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New Jersey · Pennsylvania · New York · Kentucky · Ohio · Hawaii

May 14, 2013

NJ Board of Public Utilities  
44 South Clinton Avenue  
Trenton, NJ 08625  
Via email: [publiccomments@njcleanenergy.com](mailto:publiccomments@njcleanenergy.com)

**Re: NJCEP Proposed Programs and Budgets for Fiscal Year 2014**

Thank you for this opportunity to comment on the NJCEP Proposed Programs and Budgets for Fiscal Year 2014. MaGrann Associates is a Mount Laurel, NJ based engineering and energy rating company that has worked with builders and developers to improve the efficiency of tens of thousands of new and existing homes under utility and NJCEP programs throughout New Jersey over the last 30 years.

### 1. Residential New Construction

We believe the time has come to eliminate the restriction that limits incentive eligibility for new homes participating under the NJCEP residential new construction program to designated Smart Growth areas. We believe that all homes built in New Jersey should be encouraged to build to higher efficiency standards through participation in this program, and that issues related to land use and location should be addressed separately through other policy mechanisms and approval processes.

All homes approved for construction in the state should have equal access to incentives to build to higher efficiency levels. We do not believe that the non-Smart Growth restriction on eligibility for this program has had any impact on a homebuyer, builder or developer's decision as to where to build. Conversely, we believe the eligibility restriction has caused homes to be built to lower energy performance levels than they would have been had they participated in the program.

We also believe that eligibility for NJCEP participation should be applied consistently across NJCEP programs. For example, the Smart Growth requirement does not apply to retrofit of existing buildings. While we understand the objectives of the Smart Growth initiative, if a home is approved for construction we believe it should be encouraged to build efficiently by providing equal access to incentives.

The current temporary lifting of non-Smart Growth restrictions to aid Sandy recovery should be made permanent and expanded by simply removing the restriction altogether. Through lower energy use, lower bills and less pollution, elimination of the Smart Growth requirement for program participation would positively impact New Jersey's environment, the state's energy supply infrastructure, the future occupants of these homes, and ultimately all ratepayers.

### 2. Utility Programs

OCE has expressed concern regarding the overlap of utility and NJCEP programs. We strongly agree with the importance of coordination and collaboration in order to avoid unnecessary duplication or competition. We would also like to express our support for the innovation and value that utility initiatives



**MaGrann Associates**  
**Building Science for a Better Environment**

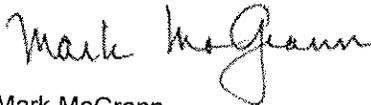
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have demonstrated they can provide. For example, PSE&G's "EEE" program for existing multifamily buildings has created a nationally recognized model for accessing a traditionally underserved market – one that has seen limited participation under NJCEP's current offerings.

MaGrann Associates is an example of a local firm that has significantly grown its resources by adding credentialed personnel with the necessary expertise to support this program. These are sizable projects producing large scale, cost effective savings that also create significant numbers of New Jersey based jobs – from companies such as ourselves that perform assessments, construction management and commissioning to the contractors who implement the retrofits and the suppliers of the equipment and materials.

A viable and comprehensive solution for multifamily buildings has been an elusive goal within traditional efficiency program portfolios. Continuity will be critical to sustaining the market success this initiative has generated. It would be unfortunate if this momentum were lost.

Thank you for your consideration.



Mark MaGrann  
President/CEO



Ben Adams  
Vice President – Program Development



This issue previously has been brought to the attention of the BPU. In December 2011, ReVireo submitted a letter, along with three (3) other Open Market Rater companies, in response to changes that were then proposed for the FY 2012 Program. In this letter, dated December 2, 2011, all four (4) companies detailed their concerns that **not only** would this current structure inhibit participation in Climate Choice **but also** would provide MaGrann with an unfair competitive advantage in the Open Market competition for Tier 1 & Tier 2 projects. The latter concern is based on the fact that the BPU decision, to allow **only** MaGrann to provide services for Climate Choice, implies that MaGrann has technical capabilities that other Open Market Rater companies do not possess, which is patently false.

MaGrann has no more technical capabilities than ReVireo, or many of the other Open Market Rater companies, particularly EAM Associates and Steven Winter Associates. ReVireo, along with both EAM and Steven Winter, employs Licensed Professional Engineers, LEED Accredited Professionals, LEED for Homes Green Raters, and a number of other highly qualified building science professionals.

If the BPU's reluctance, to allow **all** Open Market Rater companies to provide services for the Climate Choice Homes Program, is based upon a concern about technical capabilities, then it should issue a Request for Qualifications (RFQ) to qualify companies – similar to how it qualifies companies to provide services for Tier 1 and Tier 2. If the BPU's reluctance is based upon other concerns, then it should publicly state those concerns to avoid the unavoidable appearance of favoritism and prevent its proposal, in its current form, from subverting the goals of the program.

The bottom line is that, as long as only **one** (1) Open Market Rater company is allowed to provide services for the Climate Choice Homes Program, **all** other Open Market Rater companies will only have an incentive to obstruct participation in that program. Any unfair competitive advantage in competing for Tier 1 & Tier 2 projects, bestowed upon that one (1) company by the BPU, is obviously a concern to the other Open Market Rater companies. However, I would imagine that the larger concern from the BPU's perspective is that it has created a structure for a program that is self-defeating.

Thank you for your attention to this serious objection to your proposal. I am available to discuss your proposal and the particular objection set forth above. I can be reached at my office: (888) 568-5459 or by email at [matthew@revireo.com](mailto:matthew@revireo.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew Kaplan", with a long horizontal flourish extending to the right.

Matthew Kaplan, CEO



New Jersey Board of Public Utilities  
44 South Clinton Avenue, P.O. Box 350  
Trenton, New Jersey 08625-0350

May 20, 2013

RE: Proposed NJCEP FY 2014 EE Programs

To Whom It May Concern:

I write this letter to comment on the proposed NJCEP FY 2014 EE Program. I appreciate the opportunity to have input and trust that my concerns will be thoroughly and thoughtfully considered. Reviewing the proposed program, I was very surprised to read that it would include a "Climate Choice Homes Program with **Market Manager** Rating Services." My surprise is due to the fact that it is **not** the "Market Manager" who is performing services for the Climate Choice Homes Program; rather, it is one of the Open Marketing Rating companies, notably MaGrann Associates (MaGrann), who performs such services under the current structure of the program. Unless there is a proposed change of which I am unaware, to say that the "Market Manager" is performing these services is a misrepresentation.

The problem with the current structure, and accordingly with this proposed structure for FY 2014, is that when **any** Open Market Rater company, **other than** MaGrann, encounters a project that could potentially participate in the Climate Choice Homes Program, they have **every incentive** in the world to steer the owner of the project **away** from participating in Climate Choice and **towards** participating in Tier 2. Otherwise, the referring company would be referring its client to a direct competitor for potentially all future business. Surely, it is not your intended policy to grant a monopoly to MaGrann for all business of Open Market Rater Companies and/or to subvert the goals of the Climate Choice Homes Program.

If Honeywell, who is **actually** the Market Manager, were the company providing services for Climate Choice, the incentives would not be perverse to the objectives of the program. With Honeywell, the Open Market Rater company would only stand to lose the business for that particular project by steering the client towards participating in Climate Choice. However, as that is not the case, by steering a client towards participating in Climate Choice, an Open Market Rater company stands to lose their entire client relationship and **all future business** from that client by referring them to a **direct competitor**.

It is thus unreasonable for the BPU to expect all Open Market Rater companies, **other than** MaGrann, to do anything but actively try and prevent their clients from participating in Climate Choice. Until a change is made, this dynamic will continue to limit enrollments in, and hinder the success of, the Climate Choice Homes Program.



May 24, 2013

Ms. Kristi Izzo  
Secretary of the Board  
State of New Jersey  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Trenton, NJ 08625-0350

Re: Draft NJCEP FY 2014 Programs

Dear Ms. Izzo:

Goodman Global, Inc. (Goodman) submits the comments below in response to the New Jersey Clean Energy Program (NJCEP) proposed Programs and Budgets for Fiscal Year 2014, as published on the website at <http://njcleanenergy.com/filings>.

Goodman manufactures residential and light commercial heating and cooling equipment. Our products are sold and installed by contractors in every state in the United States. Goodman appreciates efforts to conserve energy through programs such as New Jersey Board of Public Utilities' COOLAdvantage and WARMAdvantage, and we are grateful for the opportunity to present Goodman's thoughts about certain aspects of the proposed Fiscal Year 2014 Clean Energy Program.

Goodman would like to comment on two aspects of the proposed NJCEP 2014 Program. The first summary comment is that Goodman believes 13 EER / 16 SEER would be a more appropriate level for cooling efficiency requirements than 13 EER / 17 SEER. The second summary comment is we believe certification of product performance should not be restricted to a single entity, but rather for best market conditions that product performance should be permitted to be verified by any nationally recognized program.

To address the first issue, we suggest the proposed cooling efficiency level requirements for central air conditioners and heat pumps of 13 EER / 17 SEER are too stringent or restrictive. Many manufacturers offer cooling products designed for four approximate levels:

- 13 SEER (current national minimum)
- 14.0-14.5 SEER (CEE Tier 1 / EPA EnergyStar)
- 16 SEER (CEE Tier 2 and Federal "tax credit" level)
- 18+ SEER (Super-efficient / most-efficient)

By setting the requirement at 13 EER / 17 SEER, it is effectively requiring a product designed for 18 SEER, which will be significantly more costly to homeowners versus a product designed for 13 EER / 16 SEER. Further, the 17 SEER minimum will significantly reduce the number of equipment choices that a homeowner will have. Using the AHRI directory as of May 19, 2013, only 4.5% of all air conditioner systems manufacturer's certified combinations (27,324 out of 608,790) and only 2.8% of all heat pump systems manufacturer's certified combinations (11,819 out of 421,145) would qualify for the 13 EER / 17 SEER level. Reducing the requirement to the Consortium for Energy Efficiency (CEE) Tier 2 (commonly referred to as Federal "tax credit" level) of 13 EER / 16 SEER provides homeowners 3 times more choice of air conditioners, and twice as many heat pumps. Please note this CEE Tier 2 level is the highest level provided by CEE for residential air conditioners and heat pumps.

In regards to the second issue, Goodman understands product performance certification is needed to ensure the consumer is receiving the claimed performance. In part because of the stringency of the Certification Program of the Air-Conditioning, Heating and Refrigeration Institute's (AHRI), Goodman chooses to have our certification completed through AHRI. These details can be found on AHRI's website at <http://www.ahrinet.org/certification.aspx>. Honeywell, as the Residential Program Manager for NJCEP Energy Efficiency Program is aware of the rigorous requirements of the AHRI certification program. Several other organizations also recognize the benefit of AHRI certification – for one example please refer to the Consortium for Energy Efficiency (CEE) website at [http://www.ceedirectory.org/Content/HowandWhyofCertified\\_6.aspx](http://www.ceedirectory.org/Content/HowandWhyofCertified_6.aspx).

There are several independent organizations capable of providing certification services to give confidence a product achieves its stated performance. Goodman suggests that as long as required product performance parameters are certified by a nationally recognized certification or testing laboratory meeting minimum requirements (such as being ISO 17025 certified themselves), this should be adequate for programs such as *COOL*Advantage and *WARM*Advantage. Such independent organizations could include laboratories like Underwriters Laboratories, Intertek and CSA, or industry trade associations such as AHRI or AHAM. It is worthy to note the *COOL*Advantage program allows certification by either AHRI, CEE-AHRI, or Energy Star listing (footnote 5 of page 20 of the Honeywell Market Manager FY2014 Residential EE & RE Compliance Filing), while the *WARM*Advantage program restricts certification only to Energy Star listed products (Table 6 of page 22 of the Honeywell Market Manager FY2014 Residential EE & RE Compliance Filing).

Goodman would suggest appropriate documentation changes would be to replace “Energy Star” to “Energy Star performance, certified” in Table 6 of the Honeywell Market Manager FY2014 Residential EE & RE Compliance Filing, and changing footnote 11 to read “Efficiency performance meeting Energy Star Ver. 4.0, certified by an independent third party, with product purchased on or after July 15, 2012”.

Goodman appreciates the opportunity to provide these comments. If you have any questions regarding this submission, please do not hesitate to contact me.

Sincerely,

Rusty Tharp  
Director of Regulatory Affairs  
Tel: 713/263-5906  
Email: [rusty.tharp@goodmanmfg.com](mailto:rusty.tharp@goodmanmfg.com)

**Deborah Petrisko**

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**From:** MTLMURRAYS@aol.com  
**Sent:** Tuesday, May 21, 2013 11:13 AM  
**To:** publiccomments@njcleanenergy.com  
**Subject:** comment regarding the budget modifications

I have 3 comments to the Board, and 1 to the current Administration.

#1 That the budget modifications reflect **in proportion**, for all the contributing SBC stakeholders (especially residential and small business ratepayers)

so the homeowner (versus the large developers who do not contribute to the SBC with direct to grid projects) will have program funds to assist in the expansion of RE & EE for their homes and businesses.

#2 That the ratepayer advocate recognize the unfairness in how RE program dollars are not allocated proportionately among the stakeholders AND their value fairly identified among all the ratepayers/stakeholders.

#3 That the Board embrace the expansion of the RE program and develop innovative strategies. The "ball is rolling" for more clean energy, energy independence from polluting fuels, JOBS and the program managers are not taking full advantage of the momentum. Strategies that have been successfully running in other states, or parts of the world like, increasing the RPS, FITs, preferred classes of S-RECs for behind the meter and direct to grid projects, etc. are there for review!!

For Christie,

That the Governor cease his raid on these ratepayer "self sustaining" SBC program funds AND restore the hundreds of millions his administration has robbed from the program.

Patrick Murray  
227 Mill Run Court  
Mount Laurel, NJ  
(609) 304 3879



AIR CONDITIONING CONTRACTORS OF AMERICA  
NEW JERSEY

## **FY2014 NJCEP Compliance Filing and Budget**

May 30<sup>th</sup>, 2012

Elizabeth Ackerman, RA+LEED AP  
Acting Director  
Division of Economic Development & Energy Policy  
Board of Public Utilities  
44 S. Clinton Avenue  
Trenton, NJ 08625

Re: FY2014 NJCEP Compliance Filing and Budget

To Whom It May Concern,

Our group has reviewed the proposed changes to the residential programs and wishes to submit our observations, questions and, more importantly suggested revisions to the proposal. Many of the incentive changes and additions could be viewed as minor changes or renewals of past programs, but when you look at the cumulative effect of all of these changes, they are considerable. If accepted, several of these changes will result in a myriad of negative outcomes. Most notably, the proposed renewal of the Utility enhanced furnace incentives and introduction of Utility HVAC Program financing, along with the reintroduction of COOL Advantage will significantly reduce the delta in incentives between the HVAC programs and the HPwES Program, in the past when the \$ incentives between HVAC and HPwES were too close, HPwES subscription dropped off significantly. Our groups were consulted at that time, and the proposed solution was to increase the HPwES incentives to keep the rebate spread and net project costs at appropriate levels to incentivize people to go for the higher energy savings of HPwES. We feel the need for a proper spread in program incentives has been confirmed, since the HPwES rebates were increased and the Utility Enhanced Rebate programs have had periods of hiatus in certain territories. Due to this, contractor active since the HPwES Programs inception volume has increased, as well as new contractors entering the program doing large volume in the program, and overall program volume is up. Of course, with increased HPwES participation comes increased energy savings for NJ ratepayers.

While we support, Cool Advantage, Utility Enhanced Incentives and Utility HVAC financing separately and if right sized in comparison to the HPwES Program, it is absolutely required to assess as a whole what effect it will have on true energy savings, improved comfort and, most importantly Health and Safety if all of them are accepted as proposed. If you couple the proposed WARM/COOL Changes, Utility Enhanced Rebate Extensions, the rebate spread is back to a level it was 2 years ago when program participation was suffering. Add in the increased Domestic Hot Water rebates, Sandy Incentives (HVAC Only), and then add in the discussed Utility HVAC financing programs proposed for FY 2014, you end up with a hybrid program that has almost the same incentives as HPwES without the same standards, costs, or energy savings achieved. The consequence, besides the rate payers never receiving the expected energy savings or comfort advertised from upgrading their equipment, *it will certainly be the demise of the HPwES program* that achieves the energy savings, comfort, health and safety it promises.

Our group has reviewed the proposed changes to the residential programs and wishes to submit our observations, questions and, more importantly suggested revisions to the proposal. Many of the incentive changes and additions could be viewed as minor modifications or renewals of past programs, but when you look at the cumulative effect of all of these changes, they are considerable. If accepted, several of these changes will result in a myriad of negative outcomes. Most notably, the proposed renewal of the Utility enhanced furnace incentives and introduction of Utility HVAC Program financing, along with the reintroduction of COOL Advantage will significantly reduce the incentive variance between the HVAC and the HPwES Programs. In the past, whenever the NJCEP allowed the incentives for the HVAC Programs to become with-in range of the HPwES model, HPwES subscription significantly fell off. When our groups were consulted during these periods the proposed solution was to increase the HPwES incentives to keep the rebate range and net project costs at appropriate levels to incentivize people to invest in the higher energy savings achieved through HPwES. The increase in HPwES projects resulting from the implementation of our plan is a testament to the value of the plan. Furthermore, HPwES projects increased in certain territories during the periods the Utility Enhanced Rebate programs were in hiatus. Likewise, the contractors, active from the HPwES inception volume in the Program has increased, as well as new contractors entering the program are doing large volume in the program, and overall program volume is up. Unquestionably, with increased HPwES participation comes increased energy savings for NJ ratepayers.

While we support, Cool Advantage, Utility Enhanced Incentives and Utility HVAC financing separately they need to be properly calibrated in comparison to the HPwES Program. Also, it is absolutely required as a whole to consider the effects it will have on true energy savings, improved comfort and, most importantly Health and Safety if all of them are accepted as proposed. If you couple the proposed WARM/COOL Changes, Utility Enhanced Rebate Extensions, the rebate(s) variance is similar to the levels of 2011 when the program participation was suffered due to the miscalibration. When adding to these incentives the increased DHW rebates, Sandy Incentives (HVAC Only), as well as the discussed Utility HVAC financing programs, the result is a hybrid program that has nearly the same incentives as HPwES deprived of the same health/safety standards, costs, or energy savings of HPwES. The consequence, besides the rate payers never receiving the expected energy savings or comfort advertised from upgrading their equipment, *it will certainly be the demise of the HPwES program* that achieves the energy savings, comfort, health and safety it promises.

With that said, we do feel the proposed HVAC incentives could help achieve energy savings for the ratepayers where HPwES is not the proper option. We feel, however that any change to the HVAC incentives must have a correlating change in HPwES incentives to maintain the current rebate spread. We also feel that if there are going to be HVAC only financing options they should be an either or proposition in relation to rebates, or the financing amount of HPwES needs to be increased. *If these steps are not taken the accidental consequence of these well intended programs will be to incentivize people away from the HPwES Program, having NJ lose out on potential energy savings.* And while we would promote all programs receiving incentive increases, we realize that is not sound public policy and that the budget most likely would not be able to accommodate it.

We do believe that with some clever manipulation of the program(s) we are able to advise you of a method to stabilize the marketplace, reorganize the programs, in order of priority of energy savings, and re-entice contractors to participate in the program(s) with the highest energy savings, health safety and comfort. Accordingly, if incentives are structured relative to energy savings, and homeowners are presented all options, we are confident they will make the right choice and NJ's energy reduction goals will be achieved.

The following are our suggestions to create a Ratepayer and Contractor friendly, as well as, and most importantly, a sustainable program for 2013 and beyond.

The following pages will serve as an Executive Summary of our recommendations. As our analysis is wide-ranging and several points may need follow-up clarifications as well as the fact that time is of the essence we feel it prudent that a sit down with NJCEP Staff, AEG, Utilities, and the Market Managers within the next few days to discuss our ideas further.

While we support, Cool Advantage, Utility Enhanced Incentives and Utility HVAC financing it is absolutely required as a whole to consider what effects it will have on true energy savings, improved comfort and, more than likely and most importantly the Health and Safety of ratepayers.

**Below are highlights about the top concerns of the Program(s) in the past and in the future, further details on following pages**

- 2011 proved enhanced furnace incentives competed with HPwES and caused a large dip in HP participation (Due to decreases in HPwES rebates and the start of \$900 Enhanced Programs).
- 2012 proved that same thing when volume and new contractor participation increased in territories where the enhanced rebates had stoppages
- Since we support the HVAC proposals, we think there needs to be a look at “right sizing” the HP incentives (increase) to accommodate the changes in the HVAC program and better align programs to be complementary and not competitive
  - Add the prescriptive elements from WARM/COOL/ UTILITY ENHANCED on a per Furnace, DHW, and/or AC basis to keep the incentive to go the HPwES route over WARM/COOL/Enhanced equal, and not have the programs competing
  - Increase in financing amount commensurate with HVAC Program Financing to accommodate HPwES larger job scope costs.
  - Sandy Incentives should be extended to HPwES as well.
- ANY financing needs to paid to contractors QUICKLY!
- Customers should be informed of ALL program choices through the use of a program disclosure form.
- ALL Contractors regardless of program should be held to same standards (HIC licensed, insured, trade licensed, permits, etc...)

• **FY 2014 Incentives Recommendations**

- The following NJCE Residential Incentive table lists the potentially proposed incentives, uses and benefits of HPwES, Warm & Cool Advantage
- Model incentive levels across all programs commensurate with “Real Energy Savings”

2013 RE Efficiency Proposed Program Scenario						
Measure	HPwES			Warm/Cool Advantage		
	25%	20%	2 Systems 25%	2 Systems Furnace, AC & DWH	1 System Furnace, AC	1 System Furnace, AC & DWH
Furnace	7,000	7,000	14,000	14,000	7,000	7,000
AC	4,500	4,500	9,000	8,400	4,200	4,200
DWH	1,800	-	1,800	1,800	missed savings	1,800
AS	1,500	1,500	2,000	missed savings	missed savings	missed savings
Insulate	1,500	1,500	2,500	missed savings	missed savings	missed savings
Health & Safety	800	800	800	missed savings	missed savings	missed savings
<b>Project Cost Total</b>	<b>17,100</b>	<b>15,300</b>	<b>30,100</b>	<b>24,200</b>	<b>11,200</b>	<b>13,000</b>
Incentives	HPwES			Warm/Cool Advantage		
Warm - \$250	-	-	-	500	250	-
Furnace w/ DWH + \$650	-	-	-	650	-	1,300
Cool	-	-	-	1,000	500	500
DWH \$500	-	-	-	-	-	-
Enhanced \$900	-	-	-	1,800	900	900
Tier 3 Level 2 (25%) \$5,000	5,000	-	5,000	-	-	-
Tier 3 Level 1 (20%) \$4,000	-	4,000	-	-	-	-
Tier 2 (25%) \$2,000	-	-	-	-	-	-
<b>Incentive Totals</b>	<b>5,000</b>	<b>4,000</b>	<b>5,000</b>	<b>3,950</b>	<b>1,650</b>	<b>2,700</b>
<b>Net Project cost</b>	<b>12,100</b>	<b>11,300</b>	<b>25,100</b>	<b>20,250</b>	<b>9,550</b>	<b>10,300</b>
<b>HPwES Proposed Enhanced Incentive***</b>	<b>900</b>	<b>900</b>	<b>2,550</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Project cost</b>	<b>11,200</b>	<b>10,400</b>	<b>22,550</b>	<b>20,250</b>	<b>9,550</b>	<b>10,300</b>
<p><b>Yellow Columns are the 2 most common options customers are torn between, so what the program(s) should be crafted to incentivize accordingly. If you add Sandy Incentives on HVAC on top of this the issue gets magnified.</b></p> <p>* While the similar measures are installed as in 25% Tier 3 HPwES Project, energy savings are less and are unsubstantiated. The current gas utility “Enhanced Rebate” model (Audit after HVAC installed) allows for like equipment replacement or equipment sizing before any shell measures are completed. Almost certainly the HVAC systems will be oversized since reduced building load from upgraded insulation and air sealing were not considered during the equipment sizing. The resulting effect is that the HVAC system upgrade will not achieve the optimal energy savings and misses the load shedding opportunity.</p> <p>** Addressing H&amp;S issues are not required to be address unless the homeowner elects to engage in a HPwES Tier 2 project</p> <p>***If Enhanced Rebates are to be offered we feel HPwES should also have an Enhanced Rebate to keep spread between programs, similarly if ther is to be HVAC financing there should be an increase to HPwES Financing to keep balance</p> <p>**** It is recommended to add the prescriptive elements from WARM/COOL/ UTILITY ENHANCED on a per Furnace, DHW, and/or AC basis to keep the incentive to go the HPwES route over WARM/COOL/Enhanced equal, and not have the programs competing.</p>						

The following are general observations on how to increase the volume of the HPwES Program, and ratepayer energy savings, we had established before considering the proposed changes in the Utility & HVAC Program(s).

- **More Financing Options are Critical for non-utility company sponsored financing**

- Lower the credit score or vary the loan % by the homeowner's credit score while keeping the buy down fee paid by the NJCEP/Utility fixed. Consumers who fail credit at the 0% tier have informed us they partake in a loan with a higher APR (higher APR should also accommodate higher debt to income ratio's if possible)

<b>NJCEP - \$10,000, 10 Year Zero % to 3.99% (#s for example only)</b>		
<b>Credit Score</b>	<b>Interest Rate</b>	<b>Buy Down Cost</b>
650	0%	\$5k
610	2.99%	\$5k
560	3.99%	\$5k

- Loan amounts above \$10k with low APR to keep program costs the same.
  - The same tiers could be used to offer homeowners with good credit loan amounts higher than \$10k, to allow them to do more comprehensive projects without coming out of pocket, which is a major hurdle to people performing more comprehensive, deeper energy savings projects.

<b>NJCEP - \$10,000 PLUS, 10 Year Zero % to 3.99% (#s for example only)</b>		
<b>Loan Amount</b>	<b>Interest Rate</b>	<b>Buy Down Cost</b>
\$10,000	0%	\$5k
\$15,000	2.99%	\$5k
\$20,000	3.99%	\$5k

- Credit Unions, Other Financing Vendors, to offer more flexibility, possible process streamlining.
- "Utility On-Bill Financing/OBRP" - Encourage and work with all utilities to offer On-Bill Financing in support of HPwES Program, this could allow greater flexibility as listed above, faster loan approval times, and allows for energy savings to offset the payment on the same bill.
  - Payment for any OBRP Program should be made to the contractor, not the homeowner as exists in some programs currently.

- **Co-Op:**

- While we applaud the increase of co-op funding we believe:
  - It has to be tied to production so Contractors do not advertise HPwES & sell a different product. One practice used by HVAC equipment manufacturers is for contractors to earn Co-Op funds with the purchase of specific equipment &/or dollar spend. This could easily applied to the HPwES using completions as the qualifier (volume = \$x adv. \$) or, at a minimum add a minimum completion performance threshold to get to the higher CO-OP tier (i.e. 50 HPwES Completions)
  - Add ACCA Affiliation Co-op. ACCA-NJ will run a CO-OP Program as a non-profit trade association. Make Co-Op 66% with no cap. ACCA-NJ will promote HP with dealer tags who will picking up the remaining other 34%.
  - Contractor Locator & CO-OP Advertising - Only list contractors that actively participate in any given program in that program's dealer locator and provide them with CO-OP Advertising funds, especially HPwES, as some take leads from the website and then talk homeowners out of utilizing HPwES.

- **Make All Programs Stand on Equal Ground and Ensure a Minimum Contractor Qualifications**

- Ensure ratepayers are aware of all of the NJCEP's program offerings.

- Post “Decision Tree” on NJCEP Website to help navigate customers through the programs to assist them in selecting the best program option.
    - Require contractors participating in any NJCEP program to inform and educate ratepayers on all of the BPU’s NJCEP residential offerings by using a “Homeowner Program Choice Application” (Draft Attached)
  - Raise the bar on ALL programs where appropriate; i.e.:
    - Permit & Contractor licensing requirements
    - Minimum technical standards (i.e. passing combustion testing on Enhanced Rebate audits to ensure water heaters are not spilling)
    - Require contractor’s to list all required state license number(s) that are required to complete a project on all Program(s) application forms (WARM/COOL/HPwES) in order to be eligible for incentives (i.e. Home Improvement Contractor License #, Plumbing Lic#, etc...)
    - Require permit numbers on all NJCEP Program Applications (WARM/COOL/HPwES). This will protect the BPU from liability of incentivizing work that is not done up to code or safely and will ensure all NJCEP Program projects are inspected by code officials.
      - Ensuring permits are applied for on ALL HPwES, WARM Advantage, and COOL Advantage projects puts all programs on equal ground, and alleviates liability from all parties, requiring proof of inspections is not needed DCA will ensure that.
- **Payment Timelines**
  - Assure contractor payment by allowing more flexible utility pre-funding, and pre-funding by the Treasury for non-utility funded projects.
  - Utility sponsored loans, regardless if HPwES or Warm/Cool must be paid directly to the contractor. The current practice is harmful to every HVAC contractor, especially the smaller ones due to financial and administrative burden
  - Decouple contractor loan payments from the QA/QC Process – Contractors not offering HPwES with the loan are paid for the project by the homeowner upon completion. The production incentive remains the motivation to correct any QC issues.
- **Reduce barriers to HPwES**
  - Streamline software input: Explore alternatives for easier software input into HP Program, this will reduce the amount of time a contractor needs to spend in the software considerably, and will allow consumers to make informed decisions at the time of the audit if they have the ability to view results right then.
  - Work with EFS and/or any other current or potential financing administrator to streamline the financing application timeline and process as much as possible (i.e. more processing via the internet, allowing for digital signature, etc...)

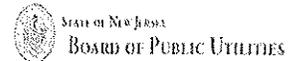
We would like to thank you for taking the time to read and consider our proposal. While some of these changes are significant, they will also have significant results in program participation both by contractors and homeowners, with minor budgetary implications. We look forward to discussing this further with all interested parties.

Sincerely,



Patrick Stewart  
Executive Director  
ACCA-NJ

**Attachments:**



# New Jersey's Board of Public Utilities

## Working Hard to Help You to Save Energy

**CONGRATULATIONS**, on your decision to reduce your energy consumption. Your Board of Public Utilities is here to help you with your decision to reduce your utility bill by **SAVING ENERGY**. Your Board has created a variety of exciting programs, which are delivered by the Board's New Jersey Clean Energy that'll assist you with your purchase decision for **ENERGY SAVINGS**. Knowing no one Program will fit everyone the following outlines the options available to New Jersey Homeowners.

Home Performance with ENERGY STAR
<p>HPwES- Home Performance with Energy Star offers comprehensive solutions to improve energy efficiency and home comfort, while helping to protect the environment. Homeowners enjoy benefits like, fewer drafts, consistent temperatures across rooms, better ventilation and humidity control, and lowering their heating and cooling utility bills up to 30%.</p>
WARM Advantage
<p>The WARM Advantage Program provides rebates for high efficiency home heating systems and/or water heaters. You must purchase a heating system and/or water heater that meets all applicable efficiency requirements</p>
COOL Advantage
<p>The COOL Advantage Program provides rebates for energy efficient central air conditioners or heat pumps as well as proper system sizing and installation "best practices" that affect operating efficiency.</p>

Dear NJ Clean Energy Program – Thank for the information you provided and the fantastic ENERGY SAVING incentives to help us become ENERGY EFFICIENT. After a thorough explanation by our contractor of the benefits of each program I/we have decided to participate in:

<input type="checkbox"/> Home Performance with ENERGY STAR <small>(New Jersey's Home Performance Approach)</small>	<input type="checkbox"/> WARM Advantage <small>(Improving Home Heating Efficiency)</small>	<input type="checkbox"/> COOL Advantage <small>(Upgrading to high efficiency cooling system)</small>
<input type="checkbox"/> - Tier 2 – 50% up to <b>\$1,000</b> . I/we're <b>reducing ENERGY</b> use between <b>10% to 19.9%</b> by: <input type="checkbox"/> Air Sealing <input type="checkbox"/> Enhanced insulation <input type="checkbox"/> New Hi-eff domestic water heater	<input type="checkbox"/> - WarmAdvantage option to save up to 10% of heating energy for \$400 rebate – System 1	<input type="checkbox"/> - CoolAdvantage option to save up to 5% cooling energy for \$500 rebate - System 1
<input type="checkbox"/> - Tier 3 – Option 1 – 50% up to <b>\$3,000</b> . I/we're <b>reducing ENERGY</b> use by <b>20% to 24.9%</b> by: <input type="checkbox"/> Air Sealing <input type="checkbox"/> Enhanced insulation <input type="checkbox"/> Install hi-eff heating system(s) <input type="checkbox"/> Install hi-eff cooling system(s) <input type="checkbox"/> Install Hi-eff domestic water heater	<input type="checkbox"/> - WarmAdvantage option to save up to 10% of heating energy for \$400 rebate – System 2	<input type="checkbox"/> - CoolAdvantage option to save up to 5% cooling energy for \$500 rebate – System 2
<input type="checkbox"/> - Tier 3 – Option 2 – 50% up to <b>\$5,000</b> . I/we're <b>reducing ENERGY</b> use by greater than <b>25%</b> by: <input type="checkbox"/> Air Sealing <input type="checkbox"/> Enhanced insulation <input type="checkbox"/> Install hi-eff heating system(s) <input type="checkbox"/> Install hi-eff cooling system(s) <input type="checkbox"/> Install Hi-eff domestic water heater	<input type="checkbox"/> - I/we will also be taking advantage of our Utility companies \$900 "Enhanced Incentive"	

Homeowner	Contractor
Name:	Name:
Address:	Address:
Town:	Town:
Zip Code:	Zip Code:
Date:	Date:
Phone:	Phone:
	HVAC Lic #:



June 13, 2013

New Jersey Board of Public Utilities  
44 South Clinton Avenue, P.O. Box 350  
Trenton, New Jersey 08625-0350

RE: Proposed NJCEP FY 2014 EE Programs

Thank you for this opportunity to submit comments on the FY 2014 NJCEP Program Plan. EAM Associates is an Energy and Green Building consulting firm, located in Wall, NJ since 1993. We have been an active participant in the NJ Energy Star Homes Program, certifying over 10,000 homes for our builder clients. Currently we participate in only the Tier 1 and Tier 2 levels within the program, as only the Market Manager team is allowed to deliver Tier 3 services and incentives.

Our comments today are directed at the Tier 3 Climate Choice Homes Program. The current proposal calls for the continuation of the Climate Choice Program, and continuation of all Tier 3 services being provided by the Market Manager. We disagree with both.

Climate Choice was a pilot program that has been abandoned by the Environmental Protection Agency. It has no name recognition with builders and homebuyers, and therefore offers little, if any, marketing value to a builder/developer. While it is promoted as the "next level" for cutting edge progressive builders, it has failed to gain any traction, with less than a dozen homes participating in the five years since the program was introduced, despite the very significant incentives that are offered. We do agree, however, that there is a need for a Residential New Construction program component that goes beyond Energy Star. The State of New Jersey, the building community, and the home buying public would be better served with a Tier 3 offering such as the LEED for Homes Program (LEED), or the National Green Building Standard (NGBS). These are both recognized, national programs that are administered through established organizations (U.S. Green Building Council, NAHB Research Center) and have an approved infrastructure of verifiers in place. In many cases these are the same verifiers that are currently supporting the NJ Energy Star Homes Program. Both of these programs use HERS ratings (Tier 1) and Energy Star (Tier 2) as their energy efficiency platform, but also go beyond energy efficiency to include items such as water and resource efficiency, site planning, waste management and homeowner education. During the consensus process that led to the development of the New Jersey Green Building Manual, it was generally agreed, by a diverse



group of stakeholders, that LEED and NGBS should be the benchmark to use when developing incentives for advanced green building in NJ. From a programmatic standpoint, the Market Manager would accept registrations no differently than it does for Tier 1 and 2 homes, providing quality assurance inspections and collecting documentation for rebate processing.

However, having only the Market Manager provide Tier 3 services defeats the idea of expanding and growing the program. Under the current structure, the Market Manager is in direct competition with all of the approved Rating Companies that participate in the NJ Energy Star Homes Program. This means that no Rating Company with any business sense will refer their client to the Tier 3 program, knowing that the Market Manager can and will solicit their client for other services. On more than one occasion, we have steered our clients away from Climate Choice for this reason. I am aware of other companies with the same experience. EAM, as well as several other rating Companies, voiced this opinion regarding conflicts of interest in response to the FY 2012 Proposed Programs, however the structure remains unchanged, and the Climate Choice Homes program continues to stall, with one home being qualified in 2012.

Competition in the marketplace, a goal of the RNC program since 2001, and the ability for builders to make their own choices and smart business decisions regarding subcontractors will help drive the growth and success of this program. The current structure will continue to stifle both.

EAM stands ready to help in any way we can to develop a robust and successful Tier 3 component to the Residential New Construction Program. Please feel free to contact me if you have any questions regarding these comments.

Regards, Rick

**Rick Marx**

VP- Operations

EAM Associates

3350 Highway 138 W

Building 2, Suite 223

Wall, New Jersey 07719

P: (732) 556-9190 Ext. 215

[www.EAMenergy.com](http://www.EAMenergy.com)

The Honorable Robert M. Hanna  
President, New Jersey Board of Public Utilities  
44 South Clinton Ave, PO Box 350  
Trenton, NJ 08625-0350

[OCE@bpu.state.nj.us](mailto:OCE@bpu.state.nj.us)  
[publiccomments@njcleanenergy.com](mailto:publiccomments@njcleanenergy.com)

**RE: FY2014 Combined Heat and Power  
Energy Funding Proposal**

Dear President Hanna:

On behalf of DCO/Energenic, I am pleased to offer comments on the soon to be decided *Proposed FY 2014 Program Funding*, specifically as it relates to the newly proposed combined large and small CHP-FC budget. These written comments will supplement my testimony of yesterday before Commissioner Fiordaliso at the public hearing held at the Statehouse.

- I. *The Board needs to adopt a long-term portfolio standard approach to funding CHP projects if it is to meet the goals of the New Jersey Energy Master Plan*

While the industry is clearly pleased with the proposed funding levels associated with the recent proposal budgeting \$60 million in fiscal year 2014 for large and small CHP projects statewide, this proposal, following others in past years, continue to rely upon an annually set budget rather than a sustainable and predictable level of funding that would flow otherwise from a portfolio standard approach.

We have been very pleased to continue to work with Board staff and the other stakeholders in the ongoing work of the CHP-PS working group and hope that this effort will generate the kind of long-term solutions that would best fit our ability to meet the goals of the New Jersey Energy Master Plan. It is our hope; therefore, that as that process moves forward the funds proposed in this budget can be folded into the CHP-PS program when adopted to help defray the costs of the CHP-PS program going forward.

- II. *The program as proposed in the budget will continue to support standard CHP facility construction in a manner largely consistent with past programs. The program as is currently constructed will, not create the levels of incentives required to support the needed “grid hardening” of assets for our state’s critical facilities.*

Existing hospitals, correctional facilities, nursing homes, critical care facilities and other critical public assets will need significant renovation and retrofit of electrical and mechanical systems at existing facilities in order to become "grid hardened." In most of these facilities, a significant portion of the electric load will not be accommodated by the installation of a thermally sized CHP facility. Therefore, in order to remain open during extended periods of grid outage, this "hangover" of electric load must be either systematically shed prior to coming back online in island mode or the facility must provide supplementary distributed generation to make up the difference. While any type of clean distributed generation such as natural gas fired reciprocating engines can be employed in providing this additional capacity, the proposed funding program provides no financial support or incentive to create these needed additional resources. Simply stated, the program, as proposed can only be considered a funding source that will create standard thermally sized/designed CHP facilities that will not support the continued functionality of critical state facilities during future occurrences of a protracted grid outage.

*We feel very strongly that this represents an important missed opportunity.* A portion of these same funds could be used to create the a number of "hardened critical assets" by simply setting aside about one third of the monies proposed to be used as "gap financing" to undertake the additional work of rewiring and shedding load (and functionality) or installing the most cost effective distributed generation resource available to fill the void above the thermal design creating a true power island hardened resource.

While it is recognized that budget time is far too short to fully or fairly articulate a program that would create this additional DG resource program, we would respectfully ask that the Board consider a set aside of as much as \$20 million of the proposed \$60 million budget, and direct staff to work with stakeholders immediately to design this supplemental "DG hardening" program.

While it is recognized that this set aside will create some tension within the clean energy community using, as an example, natural gas fired high-duty cycle reciprocating engines as supplemental DG in these hardening efforts, we believe that the compelling priority of achieving both hardened critical assets together with great strides in energy efficiency will be seen as the wisest use of resources during this most critical time of storm rebuilding and protecting New Jersey's critical assets going forward.

As you know the legislature has already moved bills (A-1384 and S-2651) in both houses supporting the concept of funding CHP hardened critical assets and these efforts blended together with the on going work of the CHP-PS stakeholder group are aimed at creating the long term platform needed to reach our state's energy goals. We respectfully ask that you consider supporting those joint efforts now by creating the **two** funding sources needed to accomplish this goal.

We appreciate the opportunity to provide these comments and look forward to our continued work with staff in supporting these important programs.

Fred D. DeSanti, P.E.  
Managing Director-MC<sup>2</sup> Public Affairs  
On behalf of DCO Energenic, LLC

C: Commissioners  
Staff

5429 Harding Highway, Building 500  
Mays Landing, NJ 08330  
TOLL-FREE: 866-823-7019

3773 Howard Hughes Parkway, Suite 160 N.  
Las Vegas, NV 89169  
[www.energenic-us.com](http://www.energenic-us.com)



## Deborah Petrisko

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**From:** Neal Zislin [nzislin@renuenergy.com]  
**Sent:** Friday, June 14, 2013 8:40 AM  
**To:** publiccomments@njcleanenergy.com  
**Subject:** Draft NJCEP FY14 Programs

Kristi Izzo, Secretary of the Board  
Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Board of Public Utilities:

Thank you for extending to stakeholders the opportunity to provide input on the Draft NJCEP FY14 Programs straw proposal. Renu Energy is pleased to offer these comments and recommendations to the Board of Public Utilities on the subject of the Draft NJCEP FY14 Programs straw proposal.

Renu Energy supports the proposed increased resources and concerted focus by the OCE to conduct program evaluations during FY14. This is a vital initiative to garner insight as to the effectiveness of sponsored programs in the achievement of targeted outcomes. Aiming resources at the right target is the necessary first step and hitting the bull's-eye of desired results signifies success. The proposed \$8.8 million of funding to accomplish this initiative would appear to be much larger than the expenditures and commitments to be realized for FY14. FY14 is a transition year in which a new program administrator will be inducted and for whom there will be multiple transition issues and handovers from the existing market manager organizations with which to contend. The program evaluation initiative will need to establish a scope of work, prepare RFP's (or even RFI's to precede the finalization of RFP's), evaluate the submitted proposals, select the winning proposal, launch the project teams and perform the work. There presumably would be more than one contractor performing these program evaluation studies. All of these activities would be starting from a position with zero commitments from FY13. To be consistent with the articulated recommendation by the NJCEP in the 2<sup>nd</sup> Revised CRA 2014-2017 Straw Proposal that budgeted funds be more closely synchronized with expected expenditures and commitments, it is suggested that the OCE reduce the amount budgeted for program evaluation during FY14 to reflect the significant time commitment needed for organizational startup and preparation tasks as prerequisites.

Nearly \$50 million in excess of commitments is being carried over from the 2012-2013 budget into the proposed FY14 budget. Over the past six years, OCE has incurred combined annual expenditures plus commitments ranging from \$290 - \$360 million with an average of \$324 million. The proposed FY14 budget is indicating a combined annual expenditures plus commitments of \$398 million of which \$346 million represents new FY14 funding. Overlaying this year's program management and marketing efforts is the transition from multiple program managers and advisors to one. An overarching strategic plan by the new program administrator is yet to be developed. The transition period is bound to introduce friction and inefficiencies in the execution of programs, particularly the launching of new marketing initiatives and the advancement of programs currently in the early stage of formation. To be consistent with the articulated recommendation by the NJCEP in the 2<sup>nd</sup> Revised CRA 2014-2017 Straw Proposal that budgeted funds be more closely synchronized with expected expenditures and commitments, it is suggested that the OCE reset the annual amount budgeted for FY14 within \$325-350 million range.

Neal Zislin  
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June 14, 2013

Elizabeth Ackerman  
Acting Director, Division of Economic Development and Energy Policy  
New Jersey Board of Public Utilities  
POB 350 - 44 S Clinton Ave  
Trenton, NJ 08625-0350

Re: Response to the New Jersey Board of Public Utilities Request for Comment on the TRC's proposed Commercial and Industrial program requirements and budget for FY2014 under the New Jersey Clean Energy Program (NJCEP).

Comments of ClearEdge Power

Dear Ms. Ackerman:

ClearEdge Power submits the following comments based on the public request from the New Jersey Board of Public Utilities related to TRC's proposed Commercial and Industrial program requirements and budget for FY2014 under the New Jersey Clean Energy Program (NJCEP).

Respectfully submitted,



Lisa C. Ward  
Government Relations Manager

## STATE OF NEW JERSEY

## BOARD OF PUBLIC UTILITIES

TRC'S COMMERCIAL AND INDUSTRIAL PROGRAM REQUIREMENTS AND THE NJBPU'S  
BUDGET PROPOSAL FOR FY2014COMMENTS OF CLEAREDGE POWER**I. Introduction**

ClearEdge Power is a company headquartered in Sunnyvale, CA with manufacturing and office facilities in Hillsboro, OR and South Windsor, CT. ClearEdge Power is producing fuel cell systems for distributed energy generation that scale from 5kW to multiple megawatts. Through the use of combined heat and power, our ultra-clean and quiet stationary fuel cells are combustion free and meet the strictest air emissions requirements in the United States. PureCell® systems bridge environmental goals established by policy makers with consumers' need to save energy and money.

We offer the following as comments related to TRC's proposed Commercial and Industrial program requirements and the NJBPU's budget for FY2014 under the New Jersey Clean Energy Program (NJCEP).

**II. Comments****A. Fiscal Year 2014 Budget for Fuel Cells and Combined Heat and Power (FC/CHP)**

We strongly support the suggested \$50M plus 2012-2013 rollover funding, which seems sufficient for current market demand for both the small and large fuel cell programs combined. Distributed generation projects using fuel cell systems typically require between 12 and 18 months to properly qualify, develop and contract. Incentive funding stability is critical to early project phases, such as qualification and development while maintaining dedicated funding for distributed generation programs sends a clear message to the market. This allows project developers adequate time to develop high-quality, long term projects.

The market demand for fuel cells in New Jersey has increased in part due to the significant advantages they offer during grid outages. During Hurricane Sandy, twenty-three PureCell® systems installed in the Northeast continued to provide power and heat throughout the storm. Several of the PureCell® systems operated for days without the grid, allowing customers to maintain basic business operations, provide hot water and keep the lights on. Without stationary fuel cells, these businesses would have lost revenue and the community would not have had access to critical services during that difficult time. Therefore, any additional decrease in the fuel cell budget is counter to the intent of making budget adjustments to ultimately improve the State's grid resiliency. The key to a long term strategy for the State will be the continuation of clean DG programs, indicating New Jersey's commitment to the Energy Master Plan and the State's resiliency goals in the aftermath of Hurricane Sandy.

## B. Program Requirement Suggestions – Efficiency Hurdles

In order to fully maximize the number of fuel cell or CHP projects installed at different facilities, critical or not, the efficiency requirement of 60% HHV (65% LHV) should be reconsidered. We fully support systems with high efficiencies; however, the 60% HHV does not necessarily return the best payback for most applications and therefore may limit the speed of deployment of fuel cells in New Jersey.

Under the current rules, a customer desiring to deploy a CHP fuel cell must burden the project with extra equipment and costs to meet the efficiency hurdle, even if the additional costs do not result in sufficient heating fuel savings that pays the initial costs back. As an example, the data center market is an excellent fit for fuel cells and CHP, especially given their potential as critical facilities. Data center applications typically utilize byproduct heat to drive absorption chillers for cooling, which only takes advantage of the high grade heat produced by fuel cell systems. Due to this particular heat utilization profile, where only the high grade heat is needed, the 60% HHV requirement is a difficult hurdle for project implementation without adding further costs to the project to also use some portion of the low grade heat. To overcome this obstacle more effectively, we would suggest an efficiency requirement of 50% HHV (55% LHV). This efficiency requirement is similar to efficiencies that meet the requirements of the State of California's Self-Generation Incentive Program. While this is lower than the current 60% HHV efficiency requirement, an absorption chiller application using fuel cell waste heat can actually increase in efficiency over time, since the amount of chilling capacity increases over the life of the fuel cell.

Additionally, not all facilities have a large thermal load, making electric-only fuel cell installations attractive. The current electric-only efficiency requirement of 45% within the first year is understood to exclude some industry participants. Additionally, some fuel cells with high reported first year electrical efficiency values may be expected to degrade quickly, resulting in a lower average electrical efficiency over a few years following installation. In order to drive true market competition and allow all companies the same opportunities for electric-only projects, and in order to ensure high overall efficiency for fuel cell customers, we would suggest a first year electrical efficiency requirement of 42%.

## C. Grid Independent Capability

Under the section "Equipment Eligibility", the following statement is presented:

"System shall have the ability to automatically island/disconnect and operate independent from the utility in the event of substantial grid congestion, interruption, or failure."

There are several ways to interpret this eligibility requirement. We would recommend the requirement be of the system's capability to operate without the grid but would strongly discourage the State from requiring grid independent functionality for all fuel cell and CHP projects. To encourage resiliency and public safety, an additive incentive to the current base should be available for fuel cell and CHP projects that are configured to provide power during grid outages.

We are fully supportive and would encourage customers considering fuel cells to configure their systems to operate without the grid. However, requiring this configuration of all customer projects may ultimately deter use of the program by introducing undue cost for customers that do not have an inherent need for grid independent capability.

If the State stipulates grid independence as a requirement to participate in the fuel cell/CHP program, we suggest a further increase to the incentive of \$1 per installed watt to help defray the costs of additional equipment needed to provide the grid independent benefit. These increased incentives should only be considered in the short term (perhaps next 5 years) to help promote grid resiliency using clean distributed generation, like fuel cell systems.

### III. Conclusion

Thank you for the opportunity to comment on TRC's proposed Commercial and Industrial program requirements and budget for FY2014 under the New Jersey Clean Energy Program (NJCEP). We would be pleased to provide you with additional information or clarification as needed.

Respectfully Submitted:



By: \_\_\_\_\_

Lisa C. Ward  
Government Relations Manager  
ClearEdge Power  
195 Governor's Highway  
South Windsor, CT 06074  
Phone: 860-371-4182  
Email: [lisa.ward@clearedgepower.com](mailto:lisa.ward@clearedgepower.com)

June 14, 2013

# NAIOP

COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION

NEW JERSEY CHAPTER

June 14, 2013

NJ Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
PO Box 350  
Trenton, NJ 08625-0350

RE: Draft NJCEP FY 2014 Programs

On behalf of the 600-plus members of NAIOP NJ, the commercial real estate development association representing close to 300 million square feet of office and industrial space in New Jersey, I appreciate the opportunity to comment on the Board of Public Utilities (BPU) Draft NJCEP FY 2014 Programs, and offer our assistance in ensuring that these programs are accessible to as many commercial and industrial buildings as possible.

Building owners and tenants expend billions annually on energy costs. Because New Jersey is one of the most expensive states for energy, NAIOP members have a vested interest in energy efficiency and renewable energy.

NAIOP supports the goals of the various incentive programs administered through the BPU's Clean Energy Program (CEP): to incentivize commercial and industrial energy users to invest in building improvements that will increase energy efficiency and reduce energy consumption. New Jersey's CEP has achieved laudable success, resulting in the second-highest number of solar installations in the nation, second only to California. By focusing on improving the energy efficiency of our existing (and aging) building stock, New Jersey can become the kind of leader in energy efficiency that it has in solar installations, and at the same time generate jobs and make it more affordable for tenants to fill office space, which is experiencing historically high vacancies.

Over the past three years, the funds collected by the CEP (funded by the Societal Benefits Charges or SBC) have been seriously underutilized, and over \$750 million in unspent dollars was reallocated to fill state budget gaps. The underutilization of CEP funds represents missed opportunities for energy conservation, the generation of hundreds (if not thousands) of good-paying jobs that cannot be off-shored, and cost savings for commercial and industrial property owners and tenants, who may not be categorized as major energy consumers, but in the aggregate represent significant energy consumption. NAIOP would like to help to ensure that SBC monies are spent on the uses for which they are intended.

There appear to be several reasons why the BPU's programs are not being more widely utilized:

- The BPU needs to better promote and explain them to increase awareness.
- The eligibility requirements are not attainable for small to medium-sized buildings, as the thresholds and capital costs are too high.
- The process for applying/complying is complicated.

**President**  
Michael Allen Seeve  
*Mountain Development Corp.*

**Vice President Public Affairs**  
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*Dermody Properties*

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*Prologis*

Jeffrey M. Schotz  
*SJP Properties*

Seena Stein  
*Newmark Grubb Knight Frank*

Dennis M. Toft  
*Wolff & Samson PC*

Richard J. Vanderbeck  
*First Industrial Realty Trust, Inc.*

Gretchen S. Wilcox  
*G.S. Wilcox & Co.*

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Mark R. Yeager  
Alex Klatskin

- Fund recipients are required to pay prevailing wage.
- The business case (return on investment) has not been made for the value of using the programs.

We encourage the BPU to evaluate all of its incentive programs, including the new SBC Credit Program for which you are currently developing rules, to ensure that all commercial and industrial ratepayers, not just large energy users, will benefit. The focus of every incentive should be on enabling the greatest number of building owners/managers to invest in technology to reduce energy consumption. Toward that end, we are convening a Task Force to develop specific recommendations for the BPU on what changes should be made to transform energy efficiency incentive programs into ones that are more workable and accessible. The Task Force will suggest revisions to the programs to establish realistic eligibility thresholds, lower capital costs and a reasonable return on investment so that they can be used by the greatest number of office and industrial building owners. We expect to report to you this fall, with the hope that our recommendations will be of value as the next administration sets public policy priorities.

At the same time, we will develop a fact-based message to industry members that conveys how improving energy efficiency can reduce costs and demand, and make buildings more attractive to tenants. We want to present a realistic picture of the benefits to owners, tenants and labor that can be realized by ensuring that the Societal Benefits Charges are put to their intended use through the maximum participation in Clean Energy Programs.

NAIOP NJ is committed to continuing our efforts to educate our members on energy efficiency programs, and offer the BPU every possible opportunity to participate in our educational events. In addition, we offer NAIOP NJ as a conduit for the BPU to disseminate information on your programs to the commercial and industrial real estate community, and encourage you to avail yourselves of the opportunity to inform and educate industry leaders. Please do not hesitate to use NAIOP NJ to flesh out any ideas by means of a task force, beta test, etc.

Please feel free to contact me with any questions or concerns, and know that NAIOP NJ is an industry resource at your disposal.

Sincerely,



Michael G. McGuinness  
Chief Executive Officer

CC: Robert Hanna  
Elizabeth Ackerman

June 14, 2013

**VIA ELECTRONIC AND REGULAR MAIL**

The Honorable Kristi Izzo  
Secretary, New Jersey Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350  
[publiccomments@njcleanenergy.com](mailto:publiccomments@njcleanenergy.com)

***Re: Comments on the Second Revised Comprehensive Resource Analysis Straw Proposal and the Revised Draft Fiscal Year 2014 Budgets***

Dear Secretary Izzo:

On behalf of our client, The Bloom Energy Corporation (“Bloom Energy”), please accept these comments regarding the Second Revised Staff Comprehensive Resource Analysis Proposal (“2<sup>nd</sup> Revised CRA Proposal”) issued by the Board of Public Utilities (“Board”) on June 3, 2013, as well as the Revised Draft Fiscal Year 2014 Budgets (“FY 2014 Draft Budgets”), issued by the Board on June 5, 2013.

Bloom Energy is a provider of breakthrough solid oxide fuel cell technology that generates clean, reliable, and highly-efficient onsite power using an environmentally superior non-combustion process. Bloom Energy currently has over 75 megawatts (“MW”) of operating systems at over 100 locations across the United States. In New Jersey, Bloom Energy is seeing growing demand from customers, including telecommunications providers, data centers, office buildings, nursing homes, supermarkets, and other customers who desire a highly reliable distributed power generation solution, but may not have the thermal requirements necessary to support a traditional Combined Heat & Power (“CHP”) solution.

We would like to thank Board staff for proposing a significant increase in the level of funding committed to the CHP and Fuel Cell Program during Fiscal Year 2014. The revisions in the 2<sup>nd</sup> Revised CRA Proposal and FY 2014 Draft Budgets, reflecting a combined total of nearly \$65M in the Large and Small Fuel Cell programs from an earlier combined total of \$30M, is exactly the right market signal at exactly the right time. Moreover, the focus upon distributed generation as an important aspect of resiliency planning is apparent and very much appreciated. Despite its support for the increase in overall CHP/Fuel Cell Funding as compared to the draconian cut originally proposed, Bloom Energy continues to have concerns with at least two aspects of the 2<sup>nd</sup> Revised CRA Proposal and FY 2014 Draft Budgets.

First, with respect to the new requirement that every project "shall have the ability to automatically island/disconnect and operate independent from the utility in the event of substantial grid congestion, interruption, or failure," Bloom Energy applauds the Board and Board Staff for the increased emphasis on resiliency of the electric system. It should be noted, however, that there are significant capital costs associated with this requirement, such as the segregation of critical loads and additional switchgear. The practical effect of this requirement, absent any enhanced incentive, may be that it amounts to a reduction in the per-project incentive. Again, Bloom Energy strongly supports the addition of this new requirement, but believes that it should be a funded mandate rather than an unfunded mandate. Therefore, Bloom Energy believes that an additional incentive should be available to projects that can automatically island/disconnect and operate independently from the utility.

Second, Bloom Energy is concerned that the 2<sup>nd</sup> Revised CRA Proposal continues to state that funding should focus on projects that deliver the highest level of electric generation and/or savings per rebate dollar expended. Instead of merely gauging the value of a CHP or fuel cell project by measuring *the number of megawatts of capacity that is installed per dollar of expenditure*, we encourage the Board to instead focus on the actual value created by the investment, *taking into account the services the facility provides to the State of New Jersey and*

*its citizens*. This will require an evaluation process that takes into account not only project economics, but also the importance of the facility itself in terms of its contribution to resiliency and preparedness.

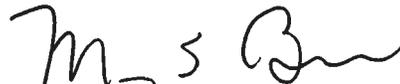
For example, a fuel cell project that provides primary un-interruptible power for a telecommunications provider may not have a thermal load or benefit from the economies of scale of a large CHP project. It may be that such a facility would in fact require more incentive dollars per MW of installed capacity. On the other hand, if the facility provides telecommunications service to millions of customers, including first responders and emergency management officials, is it really a better use of program dollars to have that funding go to a CHP plant in an industrial park that happens to have better project level economics? The Board should reject the idea that funding should be evaluated exclusively on a “dollars per MW installed,” and instead acknowledge the emergency preparedness value and the true cost savings of an un-interrupted supply of electricity at high value facilities.

Finally, Bloom Energy would like to point out that the term “combined heat & power” or “CHP” as was used in the original and now the 2<sup>nd</sup> Revised CRA Proposals, is an exclusionary term, not only for Bloom’s “all-electric” fuel cells, but also for all of those electric customers in New Jersey who do not happen to have a thermal load that matches their electric load. This is an important point because the semantics seem to be translating into programmatic choices, whether intentional or not, that will have the effect of depriving an important group of customers from accessing the Board’s programs. The language of the 2<sup>nd</sup> Revised Draft Proposal itself is exclusionary; the very section of the Proposal in which fuel cells and other types of distributed generation are supposed to be covered is entitled “5.2 Combined Heat and Power.” Bloom Energy requests that the Board and Board Staff use the more accurate and inclusive term “distributed generation.”

Hon. K. Izzo  
June 14, 2013  
Page 4 of 4

As the Board adopts the Comprehensive Resource Analysis and program budgets for the 2014 fiscal year, there are opportunities to apply new innovations that can help New Jersey achieve its resiliency and clean energy objectives at the same time: all-electric fuel cells are one of those opportunities. Please do not hesitate to contact me should you have any questions or concerns.

Very truly yours,



Murray B. Bevan

## Deborah Petrisko

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**From:** Tom DuBos [tom@strategicenergygroup.com]  
**Sent:** Friday, June 14, 2013 3:04 PM  
**To:** publiccomments@njcleanenergy.com  
**Subject:** Draft NJCEP FY14 Programs  
**Attachments:** LEUP 2014 plan-SEG comments.pdf

Strategic Energy Group is a consulting and implementation firm headquartered in Portland with an office in Allentown, PA. We presented at the June 11 NJCEP monthly Energy Efficiency Committee meeting on the concept of Continuous Energy Improvement (CEI) as a program enhancement for large commercial/industrial customers and offer the following comments on that topic.

CEI, also known as Strategic Energy Management, was created by the Northwest Energy Alliance as part of their industrial strategy from 2004-2006 as a way to promote investment in energy efficiency for this sector and make local companies more competitive. Since that time the CEI approach has been implemented across the northwest region and California, with similar programs running in Minnesota, Colorado, Ohio and Pennsylvania.

CEI programs have several key differences from a traditional measure-based program:

- Development of a deeper customer relationship, securing upper management commitment prior to the engagement and broadening the contact base within the customer organization.
- Implementing policies and practices that provide more persistence in savings by changing business practices, and creating a continuous improvement cycle as part of the program.
- Expanding the scope of energy savings beyond just equipment measures to identify and quantify savings from operational change.

We propose CEI as an optional addition for the LEUP program, to improve the penetration and persistence of existing Energy Conservation Measures (ECM) while also increasing customer awareness of operational savings. The CEI overlay is typically delivered as a full year immersion cycle that covers a broad range of modules and culminates in the Strategic Energy Management Plan (SEMP). We envision this as an enhancement of the current Final Energy Efficiency Plan required for the LEUP, that would include additional sections such as a Business Practices Assessment, Energy Policy, and Employee Energy Awareness Plan.

The methodology for measurement of savings in the SEMP tracks ECM savings for incentives separately from operational savings. By adding the focus on operational practices, the ECM savings persistence is improved, since equipment operation and maintenance improves. CEI also promotes a more strategic capital budgeting process, increasing savings opportunities over time.

By tracking the operational savings separately, a protocol for claiming these savings toward goals may be established.

Specifically, we propose the following addition to the LEUP section of the TRC FY 2014 Program and Budget Filing of May 6, 2013, at the end of the Program Offerings and Incentives on p75 (see attached markup as example):

Participants in LEUP will have the option to participate in a Continuous Energy Improvement program concurrent with LEUP activities, funded by NJCEP, to enhance their savings potential from installed ECMs and also to identify and realize operational savings. These operational savings will be tracked separately from ECM savings, but earn no additional incentive beyond the support of the CEI implementation.

We look forward to further discussion on how a CEI approach might enhance your results and customer satisfaction from the LEU Program.

**Tom DuBos**  
**STRATEGIC ENERGY GROUP**

**Coeur d'Alene, ID**

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## Large Energy Users Program

### Program Description

The purpose of the Large Energy Users Program is to foster self-investment in energy efficiency, and combined heat and power projects while providing necessary financial support to large commercial and industrial utility customers in the state of New Jersey. Incentives will be awarded to customers that satisfy the program's eligibility and program requirements ("Eligible Entities or Eligible Customers"), to invest in self-directed energy projects that are customized to meet the requirements of the customers' existing facilities, while advancing the State's energy efficiency, conservation, and greenhouse gas reduction goals.

### Target Markets and Eligibility

The Large Energy Users Program is available on a first come, first served basis to existing, large commercial and industrial buildings that meet the following qualifications:

- Eligible entities must have contributed a minimum of \$300,000 (on a pre-sales tax basis) into New Jersey's Clean Energy Program fund in fiscal year 2013 defined as from July 1, 2012 to June 30, 2013 (aggregate of all buildings/sites). (Eligible Entities shall be defined as (1) Public: having distinct and separate budgetary authority; (2) Public Schools: having distinct and separate budgetary authority; (3) Private: Non-residential companies including all related subsidiaries and affiliates regardless of separate EIN numbers or locations within New Jersey. Consistent with DOCKET NO. EOO7030203).
- The total fiscal year 2013 contribution is calculated as \$0.0169/therm times total therms plus \$0.002346/kWh times total kWh.
- In order to be considered for incentives, the average billed peak demand of all facilities submitted in the Final Energy Efficiency Plan (FEED) must meet or exceed 400kW and/or 4,000 DTh.
  - Example: Entity submits FEED for two buildings. Building one has a metered peak demand of 200kW, building two has a metered peak demand of 600kW. Per the above guideline, both buildings would be considered for incentives as the average would be equal to 400kW.

The program will be available via an open enrollment with funding committed on a first come, first served basis.

Entities interested in applying to participate in the program will submit the following information (limit 2 pages excluding attachments):

- Number of buildings/sites and list of all associated fiscal year 2013 utility and third-party supplier accounts.
- Total usage and number of location or premise IDs as provided by utility.
- Total contribution to New Jersey's Clean Energy Program (NJCEP) fund in previous calendar year from above buildings/sites.

### **Program Offerings and Incentives:**

The Program will offer a maximum incentive per entity which will be the lesser of:

- \$4 million
- 75% of total project(s) cost as identified in the Final Energy Efficiency Plan (FEED). Total project costs may include pre-engineering costs, soft costs, and other costs associated with the preparation of the FEED.
- 90% of total NJCEP fund contribution in previous year (i.e. from all entity facilities)
- \$0.33 per projected kWh saved annually; \$3.75 per projected Therm saved annually

The program has a minimum incentive commitment of \$200,000. Projects with incentives below this threshold will be redirected to other NJCEP programs. Program funds will be committed upon approval of FEED by the Program Manager and, if required, by the Board of Public Utilities. Incentive shall be paid upon project completion and verification that all program requirements are met.

Participants in LEUP will have the option to participate in a Continuous Energy Improvement program concurrent with LEUP activities, funded by NJCEP, to enhance their savings potential from installed ECMs and also to identify and realize operational savings. These operational savings will be tracked separately from ECM savings, but earn no additional incentive beyond the support of the CEI implementation.

### **Submittal Requirements for Fund Commitment:**

Qualifying entities shall submit a FEED to the Program Manager for existing facilities only. The FEED must be submitted to the Market Manager for review four (4) months from the date of the enrollment letter. This shall be in a report format and must include at a minimum:

- Executive Summary:
  - Existing energy use by source from previous 12 months (kWh, kW, MMBtu)

- Existing total site energy use from previous 12 months (kBtu/sqft)
  - Calculated annual energy savings by source (kWh, kW, MMBtu, and %)
  - Calculated annual total site energy savings (kBtu/sqft and %)
  - Total estimated project cost (note - prevailing wage rates required)
  - Total estimated annual energy cost savings
- Site Overview
- Utilities Overview
- Table of Energy Conservation Measures (ECMs) to be implemented in next 12 months. Including the following information by measure:
  - Estimated Installed Cost (Material, labor, etc)
  - Estimated Annual Calculated Energy Savings by source (kWh, kW, MMBtu)
  - Estimated Annual O&M Savings (\$)
  - Estimated Annual Calculated Energy Cost Savings (\$)
  - Estimated Simple Payback or IRR % (*total of all measures*)
  - Anticipated sources of all funding not including Large Energy Users incentive
- ECM Descriptions including:
  - Detailed description of equipment being replaced/augmented
  - Detailed description of recommended measure (including quantities, EER, AFUE, etc.)
  - Basis for calculating energy savings and O&M savings (*including all assumptions*)
  - Basis for calculating installed cost (*including all assumptions*)
  - Anticipated implementation schedule
  - Estimated construction start and end dates for each measure
- M&V:
  - Description of pre/post M&V to be implemented. Must be in accordance with IPMVP Option A or B, or other method pre-approved by Market Manager (refer to pay for Performance Program requirements for further details in this regard)
- Appendices
  - Professional Engineer (PE) Certification to verify all FEEP documents are accurate.
  - Utility bills and/or summaries (*method to collect this information to be determined*)
  - Supporting calculations
  - Specification sheets

Please note the following in regard to the annual calculated energy savings by source: Depending upon the complexity of the energy conservation measures in the FEEP, the associated calculations may require building modeling to properly estimate the energy savings for particular measures. These measures may include building shell upgrades, building management systems, etc. Typical ECMs such as lighting, HVAC, motors, and others will likely not require these efforts and may be presented with generally accepted energy savings calculations and methodologies. Further details will be provided in the program application.

### **Submittal Requirements for Incentive Payment:**

- Once the work defined in the FEEP has been completed, entity shall submit proof of construction completion for all measures, which may include but is not limited to the following:
  - Invoices for material/labor including as-built report
  - Work orders
- Entity must also submit:
  - Completed M&V report(s) certified by a Professional Engineer
  - Certification of compliance with prevailing wage
  - Valid tax clearance certificate
- Differences between the FEEP and as-built project must be documented and will require a revised FEEP submitted for review. In the event the scope of work, savings, and/or cost estimates does not match as-built documentation, an incentive true-up will occur. The true-up is not to exceed the original incentive commitment.

### **Terms and Conditions:**

- Each Energy Conservation Measure (ECM) must demonstrate a simple payback of 8 years or less (not to include maintenance or renewable projects) or, total ECM work scope must have IRR of 10% or greater (*prior to Incentive*)
- All ECMs must meet Minimum Performance Standards, which may be fulfilled during Professional Engineer review, which shall be understood as the most stringent of:
  - Pay for Performance Guidelines-Appendix B (Attached in Appendix)
  - ASHRAE 90.1-2007
  - Local code
- FEEP must be submitted no later than four (4) months from date of enrollment letter.

- ECMs must be fully installed no later than twelve (12) months from approval of the Final Energy Efficiency Plan. Extensions may be granted for a period of up to six months with satisfactory proof of project advancement. (This could be in the form of copies of permits, equipment invoices, installation invoices indicating percentage complete, updated project schedules, etc.)

**Limitations/Restrictions:**

- New construction and major rehabilitation projects are not eligible under the program, however these projects may be eligible for other NJCEP incentives.
- Incentive will be limited to energy-efficiency measures. The following shall not be included as part of this program:
  - Renewable energy
  - Maintenance energy saving projects
- Incentive shall only be available for ECMs approved in the FEEP.
- ECMs already installed or under construction will not be considered for incentives and shall not be included in FEEP.
- Federal grants/incentives are allowed; other state/utility incentives are allowed so long as they are not originating from NJCEP funds; NJCEP loan funds are allowed. Total of Federal, state, utility, and LEU Program funding shall not exceed 100% of total project cost.
- Projects with funds currently committed under other NJCEP funded programs must be excluded from FEEP scope and value of incentive commitment will be deducted from total LEU incentive.
- Participation in any other NJ Clean Energy program in FY 2014 is prohibited for entities receiving LEU incentive. Entities shall certify, in writing, that they will opt-out of all SBC programs, for remainder of fiscal year.

**Review and Payment Framework:**

- Upon receipt of the FEEP, Program Manager will have sixty (60) days to review each submittal and provide comments to entity.
- Entity will have fifteen (15) business days to respond to comments.
- Market Manager will present FEEPs to Board for approval as required by Board policy and commitment of incentive. Market Manager may conduct up to three site inspections including a pre inspection, at 50% completion and 100% completion, as required. A pre inspection will be scheduled within 15 days of FEEP submittal, granted sufficient data is provided. Entity will need to provide access to site and notification upon reaching specific percent completions as

- mentioned above. Measures which require an inspection at 50% completion will be identified by TRC upon submittal of the FEED. These measures may include building shell upgrades or equipment which will be inaccessible once installed.
- If ECMs are not completed within the specified timeframe, incentive commitment may be forfeited.
  - Entity will provide M&V data as requested and will comply with any program evaluation activities.

### **Program Goals**

The Large Energy Users Program's goal is to foster self-investment in energy efficiency and combined heat and power projects while providing necessary financial support to large commercial and industrial utility customers in the State of New Jersey.

*Goal:* In addition to processing existing applications, and Final Energy Efficiency Plans through to project completion, receive new applications and approve 10 additional Final Energy Efficiency Plans.

### **Program Deliverables**

The Market Manager will provide the following services under the Large Energy Users Program:

- Program management
- Review and approval/rejection of all submitted Final Energy Efficiency Plan submittals
- Technical assistance via email and telephone to assist entities in the proper submittal of the required information
- Updates of data tracking tools to incorporate additional tasks related to this initiative
- Conduct up to three quality control inspections for each project – pre inspection, 50% completion inspection and final inspection upon installation of energy efficiency measures
- Incentive processing including issuance of checks and tracking/recordkeeping

### **Quality Control Provisions**

Documented policies and procedures provide proper guidelines to ensure consistency in the processing and quality control for all Program participants. All energy efficiency plans are reviewed upon receipt to verify adherence to eligibility requirements. Applicant eligibility information is verified, along with all technical information in support of energy efficient measure qualification and incentive calculation. Applicant supplied information and program administrator performed incentive calculations are

entered into the database, and files are created for all documents and ongoing project correspondence. Pre and/or post inspections will be conducted as required.

**Program Evaluation**

Ongoing evaluation services will be provided by the OCE through its external evaluation vendor.

DRAFT



State of New Jersey  
DIVISION OF RATE COUNSEL  
140 EAST FRONT STREET, 4<sup>TH</sup> FL  
P.O. BOX 003  
TRENTON, NEW JERSEY 08625

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

STEFANIE A. BRAND  
*Director*

June 14, 2013

**VIA HAND DELIVERY AND ELECTRONIC MAIL**

Honorable Kristi Izzo, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, New Jersey 08625

**Re: I/M/O Comprehensive Energy Efficiency and Renewable  
Energy Resource Analysis for the 2014-2017 Clean Energy  
Program ("CRA IV")  
BPU Docket No.: EO11050324V  
2nd Revised CRA Straw Proposal and Draft FY14 Programs (June 6, 2013)**

Dear Secretary Izzo:

Enclosed please find original and ten copies of comments submitted on behalf of the New Jersey Division of Rate Counsel in connection with the above-captioned matter. Copies of the comments are being provided by electronic mail and hard copies will be provided upon request to our office.

We are enclosing one additional copy of the comments. Please stamp and date the extra copy as "filed" and return it in our self-addressed stamped envelope.

Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND  
Director, Division of Rate Counsel

By: *Sarah H. Steindel*  
Sarah H. Steindel, Esq.  
Assistant Deputy Rate Counsel

c: [OCE@bpu.state.nj.us](mailto:OCE@bpu.state.nj.us)  
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Mona Mosser, BPU  
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**I/M/O Comprehensive Energy Efficiency and Renewable  
Energy Resource Analysis for the 2014-2017 Clean Energy  
Program (“CRA IV”)  
BPU Docket No.: EO11050324V**

**2nd Revised CRA Straw Proposal**

**and**

**Draft FY14 Programs**

**Comments of the New Jersey Division of Rate Counsel**

**June 14, 2013**

**INTRODUCTION**

The Division of Rate Counsel (“Rate Counsel”) would like to thank the Board of Public Utilities (“BPU”) or (“Board”) for the opportunity to present comments on the 2nd Revised CRA [Comprehensive Resource Analysis] Straw Proposal: Proposed Funding Levels FY14 – FY17 dated June 3, 2013 (“2nd Revised CRA Straw Proposal”) and revised draft Clean Energy Program budget for Fiscal Year 2014 (“FY14”) (“Revised FY14 Budget”) dated June 6, 2013, including the May 7, 2013 Residential Energy Efficiency (“EE”) and Renewable Energy (“RE”) program plan by Honeywell, the May 6, 2013 Commercial & Industrial (“C&I”) EE program filing by TRC, as supplemented by TRC on June 6, 2013, the April 26, 2013 Utility Residential Low Income Comfort Partners Program and Clean Power Choice program filing, and the May 7, 2013 filing by the Office of Clean Energy (“OCE”) (collectively, “draft compliance filings”). The 2nd Revised CRA Straw Proposal and the Revised FY14 Budget were circulated by the Office of Clean Energy (“OCE” or “Staff”) on June 6, 2013.

The BPU Secretary’s notice dated June 5, 2013 states that comments should be captioned as applying to either the 2nd Revised CRA Straw Proposal or the Revised FY2014 Budget. The

comments and concerns discussed below all apply to the OCE's proposed budget modifications for FY14, which are set forth in the Revised FY2014 Budget and explained in the 2d Revised CRA Straw Proposal. Since the budget document and the explanatory matter are inter-related, Rate Counsel is submitting its comments in a single document bearing both captions.

Rate Counsel previously presented comments in these matters regarding the OCE's original Straw Proposal on October 26, 2012 ("Initial Straw Proposal"), on April 26, 2013, in response to a March 28, 2013 Revised Straw Proposal ("1st Revised CRA Straw Proposal"),<sup>1</sup> and again on May 31, 2013, in response to proposed Programs and Budgets for Fiscal Year 2014 circulated on May 8, 2013 and minor revisions to the 1st Revised CRA Straw Proposal circulated May 24, 2013.

Rate Counsel recognizes that some of the issues raised in the 1st Revised CRA Straw Proposal and in Rate Counsel's April 26, 2013 comments on that revised CRA proposal, were not addressed in these compliance filings presumably because they will take additional time to implement. These issues include, among other things, a process to ensure more consistency between RGGI programs by the different utilities, modifications to budgeting processes to better match program budgets with actual spending, and bidding EE savings into the PJM capacity market. Without repeating those comments here, Rate Counsel continues to support the OCE's efforts to make improvements in these regards. Moreover, Rate Counsel reiterates that the OCE should commence the stakeholder processes to address these issues as soon as practical.

Rate Counsel also raises its concern regarding the manner in which the 2nd Revised CRA Straw Proposal has been circulated to stakeholders for comments. Through the course of this proceeding, Staff has continually made substantive alterations to the Straw's proposed funding

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<sup>1</sup>The 1st Revised Straw Proposal presented for Public Comments by Staff on March 28, 2013, was revised by Staff April 17, 2013. Rate Counsel comments filed April 26, 2013 addressed both the March 28, 2013, Revised Straw Proposal, and the minor revisions made April 17, 2013.

levels. The Initial Straw Proposal called for ratepayer-financed funding of more than \$1.2 billion over a four-year period to fund EE and RE programs, the costs to administer said programs, and certain Economic Development Authority (“EDA”) programs. After input from Rate Counsel and other stakeholder, the OCE’s 1st Revised CRA Straw Proposal significantly reduced the size and scope of proposed funding, requesting only \$227.7 million in “new funding” to be collected from ratepayers, and a total budget including carryovers of \$440.6 million for a single fiscal year, FY14, deferring decisions on funding levels for FY2015 through FY2017 until after the Board engages a new Program Administrator. Now, the OCE has once again made a significant modification in funding levels through the circulated 2nd Revised CRA Straw Proposal, proposing to increase “new funding” for the New Jersey Clean Energy Program (“NJCEP” or “CEP”) by \$117 million and the total CEP budget by \$127 million. The proposed level of “new funding” is now \$344,665,000 for FY14, or 51.4 percent higher than the levels proposed within the 1st Revised CRA Straw Proposal, with the overall budget now \$567,621,745, or 28.8 percent higher than previously proposed.

The 2nd Revised CRA Straw Proposal represents a 51.4 percent increase in proposed collections from ratepayers in FY14, yet the proposal was not circulated to stakeholders until June 6, 2013. The comment deadline for the straw proposal was June 14, 2013, providing stakeholders only eight calendar days to review and comment. Moreover, the only justification provided for the modifications were the brief descriptions of the major items modified appearing at pages 54 through 57 of the 2nd Revised CRA Straw Proposal; no supporting documentation or other analysis has been provided. This process does not provide the meaningful level of notice and opportunity for comment that is required under New Jersey law for a proposal of this

magnitude. See In re Provision of Basic Generation Service for the Period Beginning June 1, 2008, 205 N.J. 339, 360 (2011).

Rate Counsel is submitting these comment based on the limited review that was possible give the short comment period and absence of supporting documentation for the OCE's proposals. Rate Counsel reserves its rights to seek modifications to the budget after it has been provided the necessary supporting documentation, and sufficient time, for a meaningful review.

## **RATE COUNSEL COMMENTS**

### **I. NJCEP ADMINISTRATION**

A substantial portion of the proposed additional funding for FY14 appears allocated to administrative activities rather than programs benefiting ratepayers. Specifically, the 1st Revised CRA Straw Proposal requested \$5 million in “new funding” and a total budget of \$8.2 million in NJCEP Administration and Overhead. The 2nd Revised CRA Straw Proposal now requests \$17.1 million in “new funding,” and a total budget of \$21.3 million for NJCEP Administration and Overhead, a 241 percent increase in “new funding” and a 160 percent increase in total budget compared to the initial proposal made just a few months ago. It should be noted that this additional \$13.1 million increase to the total budget does not include additional funds requested to market NJCEP EE programs<sup>2</sup> or RE funds designated for Honeywell and the future Program Administrator to administer the State SREC registration program.<sup>3</sup> The OCE needs to conduct a thorough analysis to justify the proposed increase in administrative costs.

Approximately \$7.1 million of the increase to administrative costs is for Program Evaluation. The OCE is recommending a review of the most recent program evaluation plan and

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<sup>2</sup> 2nd Revised CRA Straw Proposal, p. 55.

<sup>3</sup> 2nd Revised CRA Straw Proposal, p. 55.

an increase in funding for evaluation compared to historical levels.<sup>4</sup> Consistent with this, the FY14 compliance filing by the OCE, at page 8-9, calls for reconvening the Evaluation Plan Workgroup and the development of a new Evaluation and Related Research Plan. The revised FY14 budget calls for a “new funding” level of \$9.3 million and a total budget of \$10.2 million for Evaluation and Related Research, a 230% increase over the initial FY14 budget proposal and over 360% higher than the Board approved evaluation budget for 2012-2013.

Rate Counsel notes that, as with other parts of the NJCEP budgets, significant amounts of evaluation funding have historically been carried over year-to-year. From 2009 to 2011, only 8% to 28% of the annual evaluation budget was spent, which represents a total of \$2 to \$3 million unspent annually.<sup>5</sup> Since the CEP has been underperforming in terms of annual electric and gas savings relative to savings achieved by other states and utilities, and the CEP lags behind conducting a number of evaluation studies, the proposed increased budget for evaluation could be justified. However, Staff must first demonstrate a current, concrete evaluation plan that requires the proposed budget within FY14, as well as a commitment to complete the studies. Given that the development of a concrete plan, the OCE should expedite a draft evaluation plan and an estimate of evaluation expenses associated with that plan. Moreover, Rate Counsel strongly encourages the OCE to spend the final, Board-approved evaluation budget during the 2014 fiscal year.

The administration budget also includes other significant modifications from the original FY14 budget, including an additional \$5 million for Program Transition and a \$1 million increase in OCE Staff and Overhead, compared to the original FY14 budget. The OCE should

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<sup>4</sup> 2nd Revised CRA Straw Proposal, p. 22.

<sup>5</sup> Percent of budget spent was calculated using data from the “Admin” worksheet of the “2001-2011 Program results(2).xls” workbook (available under 2011 reports at <http://www.njcleanenergy.com/main/public-reports-and-library/financial-reports/clean-energy-program-financial-reports>).

provide detailed supporting documentation and analysis for the other components of the increased administrative budget.

## **II. ENERGY EFFICIENCY**

Rate Counsel has a number of concerns with the 2d Revised CRA Straw Proposal for EE, as set forth below.

### **A. Overall Budgets**

In the June 6, 2013 Revised FY14 Budget, proposed new FY14 funding and budgets (including carry-over) were increased for all EE programs except Comfort Partners, C&I New Construction, and Pay for Performance New Construction relative to the previous FY14 budget proposal. Under the new proposal, residential programs in total would receive a budget increase of 14% or \$14 million, and a \$17 million increase in new funding relative to the previous FY14 budget proposal. Compared to the previous FY14 budget proposal, the FY14 budget for the C&I programs would increase by about 21% or roughly \$40 million, and new funding for the C&I programs would increase by roughly \$28 million. Excluding the \$15 million for new C&I programs (discussed in section C, below), the total C&I FY14 budget would increase by about 13%. In total, residential and C&I budgets would increase by \$54 million (or \$39 million excluding the \$15 million for new programs). Rate Counsel has a number of concerns with the overall proposed budget and increases relative to the previously proposed FY14 budget levels.

First, the OCE is proposing a budget of over \$410 million for EE, including \$252 million in new funding, in addition to \$138 million in carry-over and commitments. The OCE justifies the \$252 in new funds based in part on the EnerNOC Market Potential Study and the benchmarking study prepared by AEG.<sup>6</sup> However, it appears that EnerNOC's forecast of

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<sup>6</sup> \$252 million includes the \$187 million derived from the EnerNOC market potential study and the benchmarking study prepared by AEG, \$15 million for new C&I programs, \$30 million for the Energy Infrastructure Trust, \$3.6

expenditures is inclusive of all expenditures in each year, including commitments (consistent with it being directly compared with historical annual expenditures by NJCEP at page 40 of the 2nd Revised CRA Straw). Thus, it appears that \$252 million should be the level of “expenditure” in FY14 instead of the level of “new funding.” Otherwise, it is difficult to understand how the OCE intends to spend \$410 million on new program activities and the previous commitments in FY14, given the historical annual spending level of about \$116 million and that the OCE has not provided any plans to spend over three times more money in FY14 on EE program activity. The OCE should clarify and explain the derivation of the new funding amount, as well as provide an opportunity for public comment on the amount and basis for the new funding.

Second, Rate Counsel disagrees with increasing the proposed FY14 budgets solely to maintain rate stability. The 2nd Revised CRA Straw Proposal states that, “In the interest of keeping customer rates stable, Staff reduced [\$187 million]<sup>7</sup> by \$10 million in its April 17, 2013 Revised CRA Straw Proposal. Now, however, given that the June 3, 2013 2nd Revised CRA Straw Proposal results in an overall reduction of the SBC that customers will pay, Staff recommends that \$10 million be added back in to the proposed EE funding level.”<sup>8</sup> Rate stability is only one of the criteria that Staff should be considering when developing budgets. The ability of the programs to spend their allocated budgets, based on historical spending with reasonable assumptions about ramping up programs, must also be a factor. Rate Counsel has commented repeatedly about the need to better match expenditures with collections, and indeed the CRA Straw Proposal recommends “that program commitment procedures be reviewed to determine if it is permissible to allow programs to ‘reserve’ less than 100% of commitments, based on

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million for increased marketing, and \$16.3 million for general increases in program participation due to increased marketing. ( 2nd Revised Straw Proposal, pp. 54-56)

<sup>7</sup> \$187 million was derived from the results of the EnerNOC market potential study and the benchmarking study prepared by AEG.

<sup>8</sup> 2nd Revised CRA Straw Proposal, p. 54.

historic completion rates” in order to better match expenditures with collections.<sup>9</sup> However, the Staff has not demonstrated that the recommended FY14 budget increases are consistent with its commitment to reduce year-to-year carryovers.

Third, Rate Counsel disagrees with the 2nd Revised CRA Straw Proposal’s recommendation that overall residential and C&I budgets should be increased to cover anticipated increases in participation as a result of increases in marketing expenditures. The proposed FY14 budget for marketing, including \$3 million each for residential and C&I, is a reasonable step to increase program participation and to reduce the historical gap between the actual expenditures and the proposed program budgets. However, budget levels for the individual programs should not be increased above the originally proposed levels based on the increased level of marketing, given that recent historical experience shows that the OCE has only spent \$116 million per year on energy efficiency on average, far short of the Board-approved energy efficiency budgets in recent years. It is more likely that this level of increase in marketing will not allow the CEP to fully utilize its newly proposed FY14 budget, or even the originally proposed FY14 budget. Thus, the Board should not adopt Staff’s proposal to increase the funding and budget for the majority of the EE and CHP programs.

#### **B. Home Performance with Energy Star**

An evaluation study of the NJCEP conducted by the Applied Energy Group (“AEG”) on June 11, 2012 (“AEG benchmark study”) revealed that the cost of the Home Performance with Energy Star (“HPwES”) is very high in New Jersey compared to the cost of the same or similar programs in other states. The costs per first year kWh saved for NJCEP range from \$2.4 to \$17 per kWh, and \$95 to \$180 per MMBtu between 2010 and 2012. (See Table 1 below.) In contrast to New Jersey’s non-incentive costs per kWh and kW saved, its incentive costs are extremely

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<sup>9</sup> 2nd Revised CRA Straw Proposal, p. 16.

high as shown below, implying that New Jersey may be providing excessive incentives to program participants. The report further indicates that the cost of the program has improved over time, while dismissing the point that the cost in 2012 is still higher than the highest cost found in other jurisdictions.

**Table 1. Home Performance with Energy Star Spending on a Per Unit Saved Basis<sup>10</sup>**

	Total Expenditures			Incentives			Non-Incentives		
	\$/kWh	\$/kW	\$/MMBtu	\$/kWh	\$/kW	\$/MMBtu	\$/kWh	\$/kW	\$/MMBtu
Minimum	\$0.11	\$1,577	\$69	\$0.11	\$895	\$12	\$0.25	\$630	\$47
Average	\$1.03	\$7,063	\$83	\$0.46	\$2,257	\$26	\$0.72	\$5,720	\$57
Maximum	\$1.83	\$15,437	\$91	\$0.72	\$5,435	\$44	\$1.72	\$14,542	\$67
<b>NJCEP (2010)</b>	<b>\$17.19</b>	<b>\$19,802</b>	<b>\$181</b>	<b>\$15.26</b>	<b>\$17,584</b>	<b>\$161</b>	<b>\$1.92</b>	<b>\$2,217</b>	<b>\$20</b>
<b>NJCEP (2011)</b>	<b>\$2.79</b>	<b>\$6,664</b>	<b>\$98</b>	<b>\$2.39</b>	<b>\$5,694</b>	<b>\$83</b>	<b>\$0.41</b>	<b>\$970</b>	<b>\$14</b>
<b>NJCEP (2012)</b>	<b>\$2.39</b>	<b>\$7,281</b>	<b>\$95</b>	<b>\$2.09</b>	<b>\$6,366</b>	<b>\$83</b>	<b>\$0.30</b>	<b>\$915</b>	<b>\$12</b>
<b>Including Utility Stimulus Program Incentives</b>									
<b>NJCEP (2010)</b>	<b>\$20.19</b>	<b>\$23,257</b>	<b>\$213</b>	<b>\$18.26</b>	<b>\$21,039</b>	<b>\$192</b>	<b>\$1.92</b>	<b>\$2,217</b>	<b>\$20</b>
<b>NJCEP (2011)</b>	<b>\$3.52</b>	<b>\$8,400</b>	<b>\$123</b>	<b>\$3.11</b>	<b>\$7,430</b>	<b>\$109</b>	<b>\$0.41</b>	<b>\$970</b>	<b>\$14</b>

Based on the FY2014 budget proposal for HPwES included with Honeywell's May 7, 2013 compliance filing, it appears that the anticipated cost of the program in terms of the cost of saved electricity will be higher in FY 2014 than it was in 2012. The cost of saved gas is projected to be higher than it has been for the past three years. Applying the 61% to 39% ratio of electric to gas spending assumed by the AEG benchmark study to the FY14 budget, Table 2 below shows estimated program cost per first year saved kWh and MMBtu.<sup>11</sup> The gas savings cost is about \$343 per MMBtu, which is nearly four times larger than the highest cost within the peer group considered in the AEG study. (See Table 1 above.) The cost of electric savings is \$11 per first year saved kWh, which is also significantly higher than the cost of the program in other jurisdictions.

<sup>10</sup> Applied Energy Group 2012. Evaluation of New Jersey's Clean Energy Programs, Table 9, page 13

<sup>11</sup> This expenditure split is taken from a workbook for the AEG benchmark study provided by AEG on April 19, 2013.

Table 2. Projected Cost of Home Performance with Energy Star in FY14 based on May 8, 2013 proposed budget

	<b>Budget</b>	<b>Electric Annual Savings (MWh)</b>	<b>Gas Annual Savings (MMbtu)</b>	<b>Cost of Saved Electricity (\$/kWh)</b>	<b>Cost of Saved Gas (\$/MMBtu)</b>
Electric Savings	\$16,320,232	1,524		\$11	
Gas Savings	\$25,526,516		74,449		\$343
Total	\$41,846,748	1,524	74,449	\$11	\$343

Rate Counsel recommends the OCE consider modifying the program design, including the incentive levels. In addition, Rate Counsel questions whether the increase in the HPwES budget to over \$47 million, as proposed in the revised FY14 CEP budget, is appropriate given the high cost of this program relative to its peers.

### C. New C&I Programs

The Revised FY14 budget includes a line item for C&I “New Programs” with \$15 million of new FY14 funding. Based on a review of the 2nd Revised CRA Straw Proposal, it appears that the “New Programs” line item includes the Multi-family Finance and Retro-commissioning programs, which were proposed in 2011 and 2012 but not launched based on funding constraints. The line item in the budget table should be clarified so that the new programs are better defined.

### III. RENEWABLE ENERGY

The 2nd Revised CRA Straw Proposal proposes to allocate \$30.0 million, including \$17.5 million in “new funding,” to renewable energy funding.<sup>12</sup> Approximately \$29.5 million of the budgeted funds are slated for the Renewable Energy Incentive Program (“REIP”). Staff proposed in the 1st Revised CRA Straw Proposal to allocate \$11.4 million, including \$7.5 million of “new funding,” to Solar, Biomass, and Energy Storage initiatives respectively. According to Staff, the \$10 million of additional “new funding” proposed in the 2nd Revised

<sup>12</sup> 2nd Revised Straw Proposal, p. 57.

CRA Straw Proposal will be allocated towards these same three initiatives, but no details are given regarding the exact budgeted amounts.

Rate Counsel previously stated in its April 26, 2013 comments concerning the OCE's proposal to allocate \$7.5 million in new funding for renewable energy programs that (1) much of the funding appeared to be at odds with the Board's stated objectives of relying on market-based approaches to support renewable energy, (2) did not consider the changing market conditions for non-solar renewable energy, (3) provided insufficient documentation to support the need for \$2.5 million in funding for solar administration, and (4) failed to recognize the total burden being placed on ratepayers to support renewable energy through a myriad of utility-supported programs and the State Renewable Portfolio Standard ("RPS"). The OCE's current proposal does nothing to allay these concerns.

Furthermore, Staff's currently proposed "new funding" level of \$17.5 million represents a 133 percent increase in funding to be collected from ratepayers in FY14 for renewable energy. Staff's 2nd Revised CRA Straw Proposal requests approval of no new programs associated with these funds, and does not include any analysis regarding the ability of the previously proposed REIP initiatives to support such a substantial increase in funding. Moreover, as mentioned earlier, Staff's proposal does not delineate how the additional \$10 million in funding will be distributed among the three proposed initiatives. Rate Counsel renews its request for additional data from the OCE on this issue.

#### **IV. COMBINED HEAT AND POWER (CHP) AND FUEL CELLS**

The 2nd Revised CRA Straw Proposal proposes to allocate \$65 million, including \$50 million in "new funding" to be collected from ratepayers during FY14, for CHP and Fuel Cell projects. This is an increase of \$20 million over the amounts slated for such projects in the 1st

Revised CRA Straw Proposal. Additionally, the 2nd Revised CRA Straw Proposal requests an undisclosed amount of the REIP program, with a total budget of \$29.5 million, be made available for the funding of renewably-fueled CHP.<sup>13</sup> These two programs, as proposed, have the potential to double the amount of funding made available to CHP/Fuel Cell projects when compared to the funding proposed in the 1st Revised CRA Straw Proposal (\$94.5 million compared to \$45 million).

Within its response to the OCE's 1st Revised CRA Straw Proposal, Rate Counsel expressed its concern regarding the previous inability of the program to expend all of the funds made available.<sup>14</sup> The 2nd Revised CRA Straw Proposal's proposal to increase funding to CHP/Fuel Cell projects by \$20 million amplifies this concern. Rate Counsel's response to the OCE's 1st Revised CRA Straw Proposal also expressed a concern regarding the OCE's motivation to consider changing CHP incentives to encourage system reliability and storm resiliency. Subsequent to Rate Counsel's comments, additional parties have raised similar concerns in regards to Staff's proposed Portfolio Standard for CHP.<sup>15</sup> Rate Counsel reiterates its concern that Staff has not identified or defined the problems currently facing the State with regards to storm response strategies and system reliability, or identified and prioritized the range of potential solutions to the proposed program. Alternative and less expensive strategies such as increased tree trimming efforts may result in greater benefits than the increased incentives for CHP/Fuel Cell projects proposed by Staff.

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<sup>13</sup> 2nd Revised CRA Straw Proposal, p. 56.

<sup>14</sup> I/M/O Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2014-2017 Clean Energy Program, BPU Docket No. EO11050324V, Comments submitted by the New Jersey Division of Rate Counsel Re: "OCE Revised CRA Straw Proposal – Proposed Funding Levels FY14-FY17 (April 26, 2013), p. 23.

<sup>15</sup> RE: BPU Staff Straw Proposal on CHP/EEPS, Comments of Jersey Central Power & Light Company (May 31, 2013), p. 2; and RE: Comments by Rockland Electric Company on Straw Proposal for Combined Heat and Power ("CHP") Long Term Financing Incentive Mechanism, A "Smart" Portfolio Standard (May 30, 2013), pp. 2-3.

Lastly, Rate Counsel also believes that more analysis needs to be undertaken regarding the two CHP programs being discussed. The proposed funding from the REIP for renewably-fueled CHP systems decreases the start-up costs for developers seeking to install CHP systems within the State. The current discussion regarding the proposed \$65 million for CHP/Fuel Cell financing is that this funding be applied to develop a CHP Portfolio Standard (“CHP PS”) requirement for State Gas Distribution Companies (“GDCs”). An element of this proposed CHP PS would be a guaranteed revenue stream for such projects from long-term contracts with State GDCs. The interaction of the two proposed programs has the potential of creating duplicative funding, in which some CHP projects may be eligible for ratepayer subsidized upfront financing, and guaranteed long-term revenue sources also financed by ratepayers. The OCE should examine the potential negative interactions between the various proposed CHP-related initiatives before proceeding further.

The 2nd Revised CRA Straw Proposal also includes \$30 million to leverage federal funds through the New Jersey Environmental Infrastructure Trust (“NJEIT”).<sup>16</sup> The 2nd Revised CRA Straw Proposal states that CEP funds are intended to be “the source of the state match for the federal funds, to fund energy efficient upgrades and CHP/Fuel Cell projects for critical, water-related infrastructure projects.”<sup>17</sup> This last initiative will be available to any municipality seeking energy efficiency upgrades to rebuilt critical water-related infrastructure projects. It is not solely limited to CHP/Fuel Cell projects. Rate Counsel supports the OCE’s efforts to work with the Department of Environmental Protection to leverage federal funds to rebuild the State’s critical water facilities. Program guidelines should make clear that there is no duplication between this program and the other programs discussed above.

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<sup>16</sup> 2nd Revised CRA Straw Proposal, p. 56.

<sup>17</sup> 2nd Revised CRA Straw Proposal, p. 56. Revised FY14 Budget, p. 1.

## **CONCLUSION**

The proposed FY14 budget modifications being proposed by OCE in the 2nd Revised CRA Straw Proposal and the Revised FY14 Budget would substantially increase the NJCEP budget, with no supporting documentation or analysis. The OCE proposal should be subject to further review and opportunity for comment, after all stakeholders have had a meaningful opportunity to review the basis for this proposal.



VIA ELECTRONIC MAIL ([publiccomments@njcleanenergy.com](mailto:publiccomments@njcleanenergy.com))

June 14, 2013

Hon. Kristi Izzo, Secretary  
New Jersey Board of Public Utilities  
44 So. Clinton Ave., 7th Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

IN THE MATTER OF THE COMPREHENSIVE  
ENERGY EFFICIENCY AND RENEWABLE  
ENERGY RESOURCE ANALYSIS FOR THE  
2013 -2016 CLEAN ENERGY PROGRAM  
DOCKET NO. EO11050324V

Dear Ms. Izzo:

New Jersey Natural Gas Company (“NJNG”) has reviewed the 2<sup>nd</sup> Revised Straw Proposal for New Jersey’s Clean Energy Program (“NJCEP”) Funding Levels for the period from 2014 through 2017 - Comprehensive Energy Efficiency and Renewable Energy Resource Analysis (“June 3<sup>rd</sup> Straw Proposal”), which was released on June 3, 2013 by the Staff of the New Jersey Board of Public Utilities (“BPU” or “Board”), as well as the draft compliance plans and budgets for the 2014 NJCEP programs (“2014 NJCEP Programs”). On April 26, 2013, NJNG filed written comments on the March 28<sup>th</sup> Straw Proposal (“March Straw”) and also supported the written comments submitted by the New Jersey Utilities Association (“NJUA”) on April 26<sup>th</sup>. Through this letter, NJNG wants to provide a few supplemental comments related to the June 3<sup>rd</sup> Straw Proposal and the 2014 NJCEP Programs.

Prior to providing comment, NJNG also wants to acknowledge the efforts of Office of Clean Energy (“OCE”) staff. We recognize that is extremely challenging working parallel paths for

policy and programs, especially when there is a need to balance priorities and stakeholder interests. We believe they have done a great job trying to advance these efforts while continuing to provide oversight on the current NJCEP programs, including Superstorm Sandy response initiatives.

## **Straw Proposal**

### **Transition Year Approach**

NJNG supports the proposed approach to use 2014 as a transition year in order to leverage the benefit of the anticipated Strategic Plan that the new Program Administrator will develop and the input of planned working groups. NJNG intends to be actively engaged in the planned working groups and will support Board staff in this effort. Further, NJNG is very pleased to see that the plans reference an intention to continue to work collaboratively with utility programs. Our comments on the prior Straw Proposal provided more detailed considerations regarding the benefits of an approach that is integrated with utility efforts and those comments are incorporated as if written herein by reference.

### **Funding Allocations**

In regard to the proposed funding allocation by utility presented in the June 3<sup>rd</sup> Straw Proposal, NJNG is concerned that the change in the allocation method can't be properly assessed for accuracy given the limited time for review of the data supporting the allocation and the associated rate impacts with this proposed allocation. Specifically, the March Straw maintained the current funding allocations for each utility. The June 3<sup>rd</sup> Straw Proposal provides a chart shown on page 58 that reflects a split based on 2013 Estimated Retail Revenues that allocates approximately 64% of the NJCEP funding to electric customers and 36% to natural gas customers. NJNG notes that this split is significantly different from the annual allocation calculation of the Lifeline budget undertaken as part of the joint utility Universal Service Fund ("USF") rate proceeding. That allocation has traditionally been much closer to a 69%/31% split over the past few years (Refer to page 1 of Attachment A). This shift in funding allocation between funding sources is the primary driver for the resulting rate change to each utility's customer base.

	<b>Allocation Split</b>	<b>Electric Allocation of 2014 NJCEP funding</b>	<b>Gas Allocation of 2014 NJCEP funding</b>
<b>Current Allocation (Board order for 2009-2012)</b>	69%/31%	\$261,682,500	\$117,657,500
<b>June 3<sup>rd</sup> Straw Proposal</b>	64%/36%	\$221,885,270	\$122,779,730
<b>If rely upon 2012 USF filing Lifeline Funding Allocation</b>	69%/31%	\$237,818,850	\$106,846,150

Despite the proposed overall reduction in NJCEP funding, under the June 3<sup>rd</sup> Straw Proposal Approach, gas utilities would see an increase in their allocated funding requirements and, for several utilities, the notable increase in their allocation would translate into price increases for customers. In fact, the approach in the June 3<sup>rd</sup> Straw Proposal could increase one utility's share of funding by more than 28% from the amount currently embedded in their customer rates. While it is recognized that shifting load patterns may change the respective allocations between fuel sources and utility service territories, we believe that the shifts reflected in the June 3<sup>rd</sup> Straw Proposal may be driven more by the underlying data source given the magnitude of the shift.

Through outreach to both Board staff and the Center for Energy, Economic, and Environmental Policy ("CEEEP"), NJNG learned that the underlying data used in the June 3<sup>rd</sup> Straw Proposal was taken from Energy Information Administration ("EIA") sources. However, there has not been sufficient time to either carefully review the supporting information or coordinate with other utilities. As a result, NJNG was unable to reconcile the EIA data source to the utility data historically used for allocating the Lifeline budget within the USF proceeding and was not able to determine whether the EIA data source is even reflective of customer classes that are subject to the SBC.

As an alternative, NJNG respectfully suggests that the Board consider relying upon the Lifeline allocation basis. Those schedules reflect data provided by each utility and such data

was subject to review and discovery by BPU Staff and the New Jersey Division of Rate Counsel (“Rate Counsel”) during the course of the prior year’s USF Rate Proceeding. Page 3 of Attachment A shows the proposed allocation as well as the resulting impacts by utility. This revised approach, based on the Lifeline allocation method that has been used previously, results in overall decrease in funding for both electric and gas customers in the aggregate and also reflects a reduced funding obligation allocation for nearly all utilities, instead of the potential increases included in the June 3<sup>rd</sup> Straw Proposal.

### **Leveraging Other Resources**

Further, NJNG encourages OCE staff to take advantage of resources available from the State and Local Energy Efficiency Action Network (“SEE Action”) and the Consortium for Energy Efficiency (“CEE”).

SEE Action is a collaborative policy effort by a diverse group of stakeholders that is led by the United States Department of Energy (“DOE”) with many supportive reference guides and connections to free technical assistance. Attachment B provides a brief overview of the policy areas and program directions in which SEE Action is currently engaged and it is easy to see the strong overlap with NJCEP priorities. NJNG understands that OCE staff has already connected with DOE staff in an effort to gain a better understanding of how SEE Action may be able to help the BPU’s longer term consideration of energy efficiency strategies.

CEE is a consortium of electric and natural gas efficiency program administrators working to accelerate the development and availability of energy efficient products and services, encourage market uptake, and attain lasting public benefit. NJNG understands that NJCEP is in the process of re-engaging as a member of CEE. The CEE summary program guides provide an overview of programs and approaches across the country and participation in CEE committees provides information on current trends and issues related to EE program design and connection with new technologies and code changes. Leveraging these resources will extract the most value out of an NJCEP membership in this organization.

## 2014 NJCEP Programs

### **Residential Programs**

NJNG appreciates NJCEP's continued efforts to support the emerging marketplace for comprehensive home improvements through the Home Performance with Energy Star program that is serving a growing number of customers and helping more than 100 contractors grow their business with this "whole house approach". Further, we also commend NJCEP for continuing to support the much broader customer group that is still only addressing a single piece of HVAC equipment at a time. The incentives through the WARM and Cool Advantage program still influence tens of thousands of customers each year to invest in energy efficient products as they face equipment replacement decisions. That program also helps support a network of thousands of contractors statewide. Here are just a few samples of direct quotes from our most recent survey of contractors.

- "These rebates entice consumers to spend more for energy efficient equipment"
- "If it wasn't for this program most contractors would be installing 80% furnaces and 13 SEER equipment".

In addition, NJNG strongly supports the continuation of the combination incentive program for the installation of a furnace and water heater at the same time, as well as the eligibility expansion to also include boiler and water heater replacements. This combination path is just getting off the ground and should allow for more effective messaging about the importance of addressing both systems at the same time and lead to fewer "orphaned" appliances, which may be a cause for concern for health and safety reasons.

### **Enhanced Superstorm Sandy Incentives**

In regard to the enhanced incentives for customers affected by Superstorm Sandy, NJNG is extremely pleased to see that the plan intends to continue that enhanced incentive value throughout the 2014 program year. NJNG has participated in dozens of Sandy related outreach events and talked to thousands of affected customers. We know that the current June

30<sup>th</sup> expiration date originally referenced on the promotional materials has been of concern to many customers who knew that they were unlikely to have their homes and/or businesses restored within the next few months. There are numerous delays associated with resolving insurance settlements and potential participation in government programs. Additionally, many customers cannot start restoration work until receiving clarity on home elevation issues. While it is unfortunate that some customers may still not have their properties restored for many months to come, this proposed extension through June of 2014 will at least provide necessary benefits for some customers and hopefully encourage them to install energy-efficient equipment.

NJNG believes that it is critical to get a clear understanding of the relationship between NJCEP programs and the new Department of Community Affairs programs available to help Superstorm Sandy customers as a result of the Community Development Block Grant (CDBG) Disaster Recovery funding. In particular, the Homeowner Resettlement Program and the Homeowner Reconstruction, Rehabilitation, Elevation and Mitigation (RREM) program both have the potential to cover equipment or building standards that are currently covered by NJCEP programs. As a result it is important to understand the relationship between these programs as soon as possible so customers and contractors receive accurate information and all stakeholders can consider any potential impacts on participation rates in NJCEP programs.

### **Distributed Generation**

In regard to distributed generation, NJNG appreciates the Board's strong support for combined heat and power ("CHP") and Fuel Cells within both the CRA proposal and the 2014 program plan. We commend the Board for the on-going efforts to refine the programs and gain feedback from industry partners to identify further improvements. NJNG understands the state's focus on resiliency in a post –Sandy world and the rationale for proposing that facilities be required to have the capability to island and operate independent from the utility in the event of an outage or failure. We can see the merits of such a requirement for certain types of facilities with a societal element. However, NJNG cautions that implementing such a provision on a commercial or industrial customer could hamper the state's ability to meet the

1500 MW goal for distributed generation since that requirement could add substantial costs for these customers. That may further limit the market willing to make the investment in such equipment.

### **Consider aligning with DOE Efforts within the Large Energy Users Program**

In regard to the Large Energy Users Program (“LEUP”), NJNG also suggests that the Board explore the potential benefits of allowing eligible companies to work closely with the DOE on the Better Buildings, Better Plants Program and the Better Buildings Industrial Strategic Energy Management Accelerator under DOE’s Advanced Manufacturing Office. To facilitate participation in these DOE efforts, the Board could consider allowing eligible customers to submit proposals that could include a description of their intended efforts and request that related expenses be included as eligible LEUP costs. As part of this DOE Better Plants Program, participants must set a 10-year, 25 percent energy intensity improvement target for all U.S.-based manufacturing operations. They must develop energy management plans and track and report energy data annually to DOE. Since this DOE program is a structured effort that can lead to significant energy savings, developing a role for NJCEP as a partner in this effort could result in significant insights that might be useful and applicable to future NJCEP programming. In addition, the Industrial Strategic Energy Management Accelerator is an opportunity to align the Better Plants program with a structured energy management certification and partner with utilities and program administrators to deliver these solutions to their industrial customers. NJNG also notes that at CEE’s most recent conference, many of the larger programs across the country are expanding efforts to offer EE programs that support C&I customers developing Energy Management Plans. This approach could let NJCEP gain practical experience by working with just a few customers through LEUP before considering any broader offering. See Attachment C for further information on these DOE initiatives.

### **Serving Low Income Customers**

As a final note, NJNG would like to thank the Board for its continued commitment to the Comfort Partners programs. In addition to providing energy savings, comfort and safety benefits to the participants, this program also has the potential to reduce future costs for all

customers by reducing the costs associated with the Universal Service Fund program since Comfort Partners work directly reduces the energy burden of participating customers.

NJNG appreciates the opportunity to provide comments on these topics. Please feel free to contact me if you need any additional information regarding these issues.

Sincerely,



Anne-Marie Peracchio  
Director- Conservation and Clean Energy Policy

Cc: Elizabeth Ackerman, BPU  
Michael Winka, BPU  
Michael Ambrosio, AEG  
Mona Mosser, BPU  
[oce@bpu.state.nj.us](mailto:oce@bpu.state.nj.us)

ATTACHMENT A  
 Page 1 of 3

Originally filed as  
 Attachment A of the

2012/2013 joint utility  
 USF/Lifeline Compliance  
 Filing. BPU Docket #  
 ER 12060565  
 on June 21, 2012

**NJ Utility Jurisdictional Operating Revenue and Volume**  
 Source: 2011 BPU Annual Report

	Gas Operating Jurisdictional Revenues \$000	Electric Operating Jurisdictional Revenues \$000	
Public Service Gas	2,111,972	4,344,349	55.6%
NJNG	683,297	2,219,023	28.4%
Elizabethtown	387,918	1,040,061	13.3%
South Jersey	\$367,502	203,585	2.6%
Total	3,550,689	7,807,018	100.00%

**Calculation of Allocation between Gas and Electric**

Gas Revenue	3,550,689	31%
Electric Revenue	7,807,018	69%
Total Revenue	11,357,707	

Attachment A pay dof.  
 Originally filed as Attachment A of the  
 2012/2013 joint utility USF/Lifeline Compliance  
 Filing BRU Docket # ER 12060565 on 6/20/12

**Projected Sales Volumes  
 Estimates of Normalized Jurisdictional Sales  
 Units in (000s)**

	2012 October	2012 November	2012 December	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	Total
<b>Gas Therms*</b>													
NJNG	33,389	61,653	104,704	124,228	105,011	84,509	47,092	25,835	18,755	19,088	18,791	18,550	661,605
SJG	27,040	39,135	67,482	93,053	91,467	83,660	56,192	37,441	30,436	32,031	30,166	26,726	614,830
PSE&G	114,320	206,364	347,568	458,715	452,448	398,090	265,038	157,592	117,282	95,340	93,757	85,777	2,792,291
ETG	20,510	35,798	59,165	72,870	71,813	64,988	45,023	27,468	21,965	17,402	16,516	16,083	469,601
Total	195,259	342,951	578,919	748,866	720,739	631,246	413,345	248,336	188,437	163,862	159,231	147,135	4,538,326
<b>Electric MWH</b>													
PSE&G	3,286,512	3,194,883	3,521,479	3,746,108	3,532,281	3,433,000	3,300,954	3,117,186	3,550,716	4,120,782	4,239,946	4,002,293	43,046,140
JCP&L	1,652,258	1,516,734	1,662,943	1,746,181	1,763,773	1,692,620	1,596,494	1,473,564	1,749,870	2,108,498	2,232,562	2,021,370	21,216,867
ACE	800,360	716,066	771,764	874,810	829,899	799,458	735,776	716,834	808,453	1,026,931	1,100,944	1,010,480	10,191,774
RECO	129,432	118,206	132,226	147,326	137,954	122,699	120,521	122,379	146,019	164,204	172,749	160,077	1,673,792
Total	5,868,562	5,545,889	6,088,412	6,514,425	6,263,907	6,047,777	5,753,745	5,429,963	6,255,058	7,420,415	7,746,201	7,194,220	76,128,573

\*Gas sales exclude wholesale therms

Comparison on Funding Allocation by Utility and Related Impacts

	Current a	Proposed 6/3 straw b	Difference from current b-a=c	as a percent c/a	Proposed Alternative based on USF filing d	Difference from current d-a=e	as a percent e/a
ACE	\$33,608,955	\$29,705,068.35	-\$3,903,886.65	-12%	\$31,838,189.17	-\$1,770,765.83	-5%
JCP&L	\$74,597,858	\$61,838,940.29	-\$12,758,917.71	-17%	\$66,279,594.27	-\$8,318,263.73	-11%
PS-Electri	\$147,841,308	\$125,462,806.61	-\$22,378,501.39	-15%	\$134,472,290.10	-\$13,369,017.90	-9%
RECO	\$5,634,379	\$4,878,454.64	-\$755,924.36	-13%	\$5,228,776.46	-\$405,602.54	-7%
NJN	\$15,896,367	\$17,899,030.72	\$2,002,663.72	13%	\$15,576,207.24	-\$320,159.76	-2%
Etown	\$15,984,499	\$12,704,577.03	-\$3,279,921.97	-21%	\$11,055,857.05	-\$4,928,641.95	-31%
PS-Gas	\$72,708,302	\$75,542,543.00	\$2,834,241.00	4%	\$65,739,107.56	-\$6,969,194.44	-10%
SJG	\$12,978,332	\$16,633,579.00	\$3,655,247.00	28%	\$14,474,978.15	\$1,496,646.15	12%




**SEE Action**  
STATE & LOCAL ENERGY EFFICIENCY ACTION NETWORK
**The State and Local  
 Energy Efficiency Action Network**

### What is SEE Action?

The State and Local Energy Efficiency Action Network (SEE Action) is a state- and local-led effort facilitated by the U.S. Department of Energy (DOE) and the U.S. Environmental Protection Agency (EPA) to take energy efficiency to scale that builds on the foundation of the National Action Plan for Energy Efficiency.<sup>1</sup> SEE Action is composed of more than 200 leaders from state and local governments, associations, businesses, non-government organizations, and their partners working toward a goal of achieving all cost-effective energy efficiency by 2020. SEE Action offers knowledge resources and technical assistance to state and local decision makers as they seek to advance energy efficiency policies and programs in their jurisdictions.

### What is the Energy Efficiency Opportunity?

Energy efficiency represents one of our nation's largest untapped energy resources. Investing in efficiency creates jobs and strengthens economic competitiveness by lowering the cost of living and doing business. It also can help reduce demand, improve system reliability, reduce the need for new transmission and distribution investments, reduce fossil fuel use, and provide significant public health and environmental benefits. Numerous studies have shown that investing in cost-effective energy efficiency improvements could save hundreds of billions of dollars nationally over the next 10–15 years.<sup>1,2</sup> State and local energy efficiency programs and policies are critical to capturing the benefits from this largely untapped resource.

SEE Action network members advance best practice recommendations where some of the largest opportunities exist to reap benefits from increased energy efficiency:

- **Building Energy Codes:** Increase the adoption of model and stretch building energy codes and increase compliance with adopted codes.
- **Customer Information and Behavior:** Decrease residential energy consumption through customer access to energy use data, energy consumption feedback, and behavior change.
- **Driving Ratepayer-Funded Efficiency through Regulatory Policies:** Increase investments in energy efficiency through ratepayer-funded programs.
- **Evaluation, Measurement, and Verification (EM&V):** Transform EM&V to yield more accurate, credible, and timely results that accelerate deployment and improve management of energy efficiency.
- **Existing Commercial Buildings:** Improve energy efficiency in commercial-scale public and private buildings by promoting solutions for whole-building improvements such as retro-commissioning and high-performance leasing.
- **Financing Solutions:** Disseminate energy efficiency financing information and offer recommendations on residential and commercial financing structures.
- **Industrial Energy Efficiency and Combined Heat and Power (CHP):** Improve energy efficiency in the U.S. manufacturing sector through programs and policies that support industrial efficiency and implementation of CHP.
- **Residential Retrofit:** Increase the number and effectiveness of residential energy efficiency programs and support the development of a thriving home energy upgrade industry.

### Key Points

- SEE Action is a state- and local-led effort facilitated by the federal government to bring energy efficiency to scale and achieve all cost-effective energy efficiency by 2020.
- SEE Action provides knowledge resources and technical assistance for state and local decision makers to implement best practice energy efficiency policies and programs.
- SEE Action is a network of more than 200 leaders from state and local government, businesses, non-governmental organizations, and their partners.
- **For more information:**  
 Johanna Zetterberg  
 U.S. Department of Energy  
 johanna.zetterberg  
 @ee.doe.gov



## Decision Maker Action

SEE Action supports individuals and organizations seeking to reap the benefits of energy efficiency through policies and programs:

- **Utility Regulators** who can promote energy efficiency as an energy resource to ensure reliable, affordable energy for ratepayers
- **State and Local Policymakers**, including governors, legislators, and mayors, who can implement effective energy efficiency policies and programs for their communities
- **State Energy and Air Officials** who can develop and implement cost-effective energy efficiency programs to realize energy, cost, and emissions savings among other benefits
- **State and Local Partners**, including utilities and other energy efficiency program administrators, financial institutions, energy services companies, industrial facility and commercial building owners, and many others.

## Resources for Decision Makers

SEE Action Network members—state and local leaders and their partners—continue to develop knowledge resources for peers based on their own evolving experience and demonstrated success. These resources aim to educate, engage, and support decision makers as they follow the path of energy efficiency policy and program adoption:

- **Education and Engagement** resources include background and introductory technical reports, fact sheets, webinars, and other resources that provide the necessary foundation for understanding a burgeoning area of energy efficiency opportunity, or initiating energy efficiency policy and program development.
- **Policy and Program Action** resources include best practices for and model approaches to energy efficiency program and policy design and implementation that can guide decision makers along a path of action.

SEE Action Resources are available online at [www.seeaction.energy.gov/resources.html](http://www.seeaction.energy.gov/resources.html).

## Technical Assistance

One-on-one technical assistance is available on a case-by-case basis. Decision makers interested in receiving technical assistance should contact Johanna Zetterberg (see the end of this document for information).

Additional technical assistance includes:

- **DOE's Office of Energy Efficiency and Renewable Energy's Technical Assistance Program** provides state, local, and tribal officials the tools, resources, and assistance needed to implement successful and sustainable clean energy programs. This program provides direct, short-term assistance with cross-cutting efficiency and renewable energy issues.  
[www.eere.energy.gov/wip/solutioncenter](http://www.eere.energy.gov/wip/solutioncenter)
- **DOE's Office of Electricity's Technical Assistance Program** provides assistance on an as-requested basis on any state or regional electricity policy topic, including ratepayer-funded energy efficiency, to a broad range of stakeholders.  
<http://energy.gov/oe/downloads/oe-state-and-regional-electricity-policy-assistance-program>
- **DOE's Building Energy Codes Program State-Level Technical Assistance** provides assistance to state and local governments on building energy codes, policy adoption, compliance, training, analysis, and software support.  
[www.energycodes.gov/states/techAssist.stm](http://www.energycodes.gov/states/techAssist.stm)
- **DOE's Office of Energy Efficiency and Renewable Energy's Clean Energy Application Centers** promote CHP, waste heat recovery, and other clean energy technologies and practices and offer regional assistance for specific projects throughout the United States.  
[www.eere.energy.gov/industry/distributedenergy/racs.html](http://www.eere.energy.gov/industry/distributedenergy/racs.html)
- **EPA's State Climate and Energy Program** helps states develop policies and programs that reduce greenhouse gas emissions, lower energy costs, improve air quality and public health, and achieve economic development goals. EPA provides proven, cost-effective best practices, peer exchange opportunities, and analytical tools.  
<http://epa.gov/statelocalclimate/state/index.html>

## For more information on SEE Action, contact:

Johanna Zetterberg  
U.S. Department of Energy  
202-586-8778  
johanna.zetterberg@ee.doe.gov  
[www.seeaction.energy.gov](http://www.seeaction.energy.gov)

## References

1. National Action Plan for Energy Efficiency. 2008. *National Action Plan for Energy Efficiency Vision for 2025: A Framework for Change*.  
[www.epa.gov/eeactionplan](http://www.epa.gov/eeactionplan).
2. McKinsey Global Energy and Materials. 2009. *Unlocking Energy Efficiency in the U.S. Economy*. [www.mckinsey.com/Client\\_Service/Electric Power and Natural Gas/Latest thinking/Unlocking energy efficiency in the US economy](http://www.mckinsey.com/Client_Service/Electric_Power_and_Natural_Gas/Latest_thinking/Unlocking_energy_efficiency_in_the_US_economy).

*ATTACHMENT C*

# **Better Buildings Initiative: Industrial Strategic Energy Management Accelerator**

CEE Summer Program Meeting

May 30, 2013

Katrina Pielli, U.S. Department of Energy



# Today

- ▶ Better Buildings Challenge Overview
- ▶ New Opportunity: Utility Engagement with Industrial Sector
- ▶ Superior Energy Performance
- ▶ Better Plants Challenge
- ▶ Questions for Discussion



# Better Buildings Challenge Overview

- ▶ Announced by President Obama in December 2011
- ▶ Broad, multi-strategy initiative to:
  - Reduce by 20% the energy intensity in the commercial and industrial sectors by 2020;
  - Catalyze revolutionary change in energy use
  - Achieve billions in energy bill savings
  - Create high quality domestic jobs
- ▶ Public-private partnership program where leading organizations commit to improve the energy intensity of their building portfolio's by at least 20% over 10 years and share their strategies and results with the market.
- ▶ Financial and Utility Allies assist Partners in overcoming barriers to investment in EE



# Current Partners and Allies

110+ public, private and non-profit organizations:

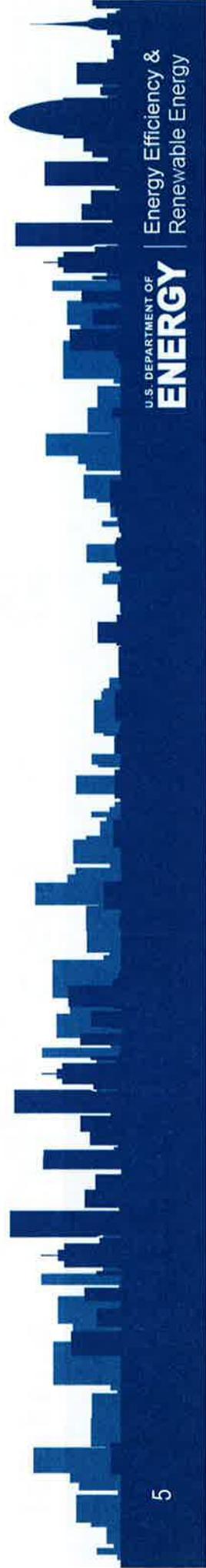
- ▶ 66 Commercial Partners
  - ▶ 12 Better Plants Challenge Partners
  - ▶ 25 Community Partners
  - ▶ 14 Financial Allies
  - ▶ 3 Utility Allies
- ↑
- Together, they represent:
- ▶ 2+ billion square feet of commercial and industrial space committed
  - ▶ 300+ manufacturing plants
  - ▶ ~\$2 billion in private sector financing





# Need for Additional Utility Engagement with Industrial Sector

- ▶ Many utilities / program administrators face EE increasing savings goals / targets going forward
  - Greater need to engage industrial sector for energy savings
  - Demonstrate value to industrials of participating in (paying into) ratepayer-funded programs
- ▶ Industrials continue to face pressures to improve competitiveness -- EE can help
- ▶ DOE flagship industrial EE effort (Better Plants Challenge & Program) focused on assisting industrials to set a savings goal, develop an action plan, implement measures to achieve goal. Reward success.
- ▶ DOE also focused on industrial strategic energy management (SEM) as opportunity for continuous energy savings



# New: Better Buildings Accelerators

- ▶ Across BBI portfolio -- commercial, industrial, public sector, etc.
- ▶ One to two year efforts designed to demonstrate specific innovative approaches which upon successful demonstration would accelerate investment in energy efficiency
- ▶ Targeted focus
- ▶ In development now:
  - Energy Data
  - **Industrial Strategic Energy Management**
  - ESPC



# For Discussion – Industrial Strategic Energy Management Accelerator

- ▶ **Industrial SEM Accelerator Goals:**
  - Demonstrate the cost-effectiveness of industrial SEP as a ratepayer-funded efficiency program
  - Demonstrate the business case for industrial customers to invest in the spectrum of SEM
  - Build the SEM workforce at the regional level
  - Measure and document SEP cost reduction techniques
  - Develop recommendations for post-Accelerator next steps
- ▶ DOE will partner with utilities / program administrators (Industrial SEM Accelerator partners) to deliver program resources to industrial customers to **implement, pilot, test, and assess Superior Energy Performance (SEP) as practical and effective energy efficiency program offerings.**



# For Discussion – Industrial Strategic Energy Management Accelerator

## Industrial SEM Accelerator Partner Agrees to:

- ▶ **Recruit and engage industrial customers in a pilot SEP program** with a cohort of industrial customers in service territory; may include DOE Better Plants partners.
- ▶ **Develop a pilot SEP program** that includes the program materials, costs, benefits, and measurement and verification of the program impacts (energy usage and savings). **Share results annually.**
- ▶ **Sponsor Certified Practitioner EnMS training (see slide 10)** for SEM program implementers to ensure a **qualified workforce** to assist industrial customers in implementing the pilot SEP program.
- ▶ **Deliver program resources to industrial customers** to support SEP. For example, cost-shared: Technical assistance; Metering; Full-time energy managers; Third-party SEP audits.
- ▶ **Share aggregate data from the pilot SEP program**, including: industrial sectors participating in pilot, energy usage and savings, program costs and benefits. **Share results annually.**



# For Discussion – Industrial Strategic Energy Management Accelerator

## U.S. Department of Energy Agrees to:

- ▶ **Provide SEP end-user training** (see *slide 11*) for a cohort of industrial customers on SEP, in coordination with SEM program implementers.
- ▶ **Provide access and assistance to DOE tools and resources for Accelerator partners**, including In-Plant trainings hosted at Better Plants partner facilities.
- ▶ **Provide National Recognition to Accelerator Partners** for achieving milestones and goals.



# Certified Practitioner in Energy Management System (CP EnMS) Training

- ▶ Certified Practitioners in Energy Management Systems help facilities implement the ISO 50001 and prepare for SEP certification
- ▶ Training and specific skills are required for appropriate application of the ISO 50001 and the SEP M&V Protocol.
  - Targeted trainees as part of the Accelerator: Utility SEM program implementers
- ▶ Training involves some on-line prep work and 4 days of in-class training
- ▶ Exam for CP EnMS is one day and tests knowledge of ISO 50001 standard, energy engineering principles, SEP standards and requirements, and knowledge of industrial energy practices and concepts.

See [http://www.superiorenergyperformance.net/certified\\_practitioners.html](http://www.superiorenergyperformance.net/certified_practitioners.html)  
and [http://www.superiorenergyperformance.net/CP\\_trainingexams.html](http://www.superiorenergyperformance.net/CP_trainingexams.html)



# SEP End-user Training

- ▶ Targeted trainees: End-user manufacturing customers implementing SEP in their facility
- ▶ Training is for a cohort of end users (usually 3 to 7 companies)
- ▶ Training and skill are required for all core members of a manufacturing's energy management team for appropriate application of the ISO 50001 and the SEP M&V protocol and tools
- ▶ Training will be a cooperative effort between Georgia Tech energy management/ISO 50001 experts and utility SEM experts (CP EnMS)
- ▶ DOE hosts three 2.5-day training sessions over a 12–15 month period
- ▶ End-users are trained on all ISO 50001 Plan-Do-Check-Act elements as well as additional requirements of SEP
- ▶ End-users are trained on how to build a statistical model using DOE's EnPI tool
- ▶ Final training session involves a mock internal audit at an end user facility.



# Strategic Energy Management Continuum

## Superior Energy Performance

Implement ISO 50001 EnMS and establish a robust energy data tracking and measurement system

Provides value beyond ISO 50001:

- M&V protocol
- ANSI-accredited 3<sup>rd</sup> party verification

## ISO 50001

Implement structured EnMS following ISO plan-do-check-act approach

Entry point for plants:

- In energy-intensive industries
- Prior ISO system or energy management experience

## Continual Energy Improvement

Systematic approach in preparation for ISO 50001 implementation

Entry point for medium/large plants:

- Prior energy management activities
- No prior ISO system experience

## Project Focus

Loosely organized project-by-project approach

Entry point for facilities of any size

- No energy management experience



# Superior Energy Performance

A market-based, ANSI-ANAB accredited certification program that provides industrial and commercial facilities with a roadmap for achieving continual improvement in energy efficiency while boosting competitiveness.

## Goals:

- Drive continual improvement in energy performance
- Develop a transparent system to verify energy performance improvements and management practices
- Encourage broad participation throughout industry
- Support and build the energy efficiency market and workforce

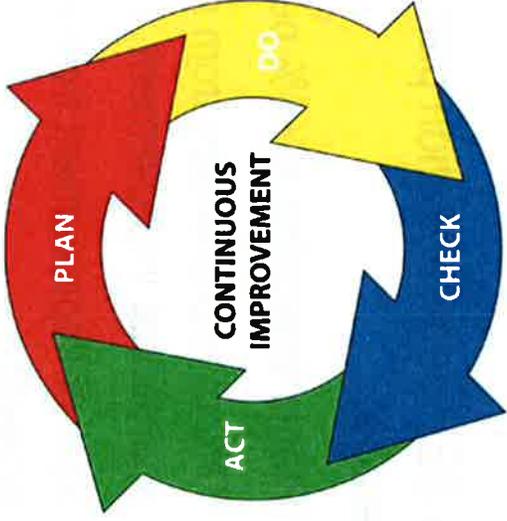


[www.superiorenergyperformance.net](http://www.superiorenergyperformance.net)



# Superior Energy Performance: Overview and Core Objectives

## ISO 50001 EnMS



- Fosters an organizational culture for continuously improving energy efficiency
- Aligns with business systems through structured Plan-Do-Check-Act process



**Superior Energy Performance**

Applies ISO 50001 to create real value.

Set performance target

Verify improved energy performance

**SEP standards**

- ANSI/MSE 50021: SEP program requirements
- ANSI/MSE 50028: SEP verification body requirements

**Facilitates and verifies rigorous use of ISO50001 EnMS**

## SEP Certified Facilities: Results

- 28 industrial plants have completed SEP demonstration training
  - 12 sectors represented
- 14 plants SEP certified
- 25 additional plants pursuing certification
- Key SEP demonstration plant results (average)
  - Plants improving at ~4% per year
  - 77% of improvement from no/low cost operational improvement
  - 23% of improvement from capital projects

Facility Name	% Energy Performance Improvement
Volvo Trucks, NA   Dublin, VA	25.8
Dow Chemical Company   Texas City, TX: Manufacturing facility	17.1
3M Canada Company   Brockville, Ontario, Canada	15.2
Cook Composites and Polymers   Houston, TX	14.9
General Dynamics   Scranton, PA	11.9
Allsteel   Muscatine, IA	10.2
Cooper Tire   Texarkana, AR	10.1
Olam Spices   Gilroy, CA	9.8
Owens Corning   Waxahachie, TX	9.6
Dow Chemical Company   Texas City, TX: Energy systems facility	8.1
Nissan, NA   Smyrna, TN	7.2
Freescale Semiconductor, Inc.   West Austin, TX	6.5
3M Company  Cordova, IL	6.2
Bridgestone Americas Tire   Wilson, NC	15.8

# Better Buildings, Better Plants Challenge Overview

*A select number of manufacturing partners have stepped up to the Better Plants Challenge, which calls for a higher level of leadership, innovation and transparency*

## Challenge Partners Agree to:

### Commit

- Establish energy efficiency goal
- Announce innovations/market solutions

### Take Action

- Showcase project within 9 months
- Set organization-wide plan, schedule and milestones within 9 months

### Report Results

- Share information and implementation models
- Share portfolio wide energy performance annually
- Provide quarterly updates on progress on showcase projects, other milestones



President Obama and former President Clinton take a tour of the upgrades of the Transwestern Building in Washington, Dec. 2, 2011  
(Official White House Photo by Lawrence Jackson)



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Bringing Earth's Resources to Life

**3M**

**Schneider**  
Electric



**SAINT-GOBAIN**

**Johnson**  
**Controls**



**NISSAN**



**legrand**



U.S. DEPARTMENT OF  
**ENERGY** | Energy Efficiency & Renewable Energy

# In-Plant Trainings

- ▶ In-Plant Trainings (INPLTs) help develop energy efficiency expertise within companies
- ▶ Events range 3-4 days and are led by energy experts who train participants on how to conduct assessments, use DOE tools, develop energy management systems, and implement projects
- ▶ Participants can come from plants from the same company, from peer or regionally-based companies, suppliers, and others
- ▶ Energy assessments are a component of the INPLTs, but the events put greater emphasis on training, replication, implementation, and sustainable energy management systems
- ▶ In 2012, DOE conducted 12 INPLTs covering: steam, compressed air, process heating, pumps, and fans. Through these events, DOE:
  - Trained over 250 participants
  - Helped identify over 750 billion BTUs in energy savings and over \$4.6 million in cost savings

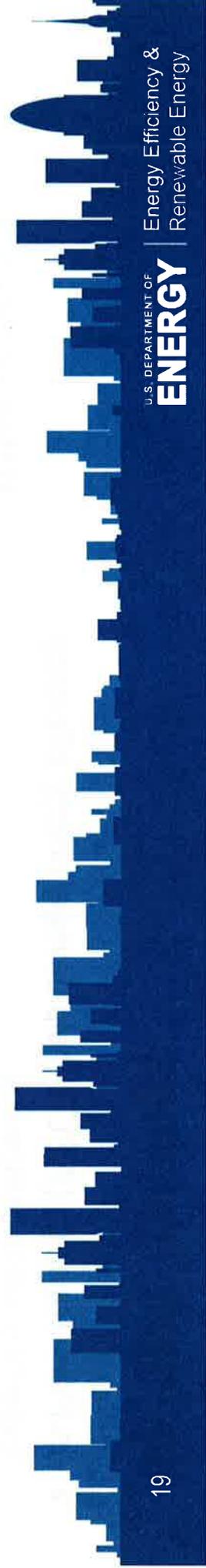


DOE energy expert Greg Harrell and an Alcoa employee at a recent INPLT event



## Questions for Discussion

- ▶ Would participating in this Accelerator be of interest you?
- ▶ SEP pilot – would you be interested in incorporating additional SEM elements? If yes, like what?
- ▶ CP Training requirement – is this cost prohibitive?



# For More Information

- ▶ **Better Buildings Challenge:**
  - [www.betterbuildings.energy.gov/challenge](http://www.betterbuildings.energy.gov/challenge)

Katrina Pielli, [katrina.pielli@ee.doe.gov](mailto:katrina.pielli@ee.doe.gov)

Sandy Glatt, [sandy.glatt@go.doe.gov](mailto:sandy.glatt@go.doe.gov)

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320 S. Warren Street - Trenton NJ 08608

June 14, 2013

Mr. Michael Winka, Director  
Office of Clean Energy  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 9th Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

Re: Fiscal Year 2014 Combined Heat and Power/Fuel Cell (CHP/FC) Draft Program

Dear Mr. Winka:

Veolia Energy North America ("Veolia") appreciates this opportunity to provide comments on the Fiscal Year 2014 Combined Heat and Power/Fuel Cell (CHP/FC) Draft Program (the "FY14 Program").

Veolia is one of the leading clean energy and environmental services companies in the world and is the parent company of Veolia Energy Trenton (formerly known as Trigen Trenton Energy Company), the owner operator of the Trenton Combined Heat and Power Facility and District Energy System serving the State House and many of the state office buildings in the Capitol District.

Generally, Veolia commends the Board for its continuing recognition of the great value and multiple benefits that Combined Heat and Power (CHP) can provide to New Jersey and its residents. The increased program funding for "CHP-FC Large and Small" in the latest draft of the FY14 Draft Program is a welcome development following previous years of lost funding for CHP programs and should help to make a significant contribution to the 1500 of new CHP capacity called for in the New Jersey Energy Master Plan. We also agree that combining the programs under a single administrator should add to increased efficiencies.

In the context of the above general support for the increased funding for the CHP Program in FY14, Veolia would like to make two specific comments on ways that the Program eligibility criteria might be less restrictive. The first concerns the restriction that limits the system size of eligible applicants for the CHP incentives to no more than "100% of the customer's most recent historical annual consumption or peak demand". This seems like an artificial restriction that serves no useful societal purpose. If the goal is to encourage cost effective CHP facilities, why limit the program incentives to only those systems that plan on not exporting power to the grid? If the excess power sales rates are such that power export is not economic for a particular CHP installation, the CHP developer should be able to make its own facility sizing decision. In fact, the Draft Program goes on to allow the export of "surplus power that may become available during the course of a given year". Artificial system sizing constraints appear to be the

type of “regulatory obstacle” that most CHP advocates have recognized as the major reason why CHP – with all its attendant economic, environmental, reliability and security benefits – is not enjoying greater deployment. In addition, for those potential CHP facilities with outsized thermal loads, restricting the size of the electric generation to no more than 100% may in fact render the project unable to economically serve its entire thermal load. Further, why restrict surplus power exports to PJM only. CHP facilities should be allowed to sell their excess power into whatever wholesale and retail markets the laws of New Jersey (and the United States) otherwise allow.

The second seemingly undue restriction on eligibility concerns the requirement that a CHP facility “have the ability to automatically island/disconnect and operate independent from the utility in the event of substantial grid congestion, interruption, or failure.” This islanding ability is of course a significant benefit offered by many CHP facilities. CHP advocates proudly point to the significant operational success achieved by many CHP facilities in riding through many of the recent major storms in New Jersey and elsewhere, including Super Storm Sandy. Reliability of base load CHP facilities in the face of major outages is one of the most significant benefits that CHP can provide to society. The difficulty arises from the fact that some CHP projects may not be able to afford the significant additional costs associated with engineering this “black-start” capability. In fact, certain facilities – notably those without public service functions – may prefer the economic choice of taking the risk of losing their power during a major outage than paying for the extra cost of installing black start capability.

Assuming that a CHP facility meets all of the Program’s eligibility criteria - i.e., natural gas, permanence, 65% LHV efficiency, etc. - it seems to be an overly restrictive added requirement that all CHP facilities must also have black-start capability to be eligible for the CHP incentives associated with the Program. One solution may be to have a second tier of bonus incentives for those CHP facilities that are willing to install islanding/black start capabilities. In this manner not all CHP facilities would be shut out of the program for the inability to island – and those that do decide to be island capable will be further compensated for supplying this positive societal externality.

Thank you for your continuing support of Combined Heat and Power.

Very truly yours,

*L.W. Plitch*

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