	3.42%	(188,981)
Nov-21	1,846,000	8,678	212.72	230.44	17.72	153,774	3.44%	154,091
Dec-21	1,763,000	8,688	202.92	242.20	39.28	341,265	3.43%	341,966
Jan-22	1,982,000	8,707	227.63	236.88	9.25	80,540	3.10%	80,689
Feb-22	1,816,000	8,713	208.42	198.58	(9.84)	(85,736)	3.12%	(85,896)
Mar-22	1,783,000	8,709	204.73	202.18	(2.55)	(22,208)	3.12%	(22,249)
Apr-22	1,802,000	8,725	206.53	226.44	19.91	173,715	3.12%	174,039
May-22	1,722,000	8,737	197.09	241.96	44.87	392,029	3.12%	392,762
Jun-22	1,892,000	8,736	216.58	230.78	14.20	124,051	3.12%	124,283
	$23,495,000					$1,167,263		$1,169,536

Fed & State Income Tax Rate	
Federal Income Tax Rate (Effective 1/1/2018)	21.00%
State Income Tax Rate	9.00%
Income Tax Gross Up Factor = 1 / [(1 - 0.21) * (1 - 0.0900)]	28.11%

Notes:
(d) Calculated on tab SEC RPC Factor

Rockland Electric Company
Proposed Conservation Incentive Program

Illustrative Reconciliation - Revenue Per Customer - SC No. 2 - Primary

Month	Actual Revenue (a)	Actual Customer Count (b)	Actual Avg Revenue / Customer (c) = (a)/(b)	RPC Factor $ / Customer (d)	Difference (e) = (d) - (c)	Margin Variance (Over)/Under (f) = (e) *(b)	Interest Rate	(Over)/Under with Interest
Jul-21	$210,000	76	$2,763.16	$2,820.97	$57.81	$4,394	2.50%	$4,400
Aug-21	200,000	76	2,631.58	2,896.44	264.86	20,129	3.27%	20,169
Sep-21	150,000	75	2,000.00	2,145.01	145.01	10,876	3.26%	10,897
Oct-21	250,000	73	3,424.66	3,245.17	(179.49)	(13,103)	3.42%	(13,130)
Nov-21	245,000	74	3,310.81	3,422.46	111.65	8,262	3.44%	8,279
Dec-21	220,000	74	2,972.97	3,071.14	98.17	7,265	3.43%	7,280
Jan-22	210,000	75	2,800.00	2,928.16	128.16	9,612	3.10%	9,630
Feb-22	190,000	75	2,533.33	2,540.24	6.91	518	3.12%	519
Mar-22	250,000	75	3,333.33	811.38	(2,521.95)	(189,146)	3.12%	(189,500)
Apr-22	214,000	76	2,815.79	2,811.01	(4.78)	(363)	3.12%	(364)
May-22	255,000	75	3,400.00	3,768.58	368.58	27,644	3.12%	27,695
Jun-22	221,300	76	2,911.84	2,991.16	79.32	6,028	3.12%	6,040
	$2,615,300					($107,885)		($108,085)

Fed & State Income Tax Rate	
Federal Income Tax Rate (Effective 1/1/2018)	21.00%
State Income Tax Rate	9.00%
Income Tax Gross Up Factor = 1 / [(1 - 0.21) * (1 - 0.0900)]	28.11%

Notes:
(d) Calculated on tab PRI RPC Factor

Rockland Electric Company
Proposed Conservation Incentive Program

Determination of Surcharge/Credits
Illustrative Reconciliation

		SC Nos. 1, 3, and 5	SC No. 2 Secondary	SC No. 2 Primary
Earnings Test - Pass or Fail			Pass	
Current Period (Over)/Under-Collection	(1)	$1,428,512	$1,169,536	($108,085)
Prior Period (Over) / Under-Collection	(2)	0	0	0
Amount to be Deferred for Future Recovery	(3)	0	0	0
Total Collection Target	(4) = (1) + (2) - (3)	$1,428,512	$1,169,536	($108,085)
Forecasted Sales	(5)	677,785,000	355,979,000	50,402,000
Rate ($/kWh), excluding SUT	(6) = (4) / (5)	0.00211	0.00329	(0.00214)
SUT	(7)	1.06625	1.06625	1.06625
Rate ($/kWh), including SUT	(8) = (6) * (7)	0.00225	0.00351	(0.00228)

Weather Normalization Calculation

Illustrative Example

SC Nos. 1, 3, and 5

	DEGREE DAYS NORMAL	DEGREE DAYS ACTUAL	DEGREE DAYS VARIANCE	HDD CONSUMPTION FACTOR	DEGREE DAYS kWh	DEGREE DAYS NORMAL	DEGREE DAYS ACTUAL	DEGREE DAYS VARIANCE	CDD CONSUMPTION FACTOR	COOLING kWh	TOTAL kWh	MARGIN FACTOR	MARGIN IMPACT	Hypothetical Jul21-Jun22 ACTUAL BILLED SALES (KWh)	2021 Budget CDD COEFFICIENT	2021 Budget HDD COEFFICIENT
Jul-21	0	0	0	31,293	0	400	418	19	142,675	2,650,903	2,650,903	$0.0589	$156,202	88,398,435	0.000538	0.000118
Aug-21	0	0	0	32,696	0	471	491	20	149,069	3,023,127	3,023,127	$0.0589	$178,146	92,360,195		
Sep-21	0	0	(0)	24,949	(4,740)	386	358	-28	113,750	(3,156,552)	(3,161,292)	$0.0589	($186,281)	70,476,837		
Oct-21	44	37	(7)	19,501	(131,438)	191	191	0	88,912	23,117	(108,321)	$0.0589	($6,383)	55,088,023		
Nov-21	247	337	91	17,730	1,609,006	27	27	-1	80,837	(56,586)	1,552,420	$0.0589	$91,470	50,085,007		
Dec-21	565	654	89	19,249	1,708,583	0	2	2	87,765	167,630	1,876,213	$0.0589	$110,549	54,377,034		
Jan-22	817	748	(70)	21,352	(1,488,213)	0	0	0	97,349	0	(1,488,213)	$0.0589	($87,692)	60,315,519		
Feb-22	835	849	15	18,810	274,630	0	0	0	85,762	0	274,630	$0.0589	$16,183	53,136,389		
Mar-22	702	751	49	17,039	840,369	0	0	0	77,687	0	840,369	$0.0589	$49,521	48,133,112		
Apr-22	458	425	(34)	15,100	(508,127)	3	9	6	68,847	431,673	(76,454)	$0.0589	($4,504)	42,656,409		
May-22	185	186	0	15,563	5,914	48	32	-16	70,955	(1,146,638)	(1,140,724)	$0.0589	($67,208)	43,962,401		
Jun-22	33	40	7	19,919	137,042	188	159	-29	90,817	(2,617,338)	(2,480,296)	$0.0589	($146,151)	56,268,115		
TOTAL	3,886	4,026	140		2,443,026	1,714	1,688	(26		-680,664	1,762,362		$103,853	715,257,476		

SC No. 2

	DEGREE DAYS NORMAL	DEGREE DAYS ACTUAL	DEGREE DAYS VARIANCE	HDD CONSUMPTION FACTOR	DEGREE DAYS kWh	DEGREE DAYS NORMAL	DEGREE DAYS ACTUAL	DEGREE DAYS VARIANCE	CDD CONSUMPTION FACTOR	COOLING kWh	TOTAL kWh	MARGIN FACTOR	MARGIN IMPACT	Hypothetical Jul21-Jun22 ACTUAL BILLED SALES (KWh)	2021 Budget CDD COEFFICIENT	2021 Budget HDD COEFFICIENT
Jul-21	0	0	0	10,786	0	400	418	19	14,298	265,659	265,659	$0.0472	$12,542	51,804,806	0.000276	0.0000694
Aug-21	0	0	0	11,843	0	471	491	20	15,699	318,377	318,377	$0.0472	$15,031	56,880,725		
Sep-21	0	0	(0)	9,594	(1,823)	386	358	-28	12,718	(352,925)	(354,748)	$0.0472	($16,748)	46,079,768		
Oct-21	44	37	(7)	8,484	(57,183)	191	191	0	11,247	2,924	(54,258)	$0.0472	($2,562)	40,749,606		
Nov-21	247	337	91	9,091	824,968	27	27	-1	12,051	(8,436)	816,532	$0.0472	$38,549	43,662,596		
Dec-21	565	654	89	9,453	839,069	0	2	2	12,532	23,935	863,004	$0.0472	$40,743	45,404,562		
Jan-22	817	748	(70)	8,875	(618,557)	0	0	0	11,765	0	(618,557)	$0.0472	($29,203)	42,625,170		
Feb-22	835	849	15	7,577	110,618	0	0	0	10,044	0	110,618	$0.0472	$5,222	36,390,733		
Mar-22	702	751	49	7,795	384,470	0	0	0	10,334	0	384,470	$0.0472	$18,151	37,441,920		
Apr-22	458	425	(34)	8,868	(298,412)	3	9	6	11,756	73,710	(224,702)	$0.0472	($10,608)	42,594,204		
May-22	185	186	0	8,349	3,173	48	32	-16	11,067	(178,851)	(175,678)	$0.0472	($8,294)	40,099,600		
Jun-22	33	40	7	8,517	58,599	188	159	-29	11,291	(325,404)	(266,805)	$0.0472	($12,596)	40,909,088		
TOTAL	3,886	4,026	140		1,244,921	1,714	1,688	(26		-	1,063,912		$50,228	524,642,778		

Pro-Rata Share of Margin Impact

SC2 Sec (Over)/Under	$1,169,536
SC2 Pri (Over)/Under	($108,085)
	$1,061,451
SC2 Sec Share	$55,343.02
SC2 Pri Share	($5,114.63)

Rockland Electric Company
Proposed Conservation Incentive Program
July 2021 - June 2022
CIP Recovery Tests
Summary - Illustrative Example

Determine Weather and Non-Weather CIP Impacts

	Weather	Non-Weather	Total
SC Nos. 1, 3, and 5	$103,853	$1,324,659	$1,428,512
SC No. 2 Secondary	55,343	1,114,193	1,169,536
SC No. 2 Primary	(5,115)	(102,970)	(108,085)
Total Deficiency/(Credit)	$154,081	$2,335,882	$2,489,963

Step 2: Apply Modified BGSS Savings Test

A. Non-weather Impact Subject to Modified BGS Savings Test

Non-Weather Impact	$2,335,882
75% Factor	75%
Subtotal	$1,751,912
Prior Year Carry-Forward (Modified BGSS Savings Test)	$0
Non-weather Impact Subject to Test	**$1,751,912**

B. BGS Savings

Permanent Capacity Savings	$1,869,923
Additional Capacity BGS Savings	214,683
Avoided Cost BGS Savings	250,902
Total BGS Savings	**$2,335,508**

C. Results

Non-Weather Impacts Passing Test (current accrual)	**$2,335,882**
Non-Weather Impacts Passing Test (prior year carry-forward)	**$0**
Non-Weather Impacts Exceeding Test	**$0**

Rockland Electric Company
Proposed Conservation Incentive Program
July 2021 - June 2022
CIP Recovery Tests
Summary - Illustrative Example

Step 3: Apply Variable Margin Revenue Test

A. Non-weather Impact Subject to Variable Margin Revenue Test		
Non-Weather Impact	$2,335,882	
Prior Year Carry-Forward (Variable Margin Revenue Test)	0	
Non-weather Impact Subject to Test	**$2,335,882**	
B. Variable Margin Revenues		
Variable Margin Revenues	$66,258,300	
6.5% Factor	6.5%	
Total Fixed Recovery Cap	**$4,306,790**	
C. Results		
Non-Weather Impacts Passing Test (current accrual)	**$2,335,882**	
Non-Weather Impacts Passing Test (prior year carry-forward)	**$0**	
Non-Weather Impacts Exceeding Test	**$0**	

Step 4: Determine Recoverable Non-Weather CIP Impacts

A. Current Year Accrual Recoverable Non-Weather Impacts		
Amount Passing Modified BGSS Savings Test	$2,335,882	
Amount Passing Variable Margin Revenue Test	$2,335,882	
Recoverable Amount		**$2,335,882**
B. Previous Carry-Forward Recoverable Amounts		
Amount Passing Modified BGSS Savings Test		$0
Amount Passing Variable Margin Revenue Test	$0	
Deduction for any amount also included in above	0	
		$0
Total Non-Weather Recoverable CIP Amount		**$2,335,882**

Rockland Electric Company
Proposed Conservation Incentive Program
July 2021 - June 2022
CIP Recovery Tests
Summary - Illustrative Example

Allocation of Recoverable Non-Weather CIP Amounts			$2,335,882
	Total Non-Weather Related		
SC Nos. 1, 3, and 5	$1,324,659	56.7%	
SC No. 2 Secondary	$1,114,193	47.7%	
SC No. 2 Primary	($102,970)	-4.4%	
	$2,335,882		
Allowed Amount to Recover in Current Period	$2,335,882		
To Be Recovered in a Future Period	$0		
Allocation of Future Recoverable Amount			
SC Nos. 1, 3, and 5	$0		
SC No. 2 Secondary	$0		
SC No. 2 Primary	$0		

Rockland Electric Company
Proposed Conservation Incentive Program
CIP BGS Savings

Illustrative Example

I. Permanent BGS Savings

Year	WN Summer Peak	Final Zonal UCAP Obligation	Zonal Net Load Price $/MW-Day	Zonal Net Load Price $/kW-yr
2011/2012	410	482	$116.15	$42.42
2012/2013	400	458	$143.06	$52.25
2013/2014	400	459	$248.30	$90.69
2014/2015	405	460	$137.54	$50.24
2015/2016	385	466	$166.53	$60.83
2016/2017	385	441	$163.27	$59.64
2017/2018	380	436	$153.74	$56.15
2018/2019	385	451	$218.98	$79.98
2019/2020	380	456	$115.58	$42.22
2020/2021	380	453	$174.32	$63.67
		-7.3%	-6.1%	

Permanent Capacity Savings	29
2021 RE Zonal Net Load Capacity Cost per kW-year	$63.67
Total Permanent Reductions	**$1,869,923**

II. Additional Capacity BGS Savings

CIP Recovery

Year	WN Summer Peak	Final Zonal UCAP Obligation	Zonal Net Load Price $/MW-Day
2019/2020	380	456	$42.22
2020/2021	380	453	$63.67

Incremental Capacity Savings*	3
RECO Zonal Net Load Capacity Cost per kW-year	$63.67
Total Additional Capacity Reductions	**$214,683**

*Due to the potential for Peak increase due to Electric Vehicles and Electrification, incremental savings is set as a minimum of the incremental obligation savings or zero.

III. Avoided Capacity

CIP Recovery Yr	Annual $
2019/2020	**$250,902**

IV. Total of all Savings

CIP Recovery Yr	**Permanent Capacity Savings**	**Additional Capacity BGSS Savings**	**Avoided Cost BGSS Savings**	**Annual $**
2019/2020	$1,869,923	$214,683	$250,902	**$2,335,508**

Rockland Electric Company
Proposed Conservation Incentive Program
Avoided Capacity Cost BGS Savings

Illustrative Example

Month	Customer Count (Base) (a)	Customer Count (Current) (b)	Net Customer Count (c) = (b) - (a)	UCAP / Customer (kW) (Base) (d)	Cap Rate / Cust. ($/kW) (Current) (e)	Avoided Capacity (f) = (c) * (d) * (e)
SC Nos. 1, 3, and 5						
July	64,224	64,498	274	5.69	$5.31	$8,265
August	64,296	64,570	274	5.69	$5.31	8,265
September	64,307	64,581	274	5.68	$5.31	8,265
October	64,050	64,627	577	5.71	$5.31	17,474
November	64,119	64,664	545	5.70	$5.31	16,492
December	64,127	64,703	576	5.70	$5.31	17,434
January	64,163	64,767	604	5.70	$5.31	18,254
February	64,214	64,762	548	5.69	$5.31	16,547
March	64,248	64,772	524	5.69	$5.31	15,815
April	64,203	64,790	587	5.69	$5.31	17,724
May	64,223	64,787	564	5.69	$5.31	17,047
June	64,220	64,784	564	5.69	$5.31	17,047
Subtotal	64,200	64,692	493			$178,630
SC No. 2 - Secondary						
July	8,618	8,674	56	17.29	$5.31	$5,138
August	8,620	8,676	56	17.29	$5.31	5,137
September	8,611	8,666	55	17.30	$5.31	5,050
October	8,605	8,675	70	17.32	$5.31	6,432
November	8,624	8,678	54	17.28	$5.31	4,951
December	8,631	8,688	57	17.26	$5.31	5,222
January	8,631	8,707	76	17.26	$5.31	6,962
February	8,626	8,713	87	17.27	$5.31	7,974
March	8,622	8,709	87	17.28	$5.31	7,978
April	8,611	8,725	114	17.30	$5.31	10,467
May	8,617	8,737	120	17.29	$5.31	11,011
June	8,619	8,736	117	17.29	$5.31	10,733
Subtotal	8,620	8,699	79			$87,054
SC No. 2 - Primary						
July	78	76	(2)	230.21	$5.31	($2,443)
August	78	76	(2)	230.21	$5.31	(2,443)
September	77	75	(2)	233.20	$5.31	(2,475)
October	76	73	(3)	236.27	$5.31	(3,761)
November	76	74	(2)	236.27	$5.31	(2,507)
December	76	74	(2)	236.27	$5.31	(2,507)
January	75	75	0	239.42	$5.31	0
February	74	75	1	242.66	$5.31	1,288
March	74	75	1	242.66	$5.31	1,288
April	75	76	1	239.42	$5.31	1,270
May	76	75	(1)	236.27	$5.31	(1,254)
June	77	76	(1)	233.20	$5.31	(1,237)
Subtotal	76	75	(1)			($14,782)
					Total Avoided Capacity Cost BGS Savings	$250,902

Base Year Unforced capacity is equal to the 2017/2018 Unforced capacity from PJM by rate schedule divided by number of customers

Current Year Capacity rate is the current year RE Zonal Net Load Price $/kW-yr divided by 12

Rockland Electric Company
Proposed Conservation Incentive Program

Illustrative Earnings Test

(1)	Equity Base for Earnings Test **	$300,000,000
(2)	Allowed ROE*	9.6%
(3)	ROE Limit buffer	0.5%
(4) = (2) + (3)	Maximum ROE	10.1%
(5)	Actual Net Income **	$25,000,000
(6) = (5) / (1)	ROE for Earnings Test	8.33%
(7) = If (4) > (6), Pass else Fail	Earnings Test Pass / Fail	**Pass**

* ROE as approved in BPU Docket No. ER19050552
** Distribution related net income and equity base

Attachment 7

Rockland Electric Company
Energy Efficiency and Peak Demand Reduction Programs
Typical Average Residential Monthly Bill for Customers Using 808 kWh per summer month, and 7,800 kWh on Annual Basis

	2021	2022	2023	2024	2025	2026	2027*	2028*	2029*	2030*	2031*	2032*	2033*
Revenue Requirement	$1,093,796	$1,865,385	$2,818,325	$2,390,624	$2,289,977	$2,189,331	$2,088,684	$1,988,037	$1,887,391	$1,786,744	$1,481,073	$941,808	$328,945
Sales Forecast (kWH)	1,505,194,400	1,543,550,108	1,352,697,000	1,595,002,593	1,566,296,053	1,538,650,193	1,538,650,193	1,538,650,193	1,538,650,193	1,538,650,193	1,538,650,193	1,538,650,193	1,538,650,193
Rate ($/kWh) No SUT	$0.000730	$0.001210	$0.002080	$0.001500	$0.001460	$0.001420	$0.001360	$0.001290	$0.001230	$0.001160	$0.000960	$0.000610	$0.000210
Rate ($/kWh) With SUT	$0.000780	$0.001290	$0.002220	$0.001600	$0.001560	$0.001510	$0.001450	$0.001380	$0.001310	$0.001240	$0.001020	$0.000650	$0.000220
Incremental Rate	$0.000780	$0.000510	$0.000930	($0.000620)	($0.000040)	($0.000050)	($0.000060)	($0.000070)	($0.000070)	($0.000070)	($0.000220)	($0.000370)	($0.000430)
Rate Change by Year		$0.33	$0.60	($0.40)	($0.03)	($0.03)	($0.04)	($0.05)	($0.05)	($0.05)	($0.14)	($0.24)	($0.28)
Bill @ Current	$106.83	$107.34	$107.67	$108.28	$107.87	$107.85	$107.81	$107.78	$107.73	$107.68	$107.64	$107.50	$107.26
Bill @ Proposed	$107.34	$107.67	$108.28	$107.87	$107.85	$107.81	$107.78	$107.73	$107.68	$107.64	$107.50	$107.26	$106.98
Bill Increase/(Decrease)	$0.51	$0.33	$0.60	($0.40)	($0.03)	($0.03)	($0.04)	($0.05)	($0.05)	($0.05)	($0.14)	($0.24)	($0.28)

* Note: RECO does not forecast sales beyond six years. Therefore, for years 2027 – 2033, RECO used the same sales volume for 2026 and the Revenue Requirements from Attachment 3.

<u>Attachment 8</u>

Rockland Electric Company
Energy Efficiency Program
Minimum Filing Requirements for True-Up Filings

1. Information on direct FTE employment impacts, including a breakdown by each of the Board approved RECO EE programs. The Company will not be responsible for addressing the level of employment activity for HVAC and/or HPES contractors that are hired by customers unless those contractors are hired by ACE.

2. A monthly revenue requirement calculation based on EE Program expenditures, including the investment and cost components showing the actual monthly revenue requirement for each of the past 12 months or clause-review period, as well as supporting calculations, including the information related to the tax rate and revenue multiplier used in the revenue requirement calculation. The utility shall provide electronic copies of such supporting information, with all inputs and formulae intact, where applicable.

3. For the review period, actual clause revenues, by month and by rate class recorded under the EE Program.

4. Monthly beginning and ending clause deferred balances related to the EE Program, as well as the average deferred balance, net of tax, for the actual 12-month period and forecast period.

5. The interest rate used each month for over/under deferred balance recoveries related to the EE Program, and all supporting documentation and calculations for the interest rate.

6. The interest expense to be charged or credited to ratepayers each month.

7. A schedule showing budgeted versus actual EE Program costs by the following categories: administrative (all utility costs); marketing/sales; training; rebates/incentives, including inspections and quality control; program implementation (all contract costs); evaluation; and any other costs. To the extent that the Board directs New Jersey's Clean Energy Program to report additional categories, the utility shall provide additional categories, as applicable.

8. A schedule showing budgeted versus actual EE Program revenues.

9. The monthly journal entries utilized (including the accounts and account numbers) relating to regulatory asset and deferred O&M expenses related to the EE Program for the actual 12-month review period.

10. Supporting details for all administrative costs related to the EE Program included in the revenue requirement.

11. Information supporting the carrying cost used for the unamortized costs of the EE Program.

12. Number of program participants for each of the Board-approved RECO EE Programs, including a breakdown by sub-program, if applicable.

13. Estimated demand and energy savings for each of the Board-approved RECO EE programs, including a breakdown by sub-program, if applicable.

14. Estimated emissions reductions for each of the Board-approved RECO EE programs, including a breakdown by sub-program, if applicable.

15. Testimony supporting the annual true-up petition.

16. If the Company is filing for an increase in rates, the Company shall include a draft public notice with the annual true-up petition and proposed publication dates.

17. For programs that provide incentives for conversion of energy utilization to electricity from other energy sources (e.g., converting from gas to electric furnaces) the company shall identify:

    i. the number of such projects;
    ii. an estimate of the increase in annual electric demand and energy associated with these projects; and
    iii. the avoided use of natural gas and/or other fuels.

18. In areas where gas and electric service territories overlap, the Company shall provide:

    i. The number of projects in progress and completed.

        a. For each project, identify which utility is the lead utility providing the program services and the partner utility with whom the services were coordinated.

19. Tariff pages in clean and redline versions.

20. Net impact of the proposed rate changes.