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Fuel Merchants Association of New Jersey

December 3, 2010

President Lee Solomon
Board of Public Utilities
State of New Jersey
Two Gateway Center – Suite 801
Newark, NJ 07102

Dear President Solomon:

The Fuel Merchants Association of New Jersey (FMA) is appreciative of the opportunity to provide comments relative to the transition of the delivery of energy efficiency in New Jersey and supports the Board of Public Utilities (BPU) initiative to consider alternate approaches to the delivery of energy efficiency to the residents of the State of New Jersey. While many may state the existing residential program, Home Performance with Energy Star has become a national model for delivery of residential energy efficiency, it cannot be ignored that this has come at a high cost both in the administration of the program and the program's rebate and incentive offerings. At the same time, the reach of the program has been limited. The 2008 Energy Master Plan discussed the number of residential housing units in need of energy efficiency improvement, a review of the delivery of energy efficiency in New Jersey through the existing programs demonstrates the pace of residential energy efficiency projects is woefully inadequate for meeting even a fraction of the goals set forth in the Energy Master Plan.

As alternate means of energy efficiency delivery are considered, an important precept of the 2008 Energy Master Plan should remain part of the goal: delivery of energy efficiency must encompass all sectors of consumers and consumers of all fuels if the program is to be truly viable. Transitioning delivery of energy efficiency to the utilities is not supported by FMA as they are ill equipped to deal with all fuels and, to date, utility run programs are disparate, there is no uniform program available to the consumer which causes confusion in the market. A key example of this can be found in the PSE&G program which delivers energy efficiency projects in targeted UEZ zones. Consumers of delivered fuels in these zones have been denied participation in NJOCE programs while simultaneously, NJOCE programs have covered the burden of providing energy efficiency programs to the remainder of the PSE&G service territory and have funded subsidized financing for all PSE&G customers.

Delivery of residential energy efficiency needs to change if it is to be sustainable, consistent and reliable. The current administrative costs, direct rebates, loan interest buy downs, and contracting costs cannot be sustained at the current level and yield far too few projects to generate a meaningful energy efficiency portfolio by 2020. The current processes involved in procurement of project approval, verification and inspection of work, payment of rebates and loan qualification is cumbersome at best, adds greatly to administrative costs and adds to the levels of consumer frustration with the system. FMA encourages the Board to take a broad view with respect to the delivery of energy efficiency and the State's goal to encourage economic growth as well.

FMA has previously testified on the importance of the Home Energy Audit Process which establishes a comprehensive plan of measures which can be implemented to reduce energy consumption. Subsidizing this process though the offering of a small rebate such that all residents can be provided with a site specific approach for reducing their energy consumption is paramount to a developing a viable energy efficiency portfolio statewide. The process effectively takes energy efficiency to the consumer, providing the consumer the needed information on the specific measures and their respective saving projections so the consumer becomes empowered to embark on a program of initiating energy savings. As consumers implement measures and start to save, their confidence increases and they will be inclined to undertake additional measures.

The energy audit needs to be made affordable and available on a broad basis to harness the support of the consumer in the energy efficiency business. The subsidy for air sealing measures proposed for the 2011 Home Performance program is also a great tool for engaging consumer support to reduce energy use. Beyond this, FMA recommends significant variation to the existing program and its administration.

An effective energy efficiency program should allow the consumer to manage their energy efficiency improvement schedule and synchronize this with their needs and resources. The consumer should not be required to undertake the substantial home improvement project which encompasses the completion of all recommended measures at once, but should be encouraged to address energy efficiency component by component and allow the savings to pay for the installed measures. As one measure is paid down, the consumer can afford to install the next measure. To support this process, the consumer needs availability to capital. FMA supports a mechanism where the State establish an Energy Efficiency loan program which could be administered by any number of existing agencies. Consumers could access capital through an application process, to which the audit information could be appended, and verification of installation of the measure could be performed by the municipal inspector network with oversight from DCA. As the consumer pays down the loan balance, they could qualify for additional funding to undertake additional measures.

Based on the outlays made over the past years to fund the current HPwES program; FMA projects that the same funding levels could support an audit subsidy of $150 and an air sealing incentive for over 15,000 residences and simultaneously fund a revolving energy efficiency loan program with $20 million.

In addition to the initiatives to harness consumer demand, a process to engage the broad base of contractor support is also encouraged. Currently, all energy efficiency measures delivered under the HPwES program are performed by a relatively limited number of approved contractors. Between the cumbersome nature of the project approval and documentation, the fact many of these contractors must utilize sub-contractors to perform services in which they are not expert and the limited availability of contractors establishes an environment in which pricing may not

be as competitive as it is in the broader market. Additionally, the consumer is currently precluded from utilizing the services of a contractor with whom they have established a good relationship and a sense of confidence.
The success of the program, as suggested, is reliant on a comprehensive, consistent, and reliable audit and to this end audits must be conducted by a highly trained and qualified company. However, once the prescribed energy efficiency measures are established, why should the actual installation be limited to a set group of contractors? Many contracting companies are experts in various aspects of energy efficiency, but it is difficult to be competent and qualified in all disciplines. If the work were to be verified by utilization of the local inspector network, why couldn't any qualified contractor perform the installation of the measure in accordance with the specifications outlined in the audit.

FMA suggests this process could streamline the existing delivery of energy efficiency, accelerate the rate of installation of energy efficiency measures and increase the sustainability of the program through reduction in oversight, utilization of existing state agencies and by harnessing the power of consumer demand and contractor desire to participate. FMA suggest the NJOCE oversee the delivery of subsidized audits and a limited subsidized air sealing program. These measures will introduce the consumer to the potential of energy efficiency savings. FMA suggests the Board seek assistance from either DCA or EDA to administer a consumer Energy Efficiency Loan Program, or work with the Dept. Of Banking to establish a mechanism which could be administered by the private sector. FMA suggests the consumer be able to contract with any state registered contractor for the installation of the specific measures outlined in the audit, with verification provided by the local municipal inspector network and overseen by DCA.

FMA theorizes more energy efficiency projects will be completed at a lower cost to both the consumer and the program as the natural competitive forces of the market place respond to the demand created by the consumer. The process of delivering more energy efficiency projects will also inherently stimulate jobs and economic growth on a broader basis as more companies become engaged through the response to consumer demand.

The Board seeks comment on the transition of the delivery of energy efficiency and renewable energy in NJ. FMA comments are predominantly directed to the delivery of energy efficiency. FMA believes in the short term, transitioning delivery energy efficiency to other agencies within the state along with restructuring the manner in which energy efficiency projects are undertaken could have significant and lasting benefit to the consumers of the State of NJ and to the utilization of the limited resources available to support energy efficiency projects.

FMA has serious reservations on relinquishing delivery of energy efficiency to the utilities. This can create anti-competitive practices and be detrimental to small businesses engaged in the insulation/air sealing business, HVAC business, and delivered fuel business all of which add greatly to the vitality of NJ's economy. For example, under the current Clean Energy Program the BPU has allowed PSE&G exclusive rights to all energy efficiency improvements in any Urban Enterprise Zone (UEZ) in the state. Furthermore, the exclusive franchise is in the entire municipality, not simply the area designated as the UEZ. This is but the most recent example in the long struggle independent HVAC contractors have had with the utilities being allowed to offer competitive home comfort services at rates and terms that small businesses cannot compete with since the utilities subsidize these offerings through the ratebase. Not only can utilities offer zero percent financing paid out over many years subsidized thought the ratebase they can promote the offerings through their billing statements. Even if the parent company of the utility has established a separate company for the provision of the home comfort services with a separate call center and other "firewalled" safeguards the mere fact that the company providing the services shares a similar name and iconography links from the regulated utility website to the unregulated home services company site is an advantage. Even in the case where gas utilities such as NJN have supplemented the HPwES offerings to promote energy efficiency for their customers, this has been as much a mechanism to enhance their market share and service offerings as an energy efficiency delivery mechanism. There is no altruism associated with these programs and they bear the cost of the utility controlling the product offering, the pricing and the participating contractors such that the consumer MUST deal with the utility prescribed parameters or forfeit benefits.

FMA is supportive of the establishment of an energy efficiency utility as a mechanism for the long term delivery of energy efficiency in NJ. FMA understands funding for energy efficiency for delivered fuels remains an issue requiring a solution and FMA stands ready to work with the Board on both funding solutions and the establishment of an Energy Efficiency Utility.

FMA thanks the Board for its consideration of these comments.

Sincerely,

John F. Donohue
Special Projects Coordinator

FREEDOM SOLAR ENERGY, LLC 2011 PROPOSAL December 3, 2010
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The current and projected program before the board for review is too confusing to customers to understand and contractors to market. It is also too cumbersome, burdensome and costly to implement by contractors and the Office of Clean Energy. The very method of calculating incentives increases the cost of doing business so much, it amounts to wasteful spending by consumers.

The program below should eliminate issue of competing programs, improve the quality and amount of work being performed on individual homes without confusing customers or burdening all involved with wasteful spending.

Proposal for 2011 Home Performance with Energy Star Program

1. All of the following incentives requires an energy audit **PRIOR** to Installation to be eligible for any incentives.
2. All of the eligible measures over $2,500 will be eligible for 5.99% EFS financing for either homeowner occupied or non-homeowner occupied homes 1-4 families.
3. All health and safety requirements must be addressed and corrected in order to be eligible for any incentives. Side Note: A fixed amount of rebate schedule should be worked out for all health and safety measures required. Example: Properly vent dryer; $25 rebate. Properly vent bathroom exhaust fans $40 rebate each. Remove knob and tube wiring; 25% of the cost up to $500.
4. $125 Audit Rebate when a home owner installs at least $2,500 of eligible measures.
5. All BPI standards would apply for quality work.

Homeowner Incentive

Tier 1:

1. $500 Warm Advantage rebate for changing the heating system to 95% or 81.5% Boiler.
2. $600 Cool Advantage rebate for changing the cooling system to 16 SEER or higher.
3. $600 Tankless Domestic Hot Water Heater of .82 Energy Factor or higher. $700 for .95 Energy Factor.
4. 50% up to $1800 Insulation and Air Sealing Rebate. Minimum requirement: Install attic insulation at least up to R-38 or higher to satisfy the International Energy Code. Air sealing required whenever installing insulation. Other insulation work eligible for rebates as well.
5. $200 Duct Sealing Rebate for all ducts located in an attic or crawl space.
6. The paperwork for this Tier level should be limited to the current Warm Advantage / Cool Advantage paperwork currently in effect.

Tier 2:

1. From Tier 1, install item 4 with either 1, 2, or 3 and you will double the rebate amount on items 1, 2, or 3.
2. From Tier 1 item 5 would be required whenever ducts are outside the building envelope.
3. The paperwork for this Tier level will continue to go through the CSG process currently in Effect.

Tier 3:

1. From Tier 1, install item 4 with either 1, 2, or 3 and you will double the rebate amount on items 1, 2, or 3.
2. From Tier 1 item 5 would be required whenever ducts are outside the building envelope.
3. Reach Total Energy Savings of 20% or higher and double rebates 1, 2, 3, 4 and 5
4. 0% financing up to $10,000.
5. The paperwork for this Tier level will continue to go through the CSG process currently in Effect.

Contractor Incentives:

Audit Incentive:

For each audit conducted $100 Rebate. Must be submitted within 12 months of the audit to receive an incentive.

Tier 1:

1. $100 Rebate audit incentive if the contractor did the audit
2. $250 Incentive for each Tier 1 Job brought into the program.

Tier 2:

1. $100 Rebate audit incentive if the contractor did the audit
2. $750 Incentive for each Tier 2 Job brought into the program.

Tier 3:

1. $100 Rebate audit incentive if the contractor did the audit.
2. $1250 Incentive for each Tier 3 Job brought into the program.
3. The salary cost for one full time program administrator to process the paperwork for this program up to $31,000.

Asdal Builders, LLC

December 3, 2010

NJ Board of Public Utilities
Two Gateway Center (8th Floor)
Suite 801
Newark, NJ 07102

Re: **Public Comment on - NJCEP Draft 2011 – HOME PERFORMANCE with Energy Star**

Dear BPU President & Commissioners,

I have been involved with your program for the past 4 years. I recently let my BPI certification lapse and am moving on. The program has never upheld the promises of payment, work, or societal change. The senior staff has treated professional contractors with distain and contempt. The underling staff simply does not understand the business or process control. Our frustration is off the charts.

The program management has been nothing short of a disaster. There is no logic to the work flow and no closure. Our office spent time trying to process map your program and it simply does not connect the dots. Any comments on program enhancements which are founded in my experience with the program, 34 years in business, and authoring and teaching for the past 15 years to the trades, would be founded upon a presumption that the program should continue. I am convinced it should not. Our firm completed over 100 audits and energy renovations and every single one of the public calling was looking for "free stuff", "credits", "discounts". NOT ONE wanted energy reduction as their primary motivation for a call. There needs to be state / national leadership to reduce energy consumption and not a shift of assets from the taxed to the "snarflers" (my catch-all for folks who want stuff for nothing or at the expense of others).

The societal benefits charge should be eliminated entirely.
The staff should be dismissed.

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Home Improvement Reg #: 13VH00611200

Asdal Builders, LLC

The programs replaced with personal initiative of the Governors office to promote and encourage energy reduction as a way to international and economic security. This is a simple premise that should be grasped and communicated from the top. The layers of programmatic management and convoluted processes need to be stopped immediately.

The motivation to shift burdens on every rate payer to the benefit of a bureaucracy and some downstream snarflers is without foundation.

I urge that your program go unfunded and close.

Should you have further questions or interest in discussion, I would be happy to dedicate some additional time to the closure.

Sincerely,

Bill Asdal

cc: Assemblywoman Alison McHose, NJ Assemblywoman
Assemblyman Gary Chisano
Senator Steven Oroho
Senator Michael Dougherty

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December 3, 2010

Kristi Izzo
Secretary of the Board
State of New Jersey
Board of Public Utilities
2 Gateway Center, Suite 801
Newark, NJ 07102

Re: Comment on NJCEP Transition White Paper

Dear Secretary Izzo:

The National Association of Energy Service Companies (NAESCO) appreciates the opportunity to submit these comments on the NJCEP Transition White Paper for Stakeholder Discussion dated November 4, 2010.

NAESCO numbers among its members some of the most prominent companies in the world in the HVAC and energy control equipment business, including Honeywell, Johnson Controls, Siemens, Trane, Comfort Systems USA Energy Services, and Schneider. Our members also include many of the nation's largest utilities: Duke Energy, Pacific Gas & Electric, Southern California Edison, and the New York Power Authority. In addition, ESCO members include affiliates of several utilities including ConEdison Solutions, FPL Energy Services, Pepco Energy Services, Constellation Energy Projects and Services and Energy Systems Group. Prominent national and regional independent members include, AECOM Energy, NORESCO, Onsite Energy, EnergySolve Companies, Ameresco, UCONS, Chevron Energy Solutions, Synergy Companies, Wendel Energy Services, Control Technologies and Solutions, Clark Realty Capital, McClure, and Lockheed Martin.

Over the last twenty-five years, NAESCO member ESCOS have delivered more than $40 billion of energy efficiency, renewable energy, demand response and distributed generation projects to institutional, commercial, residential and industrial customers nationwide. These projects have produced:

- $50 billion of dollar savings to customers, **verified and guaranteed**
- 377,000 person-years of direct employment
- $34 billion of public infrastructure improvements
- 480 million tons of Carbon Dioxide saved, **at no additional project cost**

NAESCO member companies annually deliver between $4 and 5 billion in energy efficiency projects in the US and have delivered tens of millions of dollars of projects to New Jersey consumers during the past two decades.

Summary of Comments

NAESCO's comments consist of two recommendations in response to the questions asked in the Transition White Paper:

1. The New Jersey Clean Energy Program (NJCEP) should continue under the existing administration of the Board of Public Utilities (BPU), Office of Clean Energy, and contracted Program Administrators, unless and until, another method of program administration clearly offers a better path, through the commitment of more resources, to reach the state's long-term energy efficiency (EE) goals.
2. The state's investor owned utilities (IOUs) may have the requisite administrative and financial capabilities to better meet the state's long-term EE goals if they are willing to accept the responsibility of meeting the goals.

Discussion

NAESCO offers the following rationale for its recommendations in the next few pages.

1. **The New Jersey Clean Energy Program (NJCEP) should continue under the existing administration of the Board of Public Utilities (BPU), Office of Clean Energy, and contracted Program Administrators, unless and until, another method of program administration clearly offers a better path, through the commitment of more resources, to reach the state's long-term energy efficiency (EE) goals.**

During the past few years, the Clean Energy Program staff of the BPU has done a good job of administering the portfolio of NJCEP programs. The resource output of the program has increased steadily during the period from 2006 through 2009, through the depths of the recession, as shown in the graph on page 4 of the White Paper. The BPU staff has managed a process that involves the input of multiple stakeholders and has started new programs, such as Pay-for-Performance (P4P), which promise to be the core of the program portfolio required to meet the state's EE goals. Based on this performance history, NAESCO sees no reason to switch NJCEP administration at this time.

NAESCO also cautions, based on the experience of a number of other states, that switching program administrations is not a smooth process. Program production typically drops for a year or two, as the new program administrators assemble their staffs, design their programs and budgets, secure regulatory approvals, build their networks of vendors and consultants, and shake out the programs in the field. This type of hiatus would be very damaging to New Jersey. Not only would the state lose valuable time that it needs to reach its 2020 EE goals, but it would lose hundreds, if not thousands, of jobs among the contractors and suppliers of the current programs.

Some, if not all, of those jobs may come back after the transition to the new program administration is complete. But NAESCO respectfully suggests that New Jersey cannot afford even the temporary unemployment of the workers at this time or the threat to the viability of the contractors who have carefully built their capabilities to service the NJCEP programs over the past few years. Many of these contractors are small companies with modest capital reserves, and they cannot switch to other construction work to survive the transition, because there isn't much other construction work available. Moreover, program stops and starts undermine a principal goal for the state, which is to build a strong sustainable base of clean tech workers. Cyclical employment opportunities already exist in the state and efforts to counter the cyclical employment patterns by building long-term employment opportunities through clean tech investment are severely hampered by program starts and stops.

2. The state's investor owned utilities (IOUs) may have the requisite administrative and financial capabilities to better meet the state's long-term EE goals if they are willing to accept the responsibility of meeting the goals.

The New Jersey Energy Master Plan has a very aggressive goal of providing 20% of the state's energy supplies from energy efficiency by the year 2020 while transitioning the NJCEP from a rebate and incentive-driven model to a more self-sustaining model. The overarching question in the White Paper seems to be how does the state build on the foundation of the NJCEP programs to actually accomplish the EE goals of the EMP.

NAESCO suggests that what the state needs is a realistic plan, to be put forward by an entity, or group of entities, that have the necessary resources to, and are willing to undertake, the responsibility of achieving the goals.

The White Paper suggests that the new model NJCEP would be built around market-driven programs that use revolving loan funds or other convenient financing mechanisms on an unprecedented scale – hundreds of millions or billions of dollars of new capital. NAESCO believes that the new model NJCEP requires a program administrator with a substantial balance sheet and a track record of managing investments of this scale over long periods of time.

In NAESCO's opinion, the only two existing entities with the requisite experience and balance sheet are the state and the IOUs.

- The state could issue bonds to raise the capital and assign the BPU or the Economic Development Authority (EDA) the responsibility to administer the programs, or could hire third-party program administrators. In today's economic environment, with many competing calls on the state's fiscal capacity, this type of major bond issuance seems unlikely although not impossible with the record low borrowing rates.

- The IOUs could raise the capital through their normal financing vehicles, and administer the financing programs the way they administer other long-term investments, with a regulated rate of return. The capital amounts required seem well within the capabilities of the utilities to both raise and manage effectively. This may be an attractive proposition for the IOUs, because regulatory and siting issues, uncertainty about future environmental regulations and uncertainty about future electricity demand increasingly curtail their traditional investment vehicles – the construction and operation of new power plants and transmission lines.

It is also possible that a new type of entity that combines experienced third-party EE program administration capabilities with the balance sheet of an investment bank could be created. But such a special purpose entity would likely require a significantly higher Return on Investment (ROI) than a utility. It is not clear to NAESCO what additional value this entity could deliver in return.

The fundamental question is whether the utilities are interested in undertaking the responsibility of meeting the EMP 2020 goals, and, if they are, what they would need in order to make this undertaking internally attractive, in terms of rates of return, administrative structure, BPU oversight, the problem of "regulatory assets" on the balance sheet, and other matters and how the utility program could ramp up to prevent any ramp down of the existing EE efforts in New Jersey.

NAESCO suggests several additional points that we believe must be successfully addressed if the utilities are to serve as program administrators and meet their fiduciary responsibility to the state to operate the program so as to create maximum value for all stakeholders and ratepayers:

- The new model NJCEP should be designed to facilitate the meaningful involvement of all interested stakeholders in program design and implementation. NAESCO's experience is that small changes in program rules and procedures, that are often invisible or seem meaningless to program administrators or regulators, can make a major difference in the success of a program. The active participation of stakeholders in other states in the design and implementation of the EE program structure has been critical to program results and has meant the difference, in some instances, between program success and failure. While NAESCO acknowledges that the utilities, as program administrators, would have, subject to the BPU, the final say in program design and implementation, it is critical that the utilities should actively encourage input from stakeholders.

- The new model NJCEP should employ rigorous EM&V procedures, which take full advantage of the capabilities of the Smart Grid infrastructure, for all programs. NAESCO suggests that the overarching metric for the program should be kWh and kW delivered at a lower price than other potential sources of supply.

- The new model NJCEP programs should be open to all qualified providers and fully competitive. New Jersey ratepayers and program administrators, including utilities, have spent almost two decades building a robust and competitive New Jersey EE delivery infrastructure. The utilities should fully utilize this infrastructure of ESCOs, contractors and suppliers, by competitively procuring resources.

- The new model NJCEP administrator should consider whether legislative mandates may be required to accomplish the state's EE goals. A significant number of the stakeholders in this proceeding – utility and BPU staffers, ESCOs and contractors, engineers and consultants – have been working to implement energy efficiency for two or three decades. However, despite the successes, there are still underserved market segments that must be reached if the EMP EE goals are to be met. Large office buildings and single-family homes are just two market segments that must be penetrated more efficaciously if overall energy consumption reduction goals are to be achieved. While modest EE results have been achieved in these markets, we have also seen mandates that have no simple economic payback transform these markets in other areas. Large commercial buildings have been retrofitted with sprinkler systems and single-family homes in suburbs and outlying areas now have upgraded septic systems. Strategies that have been employed to achieve these successful market transformations should be examined as potential solutions to meeting the EE challenges in the market segments that have proved to be more resistant than expected to implementing EE on a widespread basis.

Furthermore, we now have enough results from competitive wholesale electric markets like New Jersey to understand that the law of supply and demand works: EE benefits all ratepayers by lowering prices, and energy hog buildings increase costs for all ratepayers by raising prices. So it is literally not fair for some customers to continue their inefficient use of energy at the expense of the ratepayers as a whole.

Conclusion

NAESCO appreciates the opportunity to submit these comments, and we urge the BPU and other stakeholders to consider our recommendations:

1. The New Jersey Clean Energy Program (NJCEP) should continue under the existing administration of the Board of Public Utilities (BPU), Office of Clean Energy, and contracted Program Administrators, unless and until, another method of program administration clearly offers a better path, through the commitment of more resources, to reach the state's long-term energy efficiency (EE) goals.
2. The state's investor owned utilities (IOUs) may have the requisite administrative and financial capabilities to better meet the state's long-term EE goals if they are willing to accept the responsibility of meeting the goals.

Respectfully submitted by,

Donald Gilligan
President

Kate Morecraft

From: Linda Wetzel
Sent: Wednesday, December 15, 2010 11:48 AM
To: Kate Morecraft
Subject: FW: PowerHouse Energy Comments on the NJCEP Transition paper

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From: Mitchell, Allison [mailto:Allison.Mitchell@bpu.state.nj.us]
Sent: Wednesday, December 15, 2010 11:29 AM
To: Linda Wetzel
Cc: Boylan, Rachel; Mike Ambrosio
Subject: FW: PowerHouse Energy Comments on the NJCEP Transition paper

Allison E. Mitchell, AAI, OCE
(609) 292-1987

-----Original Message-----
From: Pfeifferjr@aol.com [mailto:Pfeifferjr@aol.com]
Sent: Tuesday, November 30, 2010 4:31 PM
To: OCE
Subject: Comments on the NJCEP Transition paper

Sirs:

I'd like to offer my comments & suggestions concerning the revisions planned for the NJ Energy Master Plan for the following areas. I apologize in advance if some of these are already addressed in the plan. I have been traveling a lot and may be out of date on some of the latest updates.

1. CHP - Combined heat & power is a tremendous energy savings device. It is helpful for a building owner to reduce his energy costs first through energy efficiency measures but it should not be mandated. By having this requirement, you greatly hinder the promulgation of CHP throughout the state. It may be well meaning, but it has a stiffling effect. Please remove this impediment.
2. BPU in Newark - It seems as if the BPU is pulling out of Newark and consolidating in Trenton. In general I applaud any move to cut government costs, however, Newark is far more accessible to those of us in north Jersey by both car and, in particular, mass transit having both PATH and NJ Transit Rail connections. Attending important BPU meetings is much easier for many of us when they are held in Newark.
3. Private Administrators - It seems that there is some concern over the use of private companies to administer the various energy related programs. I for one have found the private contractors to be extremely helpful and professional. The people I've worked with treat this as an important job that they feel they are being held accountable for. This professional outlook did not exist to the same extent in the earlier administration by the utilities.
4. Solar farms - I am a firm believer that solar is good, especially on the roofs of warehouses, parking lots, etc. However, covering NJ green landscape is inappropriate. The land, the real "green", is best served by growing plants and trees that convert carbon dioxide into oxygen. Let's not loose site over the real "green" energy of the state.
5. Solar at Jersey shore - With such as emphasis on solar, why doesn't the State mandate that any building construction along the barrier reef islands of NJ that is $500,000 or greater must include solar on the rooftops. The shore towns of NJ have little or no trees to block the sun. They frequently have electric usage in the summer that is 100 X the fall and spring usage and the properties are owned for the most part by those who can afford it. If someone can afford a $500,000 new house or renovation of an existing home, they can afford to include solar. Put solar where it will get the most use.
6. Waste-To-Energy - There is new technology for taking waste and converting it into energy in the form of electricity and heat. One of the cleanest approaches is through gasification of the waste feedstock into a synthetic gas that

is then used to fuel either a reciprocating engine or a turbine. This energy, as long as it meets NJ emissions requirements, should be classified as a Class I renewable. Incentives should be created for this and mandates on utilities to purchase any such energy as a Class I renewable. The benefit to NJ is that less land is used to dump waste matter, less pollution is created by trucks hauling this waste to landfill sites and NJ has plenty of BTU laden waste to use as a feedstock for energy generation.

Please take my comments into consideration as you seek to update the EMP. Thank you for this opportunity to provide my thoughts. Take the original great goal and make it happen in a better way.

Regards,

James Pfeiffer, CEM
PowerHouse Energy, Inc.
www.PowerHouseEnergy.net
Ridgewood, NJ
201-251-3815 office
201-264-5361 cell

Kate Morecraft

From: Linda Wetzel
Sent: Wednesday, December 15, 2010 11:48 AM
To: Kate Morecraft
Subject: FW: MX Solar USA Comments on the NJCEP

From: Mitchell, Allison [mailto:Allison.Mitchell@bpu.state.nj.us]
Sent: Wednesday, December 15, 2010 11:31 AM
To: Linda Wetzel
Cc: Boylan, Rachel; Mike Ambrosio
Subject: FW: MX Solar USA Comments on the NJCEP

Allison E. Mitchell, AAI, OCE
(609) 292-1987

-----Original Message-----
From: Carlo Santoro [mailto:c.santoro@mxsolarusa.com]
Sent: Monday, November 29, 2010 6:44 PM
To: OCE
Subject: Comments on the NJCEP

Our company, MX Solar USA LLC has established a manufacturing facility in Somerset, New Jersey for the production of photovoltaic solar panels. We currently have 60 employees, which will grow to 90 by year-end 2010 and to 120 full-time employees by February of 2011. If the market conditions are favorable, we have plans to increase employees to 190 by the end of 2011. Our initial manufacturing capacity will be for 65MW, which will be increased to 130MW, again if warranted by market conditions.

One of the reasons our company chose New Jersey as a location for the US business was the REMI program. This would help us offset initial start-up costs that would be reflected in a higher price for our products and make our solar panels competitive with other products on the market during the critical start-up period. Many of our potential clients located in New Jersey are counting on this incentive in making their decision to buy MX panels, as opposed to others manufactured overseas. All potential clients have shared their desire to support the local and US economies by purchasing "Made in NJ", but they would not be able to do this if there is a substantial price differential.

You may be aware that products from Asia enjoy a considerable price advantage over European and US-made products. This is unusual considering that the raw materials needed to produce a solar panel, in particular the solar cells, are sold at fixed prices that are the same for everyone. Labor is also a small percentage of the production cost, being a highly-automated process, and would not dramatically impact final prices. The main explanation for this price differential regards subsidies provided openly or otherwise, by the foreign government.

While addressing this last issue is the competence of the Federal Government, programs such as REMI do much to mitigate this unfair advantage and help to grow the local industry at all levels (direct and indirect jobs).

We are happy to learn that the REMI program has been renewed for 2011, we are quite dismayed that only $1 million in funds has been set aside for the program. In simple terms, and assuming the maximum rebate of $0.25/watt on residential installations, this works out to rebates for only 4MW of solar panels. If we assume a 5Kw installation per home, that works out to only 800 installations. At this point, the program represents more of a lottery than an incentive and does little to promote the growth of a renewable energy industry in New Jersey, or the wider propagation of renewable energy use on a residential or commercial level.

In summary, all installers and developers that we have been in contact with would prefer to use "Made in New Jersey" products as opposed to imported solar panels. One way they could do this in a manner that makes economic sense, would be by taking advantage of the NJ Remi program, but at the current funding levels no end-user can realistically count on the program to have sufficient funding for a reasonable period of time.

We strongly urge the OCE to reconsider the amount of funding available for the REMI program, and bring this amount to a level that would make this program useful for a more realistic number of end-users. We are certain that we are not the only company to be affected by this issue.

Sincerely,

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Kristi Izzo
Secretary of the Board
New Jersey Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102

November 24, 2010

Re: Transitioning the New Jersey Clean Energy Program to a new structure in 2011
Docket No. EO07030203

Dear Ms. Izzo:

3Degrees Group, Inc. (3Degrees) is pleased to submit the following comments for the Board of Public Utilities (BPU) regarding a transition of the New Jersey CleanPower Choice Program to the voluntary market. 3Degrees is impressed with BPU staff willingness to explore creative options to support renewable energy cost effectively, and is hopeful that the following comments, suggestions, and experience will provide useful guidance for the BPU's planning.

Upon receipt of the comments below, 3Degrees welcomes the opportunity to answer questions from the New Jersey Clean Energy Program in making changes in 2011.

Thank you for your consideration of these comments.

Sincerely,

Adam Capage

Adam Capage
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3Degrees' Comments on New Jersey CleanPower Choice Program

Background:
On October 25, 2010, the State of New Jersey Board of Public Utilities issued a Notice of Public Hearing and Request for Comments regarding the Clean Energy Programs. The BPU anticipates both budgetary and structural changes, and after reviewing public comments, will decide on budgetary and transitional changes to occur.

3Degrees is an environmental commodities sales, trading, and advisory firm that helps utilities launch and expand voluntary green power and carbon balancing programs. By partnering with 3Degrees, utilities can provide their residential and commercial customers with programs that allow them to green their electricity with Green-e® Energy Certified Renewable Energy Certificates (RECs) or balance out their natural gas greenhouse gas emissions with verified carbon offsets. 3Degrees Utility Partners' green power programs are raising residential and commercial interest in renewable energy, with average participation rates of 6.7%, over three times the national average. By increasing demand for renewable energy and channeling capital to renewable energy projects, 3Degrees and its partners are accelerating development of a low-carbon, renewable energy economy.

Comments on New Jersey CleanPower Choice:
3Degrees has found, through experience, that there is a way to design voluntary green pricing programs that are self funding, support local renewable resources, and are highly successful. However, effective programs need a strong structure in place in order to be effective, one that allows utilities and marketers to work together to make the market flourish. Below are 3Degrees' recommendations for creating best-in-class voluntary green pricing programs in New Jersey.

Creating a Range of Options:
According to the 2010 Green Power Status Report, residential price premiums for green power programs across the U.S. *average* 1.75¢/kWh with a *median* price premium of 1.50¢/kWh[1]. 3Degrees suggests providing at least one option in this relative price range in order to capture the average renewable energy supporter. Other ideas for the BPU's consideration in creating product options include:

1. *Premium Offer* – A premium offer can be used to capture customers who are not only willing to pay extra to support renewable energy, but who are also interested in supporting a premium subset of renewable energy as defined by geography of generation type. An example premium offer might include New Jersey renewables or a blend of solar and wind energy only. While this offer is a great match for a subset of

[1] Bird, L.A, & Sumner, J. U.S. Department of Energy, National Renewable Energy Laboratory. (2010). *Green Power Marketing in the United States: A Status Report (2009 Data)* (NREL/TP-6A20-49403). Golden, Colorado: Retrieved from http://apps3.eere.energy.gov/greenpower/pdfs/49403.pdf

green power consumers, it might be too costly for the average green power consumer to consider, and would therefore be best complimented by one or both of the offers below.

2. *100% Offer* – A 100% offer focuses on allowing customers to support renewable energy equal to 100% of their electricity usage. This structure is typically the easiest for customers to intuitively understand. In creating a 100% offer, it is also possible to set aside a portion of the funds exclusively for New Jersey renewables. For example, 0.1¢/kWh out of a 1.5¢/kWh price premium could go to a grant program for New Jersey renewable energy projects. This type of arrangement allows customers to match 100% of their energy to renewables at an affordable rate while also helping to develop local New Jersey renewable energy.

3. *50% or Block Offer* – For customers who want to support renewable energy but are unable to afford the 100% Offer, a 50% offer or block offer allows customers to either support renewable energy equal to half their usage, or purchase a fixed monthly amount of renewable energy (called "blocks"). These options open the door for additional customers to participate.

3Degrees understands that it is a priority for the state to support New Jersey renewables, and believes that the options listed above offer proven methods for allowing customers to do this while also participating at several different price points.

<u>Single Marketer and REC provider per Utility</u>:
There are several models of utility/marketer relationship for the BPU to consider as it weights options for transitioning New Jersey CleanPower Choice to the voluntary market. 3Degrees has found success using the single-marketer, single-REC provider approach, for the following reasons:

- Having one marketer managing program growth puts greater responsibility and reward in the marketer's hands. This dramatically increases the likelihood that the marketer will invest in growing participation because they are rewarded for program growth and face the threat of losing the exclusive contract if their performance is poor.
- Awarding marketers a three year contract to exclusively market the program gives marketers enough time in invest in program growth and see a return on that investment with increased Renewable Energy Certificate sales through the program.
- By holding an RFP process every three years, marketers are incented to perform or risk losing a contract renewal, while utilities have an opportunity to make sure that they are getting the best option for their customers that the market offers.

The National Renewable Energy Laboratory has reached the same conclusions, and his written extensively about the pros and cons of different marketer models in *Utility-Marketer*

Partnerships: An Effective Strategy for Marketing Green Power?[2] At the time of the report, green pricing programs that enlisted a marketing partner had participation rates roughly double to those who did not, with greater success attributed to utilities that enlisted a single marketer.

Funding for Program Operations:
In a single marketer system, most costs are borne by the marketer. These include any Electronic Data Interchange (EDI) costs, payment for marketing pieces, staffing for community outreach initiatives, and Green-e Energy certification fees. However, there are some costs that are typically borne by the utility, including dedicated staff member on the utility side to facilitate internal approval processes and the completion of program materials, as well as call center training and education to discuss the program with customers. 3Degrees encourages allowing the utility to rate-base these small incremental costs to its entire base of customers, as a cost of providing good customer service and flexible options to its customers.

Utility Involvement:
Voluntary programs benefit immensely from having an active and involved utility with goals and incentives to increase customer participation, yielding greater coordination to achieve program success. Whether this target is internally generated from high ranking officials within the utility or created by regulatory bodies, such targets can lead to greater access to customer enrollment channels such as bill inserts and call center challenges and overall quicker project turnaround time. After consulting all affected stakeholders, a sample goal might be created such that each New Jersey utility meets the national average for participation in green pricing programs or better over a five year period. In addition to this overarching goal, 3Degrees offers the following recommendations for the BPU's consideration regarding utility involvement:

- Utility staff time to assist marketer in navigating internal utility structures when implementing campaigns
- Minimum of 3-4 bill inserts per year for CleanPower Choice
- Allow marketer access to customer information for CleanPower Choice marketing initiatives such as direct mail campaigns
- Approval to allow call centers to offer Clean Energy Choice to customers when service is initiated
- Allow utility to recover cost of program administration through rates, including management of RFP process, Program Management staff time, and Call Center staff time

Independent, Third-Party Verification: Green-e Energy®:
Customers need assurance that voluntary green pricing programs are doing what they say they should be doing. Green-e Energy® certification of programs does exactly that. It verifies that:

[2] Bird, L.A., & Brown, E.S. U.S. Department of Energy, National Renewable Energy Laboratory. (2006). *Utility-Marketer Partnerships: An Effective Strategy for Marketing Green Power?* (NREL/ NREL/TP-620-39730). Golden, Colorado: Retrieved from http://www.nrel.gov/docs/fy06osti/39730.pdf

- Customers support "new" renewable resources: facilities on line on or after January 1997, or within the last 15 years, whichever is later.
- 100% of the supply for the product comes from renewable resources as defined by the Green-e National Standard.
- The renewable energy has not been sold to more than one end user.
- Each purchase actually happened and it is above and beyond that required by law or mandate.
- Marketing claims made about the program are accurate, adhere to a set of consumer protection guidelines, include mandatory disclosure requirements, and are reviewed by the non-profit Center for Resource Solutions, who manages the Green-e Energy program.

To back up these claims, each Green-e Energy certified program must undergo an annual marketing review as well as an annual renewable energy verification process. 3Degrees offers up Green-e Energy certification as a means of meeting the BPU's interest in verifying program activities while easing the time and financial burden of doing it themselves.

The suggestions outlined in the sections above are meant to provide the BPU with ideas for crafting the CleanPower Choice Program in a manner that reduces financial and oversight burden, while, at the same time, establishing a best-in-class voluntary green-pricing program that supports New Jersey renewables and flourishes in participation.

Comments of Natalie Hildt, Manager of Public Policy Outreach
Northeast Energy Efficiency Partnerships (NEEP)
To the New Jersey Board of Public Utilities
Regarding Proposed Changes to the New Jersey Energy Master Plan

November 26, 2010

President Solomon, Commissioners Fox, Fiordaliso, Asselta and Randall:

On behalf of Northeast Energy Efficiency Partnerships (NEEP), I am pleased to provide input regarding the New Jersey Clean Energy Program (NJCEP) Transition Whitepaper, as prepared by the Division of Economic Development and the Office of Clean Energy.

As you know, NEEP is a regional nonprofit organization founded in 1996 whose mission is to promote the efficient use of energy in homes, buildings, and industry in New England, New York, and the Mid-Atlantic states. We do this through regionally coordinated programs and policies that increase the use of energy efficient products, services and practices, and help achieve a cleaner environment and a more reliable and affordable energy system.

NEEP is also the organization that the Board of Public Utilities (BPU) commissioned to develop a set of strategies for employing energy efficiency to attain the state's 2020 Energy Master Plan goals.

Consistent with our Master Plan recommendations and "An Energy Efficiency Strategy for New Jersey,[1]" NEEP's March 2009 strategy paper on achieving the 2020 master plan goals, we believe that the electric and gas efficiency programs should be delivered by an Energy Efficiency Utility (EEU). This would be a market-based delivery structure involving the utilities in joint program design and implementation,

We had originally advised against moving these programs under state administration, citing concerns that such a shift could result in a significant loss of momentum and, therefore, customer savings opportunities. We note that there are instances in other states (most recently and specifically, the state of Maine) where policymakers have come to the conclusion that it is not in the best long-term interests of energy consumers to have the regulatory agency also administering the state's ratepayer-funded energy efficiency programs.

[1] http://www.state.nj.us/emp/docs/pdf/041609NEEP.pdf

While we believe that coordinated and state-wide program offerings delivered by the customer-facing utilities would yield the greatest savings and maximize ratepayer dollars, we would also suggest that an essential ingredient to successful program implementation is adequate oversight by the Board of Public Utilities (BPU) coupled with input from and coordination through a stakeholder advisory board. Utilities should be properly compensated and incentivized to deliver energy-saving programs, and at the same time must be held accountable for delivering measured savings and tangible benefits to customers.

Per our aforementioned strategy paper prepared for the state, NEEP recommends that under this model:

- The Board of Public Utilities should set clear energy savings goals and review energy efficiency programs and budgets proposed by the electric and natural gas utilities to the be implemented by the Energy Efficiency Utility;
- This EEU should be jointly administered by the utilities to design and coordinate, statewide energy efficiency programs (including any programs run by the state);
- The EEU should offer programs across all fuels, with opt-in options for municipal utility and unregulated fuel customers, including engaging with contractors and service providers, engaging with regional energy efficiency programs, and conducting statewide research and evaluation; and,
- A Stakeholder Advisory Committee that would bring together the BPU, the utilities, representatives from business, consumer and energy efficiency groups and other key parties to help design, implement, and evaluate efficiency programs.

NEEP also continues to advocate for strong and stable funding for energy efficiency, regardless of the delivery model. In light of the change in course being contemplated by Governor Christie and the BPU, we believe these points from our strategy paper bear repeating:

1. Meeting the Energy Master Plan goal of 20 percent energy savings by 2020 has the potential for $16.8 billion in net cost savings ($28 billion in avoided costs vs. $11.2 billion investment in energy efficiency). To delay the effort will commit the state's utilities to purchase more costly power supplies—not a cost-effective result.
2. From 2001 to 2009, savings from energy efficiency programs through the Office of Clean Energy (OCE) increased significantly with the ramp up in investment.

- Electric energy savings increased from 50,672 MWh to 462,162 MWh, for a total of 2,230,353 MWh in savings

- Natural gas savings increased from 243,146 Dtherms to 636,343 Dtherms.

Any significant roll-back in efficiency program investments will be extremely detrimental to the state's progress on saving energy, as well as threaten New Jersey's place as a clean energy leader. If fewer efficiency resources are captured, that means that New Jerseyans will be wasting money on more costly and polluting energy resources, since efficiency costs about one third to one half as much as generation resources.

While we understand the tough economic times that New Jersey and the nation are facing, we implore the BPU to take the long view and continue to meet as much of the state's energy demand as possible with clean, cheap energy efficiency.

It appears that the BPU is keen to transition away from incentive-based programs in favor of revolving loans or other funding mechanisms. While financing can play a key role in helping customers get over the initial hurdle of investing in efficiency projects, we caution that the market in not sufficiently transformed to radically change the efficiency assistance model.

Customer financing programs alone will not be enough to sustain the level of energy savings that New Jersey current achieves. The U.S. Department of Energy Lawrence Berkeley National Laboratory's recent "Driving Demand" report noted that financing programs, such as those offered through a revolving loan fund, are not sufficient to drive customer participation.

Specifically, that reported noted that: "Much of the research on energy efficiency has focused on the economic potential of energy efficiency, with the implicit assumption that people will act according to their financial self-interest; e.g. if you give someone a loan for an upgrade that will "pay for itself" within the term of the loan, they will choose the upgrade. Behavioral economics and social psychology research shows that people are far more interesting and complex. A more accurate model of decision making includes tendencies such as social preferences and habit formation. As a result, it is often not enough to provide financing and prove to people that it is in their economic interest to make home energy improvements." [2]

If the idea is to move to loans as the primary mechanism to drive efficiency projects, we would argue that the market is not nearly mature enough to sustain these funding reductions. Learning of these proposed budget cuts without seeing a program plan causes us great concern. If this means that half of the budget is lost, we can only assume this will mean fewer incentives for consumers, resulting in missed opportunities for consumer education and

[2] Merrian Fuller, et al., Lawrence Berkeley National Laboratory, "Driving Demand for Home Energy Improvements," September 2010, 28-29. Available online at http://eetd.lbl.gov/EAP/EMP/reports/lbnl-3960e-web.pdf.

market intervention. These cuts also will underserve consumers are the very point in time when they need the most assistance in navigating their way through a landscape with many possible options but less in the way of comprehensive and complementary solutions for building energy efficiency.

Lastly, creating uncertainty and confusion among consumers and the clean energy workforce that is developing to delivery energy efficiency will undermine any attempts to building the 'green' economy in New Jersey, with those jobs instead migrating to states where efficiency programs and budgets continue to grow, including New Jersey's neighbors in New York and Pennsylvania, as well as other states throughout the Northeast and Mid-Atlantic regions.

In terms of specific program plans, one program that we are particularly concerned about is Home Performance with ENERGY STAR. According to the 2011 program budget included with the NJCEP whitepaper, the program is slated for cuts from about $62 million last year to $38 million. Home Performance is not only a signature program, it is a vital gateway to other efficiency programs and a key customer education touch point.

In summary, we urge the BPU to proceed with caution in making changes to the efficiency programs. While there is certainly room for improvement, streamlining, and learning from the best practices of others, permanent damage could be done to the state's energy efficiency business sector, as well as to residents and commercial customers if the clean energy program budgets are cut too deeply. Without assurance that funding will be there tomorrow, customers will have little confidence to begin energy efficiency projects, and efficiency practitioners will be likely to take their business to other states with a more friendly business climate.

We thank you for the opportunity to comment on this whitepaper regarding the transition of New Jersey's Clean Energy Programs. NEEP stands ready to serve the Bureau of Public Utilities, the Office of Clean Energy, the electric and gas utilities and other key entities to ensure that the state has continued access to the cheapest, cleanest energy resource available today and in the future: efficiency.