

Local Finance Notice

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Direct Install (Closed Network) Energy Efficiency Program for Public Sector Entities

Note: This Notice supplements guidance in [Local Finance Notice 2025-11](#). Local officials should review both notices.

On June 18, 2025, the New Jersey Board of Public Utilities (BPU) issued an [Order](#) authorizing electric and gas utilities to use a direct contracting (i.e. “closed network”) model for their Direct Install (DI) public sector program pathway. Under this Order, the program qualifies for an exception to public bidding under [N.J.S.A. 40A:11-5\(1\)\(f\)](#), [N.J.S.A. 18A:18A-5\(a\)\(7\)](#), and [N.J.S.A. 18A:64A-25.5\(a\)\(8\)](#) of the Local Public, Public School, and County College Contracts Laws, respectively, contingent upon Board approval of tariff sheets establishing pricing for public sector DI services. As of June 10, 2026, BPU has approved the tariff sheets submitted by all energy utility companies.

The Direct Install (DI) Program

The Direct Install program implements “turnkey” energy savings measures in areas such as lighting, refrigeration, and HVAC that would be eligible for substantial incentives and repayment options with 0% interest. Direct Install is tailored to existing small and mid-sized non-residential facilities with an average annual energy demand of less than 300 kilowatts/40,000 therms. Specifications for the work to be performed are generated from an energy usage assessment (i.e. a non-investment grade energy audit) of the contracting unit’s facilities.

DI Closed Network Model as Exception to Competitive Bidding

Under the “closed network” model, the utility serves as the general contractor and competitively selects subcontractors through a formal solicitation process. The utility is responsible for hiring trade allies and engineers who complete the following: energy audits, installing energy efficiency improvements, verifying work completion, evaluating energy savings, and finalizing project financing. All work is performed according to tariff sheets approved by the BPU. Contracting units are authorized to use exceptions to competitive bidding because the charges are in accordance with “tariffs and schedules...made, charged and exacted, filed with [BPU].”

On-Bill Repayment; Appropriations & Levy Cap Treatment

As explained in [Local Finance Notice 2025-11](#), contracting units may finance Direct Install projects through 0% interest on-bill repayment, paid monthly through their utility bills. Such financing agreements are subject to applicable laws governing local units, boards of education, and county colleges, respectively. Any contract including an on-bill repayment financing mechanism must include a clause that makes financing subject to the availability and appropriation annually of sufficient funds by the contracting unit as may be required to meet the extended obligation. The Local Authorities Fiscal Control Law (N.J.S.A. 40A:5A-1 et seq.) would still require local authorities to come before the Local Finance Board (LFB) for issuance of findings prior to entering into a contract for on-bill repayment. Local units that may be subject to special debt issuance provisions requiring LFB action should consult with their bond counsel.

Direct Install projects implemented as part of the Energy Savings Improvement Program (ESIP) may not utilize financing provided by an energy utility because of the specific financing requirements of the ESIP.

So long as the Direct Install improvements have a useful life of at least five (5) years, the portion of the utility bill payment attributable to Direct Install, and only that portion, shall be reported on the annual budget as debt service. The levy and appropriation cap reporting of debt service shall apply to these payments. For municipalities and counties, the contract obligation shall be included in the capital lease schedules of the Annual Financial Statement and Annual Debt Statement. For municipalities, the contract obligation shall also be included in the capital lease reporting for the annual Municipal User-Friendly Budget.

Approved: Michael F. Rogers, Director

Document	Internet Address
LFN 2025-11	https://nj.gov/dca/dlgs/lfns/2025/2025-11.pdf
6/18/2025 BPU Order – Direct Contracting Auth.	https://www.nj.gov/bpu/pdf/boardorders/8A.pdf
3/18/26 BPU Order (Item 8C) Elizabethtown & S. Jersey Gas	https://www.nj.gov/bpu/pdf/boardorders/2026/20260318/8C ORDER ETG and SJG Direct Install Tariffs.pdf
3/18/26 BPU Order (Item 8D) NJ Natural Gas	https://www.nj.gov/bpu/pdf/boardorders/2026/20260318/8D ORDER NJNG Direct Install Tariffs.pdf
3/18/26 BPU Order (Item 8B) Rockland Electric	https://www.nj.gov/bpu/pdf/boardorders/2026/20260318/8B ORDER RECO Direct Install Waiver.pdf
5/20/26 BPU Order (Item 8G) Atlantic City Electric	https://www.nj.gov/bpu/pdf/boardorders/2026/20260521/8G ORDER ACE Direct Install Tariffs.pdf
5/20/26 BPU Order (Item 8H) JCP&L	https://www.nj.gov/bpu/pdf/boardorders/2026/20260521/8H ORDER JCPL Direct Install Tariffs.pdf
6/10/26 BPU Order (Item 8D) PSE&G	https://www.nj.gov/bpu/pdf/boardorders/8D.pdf