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January 17, 2020

VIA ELECTRONIC MAIL
energyefficiency@bpu.nj.gov

Aida Camacho-Welch
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

RE: Draft Straw Proposal – Energy Efficiency and Peak Demand Reduction
Comments of Atlantic City Electric Company

Dear Secretary Camacho-Welch:

On behalf of Atlantic City Electric Company ("ACE" or "the Company"), please accept these comments in response to the Energy Efficiency and Peak Demand Program Administration Straw Proposal ("Straw Proposal"), issued by the New Jersey Board of Public Utilities' ("BPU" or the "Board") Office of Clean Energy ("OCE") on December 20, 2019.

The Straw Proposal recommends program administrative structures for delivery of energy efficiency ("EE") and peak demand reduction programs, pursuant to the Clean Energy Act (P.L.2018, c.17) ("the Act"). ACE appreciates Staff's work on the Straw Proposal, and thanks Staff for considering the input of stakeholders in developing an initial proposal that will provide opportunities for all New Jersey residents, businesses, government entities, and nonprofits to save energy and money through an expanded suite of EE programs.

As with any new initiative, there are programmatic details to be developed and refined, and the Company is committed to staying engaged in this process to achieve a programmatic framework that allows the greatest opportunity to meet the new energy savings goals. That said, ACE has serious concerns about its ability to meet the 2 percent saving goals under the existing proposals issued by Staff to date, and therefore requests that certain programs that are currently assigned to the State for administration, or for co-management between the State and the utilities, be re-designated for utility administration. Furthermore, ACE requests that the utilities be given the flexibility to adapt and modify the utility-administered programs in order to best serve our customers and improve program results.

ACE also appreciates this opportunity to comment on the Straw Proposal. The Company also supports the comments filed by the New Jersey Utilities Association ("NJUA"), of which ACE is a member. In the instant comments, ACE identifies several areas within Staff's Straw Proposal that warrant clarification and further discussion, and the Company offers alternative proposals for consideration. The Company has organized its comments into four main topics: (1) Program Administration Frameworks; (2) Process; (3) Energy Savings; and (4) Metrics.

I. Program Administration Frameworks

The Straw Proposal represents the BPU's initial proposal for distributing energy efficiency and peak demand reduction programs between the utilities and the New Jersey Clean Energy Program ("NJCEP"), administered by OCE. The redistribution of existing programs, and development of new programs, is required to increase market penetration and achieve greater energy savings over time, as envisioned by the Act.

ACE's parent company, Pepco Holdings, has been recognized as a national leader in EE and demand response for its robust portfolios of programs in Maryland, as well as emerging portfolios in Delaware and the District of Columbia. Notably, the American Council for an Energy Efficient Economy ("ACEEE") ranks Maryland seventh in the nation overall for EE programs, and has specifically recognized Maryland for its utility programs, highlighting the outstanding and diverse portfolios that Pepco, Delmarva Power, and its affiliate company Baltimore Gas and Electric ("BGE"), offer to Maryland residents.

Pepco Holdings has also been recognized for its excellence in delivering effective programs through numerous awards, including the ENERGY STAR Partner of the Year Sustained Excellence Award, the Peak Load Management Alliance Program Pacesetter Award, and Star of Dynamic Efficiency Award from the Alliance to Save Energy. Pepco also brings lessons learned and best practices from its peers across the Exelon Utilities. For instance, ACE has taken the lessons learned in the Maryland service territories to develop its New Jersey programs quickly (*i.e.*, the Quick Home Checkup Program and a Behavioral Program). To date, more than 257,000 Pepco customers in Maryland, including about 20,000 income-eligible customers, have participated in these programs. ACE is building relationships with customers and acquainting them to energy-saving programs so they will be ready to enroll when we have more programs to offer. Further, ACE can leverage its existing customer relationships and touchpoints to reduce customer acquisition costs and increase program participation.

The foregoing accomplishments speak to the potential benefits that would be achieved if certain programs currently envisioned for State administration were transitioned to ACE, in light of ACE's ability to implement best practices to increase program savings. Considering Pepco's experience managing programs, and ACE's readiness to implement programs, the most effective role BPU can play in the EE context is in an oversight function, where the agency tracks program progress, provides timely response to utility proposals and requests, and ensures programs have the support and funding they need to be successful.

ACE shares the Board's goals to provide equitable access to EE opportunities in a cost-effective manner. The Company also shares Staff's belief that different entities bring different strengths to program implementation, and some entities are better positioned to meet customer needs in certain areas, due to existing customer and business relationships, economies of scale, and experience. However, because the utilities are ultimately responsible for achieving the energy savings goals, ACE should be the default administrator for all programs, especially because its sister utilities within Pepco Holdings have proven to be successful and cost effective in other jurisdictions. Therefore, State administration should be reserved only for those programs where there are identified gaps or market opportunities that align with the BPU's capabilities.

The Company supports the goal of balancing flexibility with consistency, recognizing that common approaches can reduce transaction costs and customer confusion. However, ACE believes that utility programs are most successful when tailored to the specific needs of customers in their respective service territories, even if that results in small differences in program design. For instance, pursuant to a demographic analysis the Company conducted of ACE customers, 26 percent of ACE households earn less than $35,000 a year, and 37 percent of households earn less than $50,000 a year. This circumstance creates opportunities to incentivize relatively low-cost, energy-efficient appliances that cost $80 to $100 more than the inefficient lowest-cost appliances. At a slightly higher price point, these energy-efficient appliance are nonetheless too expensive for many lower-income customers without incentives. By eliminating the cost difference between an inefficient appliance and an efficient one, customers will choose the more efficient model, and save on their energy costs, and help meet the State's EE goals.[1]

To meet the diverse needs of New Jersey customers, Staff has identified three program administration models within its definition of Core Programs and Additional Initiatives: (a) Utility Administration; (b) State Administration; and (c) Co-managed Administration. Below, ACE provides its perspectives on Utility Administration of Core Programs and Additional Initiatives, and Co-Managed Programs.

a. <u>Utility Administration of Core Programs and Additional Initiatives</u>

ACE agrees that utilities are best positioned to administer programs that leverage existing customer relationships and touchpoints, available customer data and IT systems, and existing personnel and workforce resources, as well as subject matter expertise on energy efficient technologies and practices. As noted above, ACE benefits from the extensive experience of its parent company, Pepco Holdings, whose other operating companies, Pepco and Delmarva Power, are recognized as national leaders in EE and demand response, as noted above. Within the topic of Utility Administration, there are three key areas that the Company seeks to expand upon: Core Programs, Program Flexibility, and Funding for Innovation.

[1] *The Shift Model*, Dr. Frank Marti,
available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=213819&DocumentContentId=25178.

i. Core Programs

The Straw Proposal defines "Core Programs" as the foundational programs that address the largest end uses and represent the priority opportunities for energy savings. "Additional Initiatives" are defined by the Straw Proposal as auxiliary programs and program features which will enhance the Core Programs' success and/or focus on policy goals not solely related to energy efficiency.[2]

ACE accepts the Straw Proposal's directive to implement the existing Core Programs, but requests that the Retail Products program (currently proposed to be a State-Administered Core Program), and the Energy Efficiency Products Marketplace and Appliance Recycling programs (proposed as co-managed programs), also be transitioned to the utilities as Core Programs. For reasons discussed during the Staff-led January 9, 2019 stakeholder meeting on program administration, ACE believes that the utilities are best suited to administer these programs. Utility control allows customer participation to be directly linked to utility accounts to improve targeting and personalization of offers. Additionally, many utilities in the State already have existing relationships with vendors supporting online marketplaces, as well as retail sales teams versed in working with retailers to develop energy efficiency displays and promotions. Specifically, ACE has partnerships with retailers serving low- and moderate-income populations, as well as community action agencies, which will allow ACE to expand the reach to those most in need.

In addition, as energy savings become more difficult to achieve, energy efficiency programs need to reorient to integrate demand response capabilities and to meet the growing demand for smart and automated home technologies. Having the ability to bundle enrollment into a demand response program when purchasing a smart thermostat or other energy-efficient smart home product at retail, or via a marketplace, is a holistic solution that decreases customer touchpoints and drives deeper savings and customer satisfaction. ACE offered its Energy Wise Rewards direct load control program for eight years and enrolled more than 50,000 customers during that time. The same program offered at its sister companies, Pepco and Delmarva Power, now offers customers the ability to enroll their eligible smart thermostats into the program. This year, Pepco and Delmarva Power are coordinating Energy Wise Rewards with other programs, like Quick Home Checkup and Home Performance with Energy Star, to enroll the smart thermostats offered in those programs to Energy Wise Rewards. As demonstrated by these examples, the utilities are best positioned to offer product-based programs to coordinate the integration of demand response programs. Additionally, after AMI becomes available, the data capabilities between the utility and the customer technologies will allow for further energy savings through behavior and technology-driven changes.

Finally, Product Marketplace and Appliance Recycling go hand-in-hand, making it practical for them to be administered by the same entity. For example, there are recycling options for old appliances at the point of purchase, and a unique Appliance Recycling program can be administered for no-longer-needed appliances.

[2] Straw Proposal, at 13.

ii. Program Flexibility

In light of the significant gap between current program achievements and the State's EE goals, ACE recommends that utilities be given the flexibility to assess where programs can be modified and improved to increase savings, while promoting consistency and continuity where appropriate.

The Straw Proposal allows the utilities to build on the strengths of the existing core programs administered as part of the NJCEP, but it is unclear to what extent, and through what process, the individual utilities will be allowed to modify their respective programs to best adapt to local needs and capture emerging opportunities. ACE recommends that each utility not be bound exclusively to the existing program design, and proposes instead that each utility should be permitted to propose program changes in the program plan filing to improve the programs for its customers. While these changes should be loosely coordinated with other utilities, ACE believes each utility should have the ability to customize its program as needed to best meet the needs of its customers, to take advantage of unique opportunities in the service territory, and to apply best practices from the utility's experience.

For example, in a 2015 benchmarking study conducted by Energy and Resource Solutions, three utilities in Pennsylvania—PPL Electric, Penelec (a First Energy utility) and Met-Ed (also a First Energy utility)—all scored well on cost-efficiency of the administration of their Home Performance with Energy Star programs.[3] Notably, each utility implemented the statewide home energy audit program slightly differently. Specifically, the same measures were incentivized, but at different levels and implemented slightly differently:

- PPL Electric – $125 or $250 instant rebate (depending on heating/cooling in home), additional savings with installs;
- Penelec – administered through Goodcents; no additional cost with minimum installs;
- Met-Ed – administered through Goodcents; up to $250 rebate with minimum installs.

One key to this success in Pennsylvania may be allowing for the utilities to pursue innovation and change for the benefit of utility customers. According to the Pennsylvania Public Utility Commission, "[i]n creating [Energy Efficiency and Conservation] EE&C program guidelines, the [Pennsylvania] Commission recognized a 'one-size-fits-all' approach would not be the best approach. The [Pennsylvania] Commission balances the needs of consumers with those of the EDCs, as they work to meet the requirements of the legislation."[4]

In Maryland, the State's Public Service Commission ("PSC") granted the utilities the flexibility to modify incentives for the Home Performance with ENERGY STAR ("HPwES") program. The HPwES program had been running for several years with different techniques to

[3] Energy and Resource Solutions, *Process Evaluation Study*, prepared for The New Jersey Clean Energy Program (Jan. 2016), at. 94.

[4] Pennsylvania Public Utility Commission, *Energy Efficiency & Conservation: Information for Your Home* (Apr. 2017), *available at* http://www.puc.state.pa.us/General/consumer_ed/pdf/EEC_Home-FS.pdf.

encourage deeper retrofits. Collectively, program administrators evaluated the possibility of offering performance-based incentives ("PBIs") to be paid based on modeled energy savings. The results of the latest evaluation showed that the savings across Maryland increased approximately 30% on a per project basis, when compared against the savings prior to the implementation of PBIs. By providing program administrators with the flexibility to modify the incentive offering, the HPwES program is delivering deeper savings per-project for its customer base, and provides higher satisfaction to the contractors performing the work.

The Maryland PSC also granted ACE's sister utilities, BGE and Pepco Maryland, the flexibility to offer their small business programs in different manners, allowing the utilities to customize programs to fit customers' needs. For example, Pepco operates its Small Business Program relying on customer outreach tactics, increased incentives (relative to its prescriptive program), and a large trade-ally network. In contrast, BGE operates a Small Business Program with a limited number of trade allies dedicated to specific geographic areas. Both utilities continually deliver large savings for their overall portfolios by tailoring the programs to their small business customer and trade-ally base.

iii. Funding for Innovation

ACE appreciates the flexibility to explore territory-specific pilot programs and other innovative efforts that address unique challenges and opportunities, and to expand the reach of the program portfolio in support of the Clean Energy Act's goals, including reducing peak demand. Allocating a certain percent of the budget for pilots and other innovation efforts, including research and development ("R&D"), ensures that utilities can identify, assess, develop, and test promising new EE and demand reduction products and program models. This approach has been successful in other states to introduce new savings opportunities into the portfolio. This is particularly important as codes and standards raise baselines and limit the savings that utilities can claim, such as through EE lighting standards. In Minnesota, for example, the relevant statute allows up to 10 percent of the minimum spending requirement to be spent on R&D.[5] Other states with high savings goals, such as Illinois and Michigan, explicitly budget for pilots, and relax or eliminate cost-effectiveness requirements for them, thereby encouraging utilities to try new technologies and approaches. ACE believes that this is the best practice, and a percentage of the utility budget should be allocated to R&D. This approach will ensure that as marginal savings from LED lighting are reduced, the utilities will have properly vetted new technologies that can be pursued in cost effective programs.

The Company is ready to explore new initiatives that could benefit its customers and help to achieve the State's savings goals, including opportunities to deploy distributed energy resources. Such programs should be started as pilots, with the opportunity to develop them into full programs when they are deemed viable. Any program cycle should have a built-in process to evaluate, review, and approve the transition from a pilot to a portfolio program.

[5] Minn. Stat. § 216B.241, subd. 2(c)

As the New Jersey pursues its Additional Initiatives, ACE requests that the State share its plans with the utilities and offer them opportunity to provide input on initiative design. This approach would support effective planning by bringing in lessons learned from past or ongoing efforts. For example, there may be utility-specific test cases that universities or the State may want to leverage for R&D. Additionally, a utility may have experience with new technologies through pilots in other jurisdictions, which potentially could be leveraged for lessons learned.

b. Co-Managed Programs

The Straw Proposal designates certain programs for co-management, which would involve "close oversight and day-to-day collaboration between both the State and utilities."[6] The Comfort Partners program is cited as an example, in which the State is responsible for setting program objectives and providing oversight, while the utilities are responsible for day-to-day operations and implementation. ACE agrees that this could be a useful model for the Comfort Partners and Multifamily programs, but, as mentioned, the Company believes that the Products Marketplace and Appliance Recycling programs should be utility-administered, with the BPU's role limited to program oversight.

For the Comfort Partners and Multifamily programs to be most successful, there must be appropriate governance mechanisms that clearly define decision-making authorities, processes for raising items for group discussion and sharing information, and accountability for program tasks and outcomes. ACE is concerned about the potential for any co-managed structure to slow down decision-making, limit flexibility, and delay program implementation activities. Working Groups may be an appropriate mechanism to keep the program administrators, BPU, and vendors on target. ACE further recommends program management feedback loops and opportunities to change program design if goals are not being met.

Therefore, ACE recommends that Staff's next Straw Proposal clarify the following points:

- That utilities can propose budgets for the Comfort Partners and Multifamily programs, which are then approved or modified by the BPU.
- Identify which entity will have vendor selection and management responsibilities.
- That vendors could be unique across the State as long as the tenets of the program are maintained.
- Program goals are simple, and utilities are not held to quantitative performance indicators ("QPIs") for any co-managed programs, unless they have full design and management control over the programs.
- That there are program management feedback loops and opportunities to change program design if the goals are not being met.

[6] Straw Proposal, at 12.

II. Process

a. Program Plan

The Company views Staff's proposal of an initial three-year program plan as being in conflict with the Clean Energy Act. The Act's energy savings targets are to be met within five years of program implementation. A three-year program plan, followed by another two or three-year plan, could introduce market uncertainty and divert resources and attention away from program implementation. ACE therefore recommends a five-year program cycle with defined points at which to make significant program adjustments. These points can be marked with annual portfolio and program reporting.

b. Budget Flexibility

The Straw Proposal also suggests an informal process for notifying the Board when implementing modifications that meet the following criteria:

- Minor modifications to program design;
- Budget shifts among programs up to three percent, while remaining cost-effective and not increasing overall portfolio budget; and
- Incentive adjustments up to 15 percent of approved levels.

The Company generally agrees with this modification approach, but notes that greater clarity is needed regarding what constitutes a "minor modification". For example, ACE would consider a change in the measure mix or the shifting of program budgets within the program portfolio to be a minor modification, while a revision to the program delivery model would be a major modification.

ACE believes that there could be times where it may be necessary to increase the program budget by more than three percent, such as if participation exceeds expectations or if incentives must be increased to meet the savings goals. Greater flexibility in budget allocations will ensure better program performance. The table below outlines other states[7] that allow for larger budgetary shifts within the same sub-portfolio type (*e.g.,* Residential, Commercial, etc.):

[7] ACE's sister companies within Exelon implement EE programs in Maryland, Pennsylvania, and Illinois.

State	Document/Order number	Order Date	% Flexibility
MD	88514	12/22/2017	15%
IL	Illinois Energy Efficiency Policy Manual Version 1.1	1/3/2018	20%
PA	Pennsylvania PUC Docket No. M 2014-2424864	6/11/2015	30%
MI	Amendment to Order U-15890	6/3/2010	30%
CA	Energy Efficiency Policy Manual v5	7/1/2013	15%

Additionally, to support flexibility, there should be a streamlined process established to request budget increases and receive timely action to avoid program disruption.

III. Energy Savings

The Clean Energy Act takes an inclusive approach to measuring compliance toward the goal of two percent annual electricity use reductions, stating that:

> A public utility may apply all energy savings attributable to programs available to its customers, including demand side management programs, other measures implemented by the public utility, non-utility programs, including those available under energy efficiency programs in existence . . ., building codes, and other efficiency standards in effect, to achieve the targets established [under the Act].

Accordingly, the Straw Proposal anticipates that utilities will be able to count energy savings from State-administered programs and co-managed programs toward the Act's overall EE goals. However, the precise mechanisms for quantifying and allocating savings remain unclear, particularly for codes and standards, where the savings that result from which are very difficult to measure. As proposed, the utilities' QPIs will not reflect savings from State-administered programs, but will consider expected savings from co-managed programs. This aspect of the proposal underscores the Company's position that co-managed programs should be limited to the Comfort Partners and Multifamily programs, and that an appropriate governance structure should be put in place to ensure clear division of responsibilities, and to support mutual visibility and accountability for program results.

In that light, ACE recommends that a process be developed to determine the State-generated energy savings that will be counted towards meeting the Act's overall EE goals. These savings estimates will be crucial for the utilities to use when developing program portfolios. Specifically, the State-generated savings will be integral to: (1) meeting the State's goals; (2) developing cost-effective program portfolios; (3) being efficient with program offerings to minimize rate impacts. Therefore, a consistent planning and reporting process is necessary to ensure best program development and energy savings are communicated to the utilities.

IV. Metrics

For purposes of establishing QPIs, the specific metrics should be based on what is within a specific utility's control or significant influence. As such, the mechanisms for co-managing programs among the utilities and the State should be clarified with clear responsibilities before binding targets are set.

The Company proposes simplified QPI metrics that align directly with the Act. Specifically, the metrics should be: (1) energy savings; (2) cost-effectiveness; and (3) low-income customer access to energy efficiency programs.

ACE agrees with the reasoning presented for including energy savings as a key metric, and supports its inclusion. ACE also agrees that cost-effectiveness is an important measure of a portfolio's success. While it is one of many considerations when developing a utility EE program portfolio, cost-effectiveness provides an indication of how efficiently a utility is spending program budgets. However, the Straw Proposal recommends that cost-effectiveness be measured by the Utility Cost Test for purposes of measuring performance and determining incentives. As mentioned in ACE's previously filed comments, the Company recommends that the societal cost test ("SCT") be used in evaluating cost-effectiveness, primarily because the SCT is currently used by the NJCEP programs. ACE believes it is advisable to use the same cost test for all decision-making.

The Company also agrees that program portfolios should be evaluated for their ability to reach low-income customers. A portion of each utility's program portfolio should be allocated to low-income customers, and the program's performance specific to that portion of customers should be met or exceeded.

The additional metrics within the Straw Proposal are likely to result in an unnecessarily complicated metric structure that has the potential to be contentious and slow down the regulatory process, as well as diffuse the utility's attention across several metrics. ACE therefore recommends that BPU focus its attention on the most important metrics. While weighting would provide some indication of priority, such an approach still risks sending mixed messages to the utilities.

Finally, lifetime energy savings and demand savings will generally be reflected in the cost-effectiveness, as the tests consider the net present value of avoided energy and capacity costs. Those measures that have longer lifetimes and contribute to greater capacity savings will also tend to be more cost-effective. Therefore, it is reasonable to expect those metrics to move together. As an alternative to including lifetime energy and demand savings as a separate metric, ACE proposes

that these measures be tracked as part of a utility's annual reporting, but that the measures not be assigned a QPI.

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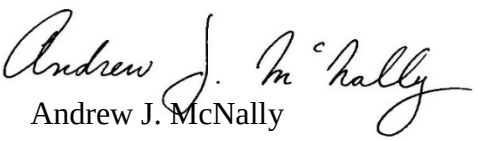
ACE appreciates the opportunity to comment on Staff's Straw Proposal pertaining to proposed program administration of New Jersey's EE programs. ACE is committed to designing program frameworks that offer the best opportunity to meet the State's EE goals. Consolidating EE programs under utility administration, allowing for flexibility to modify and innovate, and establishing clear and simple program rules will allow ACE to better leverage its expertise and experience in implementing award-winning programs, and support the State in becoming a leader in energy efficiency.

Respectfully submitted,



Andrew J. McNally

COMMENTS OF ADVANCED ENERGY MANAGMENT ALLIANCE

IN THE MATTER OF THE IMPLEMENTATION OF P.L. 2018, c. 17 REGARDING THE

ESTABLISHMENT OF ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION

PROGRAMS – DOCKET NO. QO19010040

JANUARY 17, 2019

I. Introduction

Advanced Energy Management Alliance ("AEMA") appreciates the opportunity to comment to the New Jersey Board of Public Utilities ("NJ BPU" or "BPU") on the Energy Efficiency and Peak Demand Program Administration Straw Proposal ("Straw Proposal"). AEMA is a trade association under Section 501(c)(6) of the federal tax code whose members include distributed energy resource ("DER" or "DERs"), advanced energy management services and technology, energy efficiency projects, and demand response ("DR") providers.[1] AEMA also includes some of the largest energy customers in the country, which leverage these services. AEMA members support the incorporation of distributed energy resources, including advanced energy management solutions, to achieve electricity cost savings for consumers, contribute to reliability and resilience, and provide sustainable solutions for a modern electric grid. These comments represent the collective consensus of AEMA as an organization, although they do not necessarily reflect the individual positions of the full diversity of AEMA member companies.

II. Executive Summary

AEMA commends the BPU's work on its Straw Proposal and supports its focus on developing new utility-based programs to reduce energy usage, manage peak load, and drive cost-effective reductions. The top 1% of hours typically account for 8-10% of a system's total electricity costs,[2] and peak load management programs therefore present a great opportunity to drive customer savings. Within New Jersey, there is already robust participation by commercial and industrial ("C&I") customers in PJM's wholesale demand response programs, which saved New Jersey consumers approximately $287M this year alone.[3] Retail load management programs and energy efficiency programs for both residential and C&I customers should complement the wholesale market, driving additional cost savings for consumers and helping transition to a

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[1] Additional information about AEMA can be found on the website: https://aem-alliance.org

[2] The NY PSC found that flattening the top 100 hours of peak demand would create long-term capacity and energy savings of between $1.2B and $1.7B per year. *Order adopting regulatory policy framework and implementation plan.* New York Public Service Commission, Case 14-M-0101 – "Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision." February 26, 2015.

[3] https://www.monitoringanalytics.com/reports/Reports/2016/IMM_Analysis_of_the_20192020_RPM_BRA_20160831-Revised.pdf. New Jersey-specific savings estimated based on New Jersey's share of PJM's population footprint

cleaner, more dynamic, and more efficient grid. This Straw Proposal is a good step towards realizing these benefits.

To ensure new programs are successful, we encourage the BPU to provide additional detail and guidance on the design of new energy efficiency and peak demand programs. This will help ensure that new programs are consistent with existing wholesale market constructs and New Jersey's existing clean energy objectives.

First, we recommend the BPU specify in its straw proposal that peak demand reduction programs:

- Be evaluated under a common cost-benefit framework that recognizes avoided transmission, distribution, capacity, and energy savings, at a minimum, similar to other utility-run programs in Pennsylvania, Massachusetts, and New York.
- Maximize net benefits by setting reasonable call limits for curtailment-based programs. For example, Pennsylvania's Act 129 programs found that capacity benefits were maximized when programs were dispatched once load forecasts exceed 96% of peak demand on a day-ahead basis, and total dispatches were limited to 24 hours.
- Allow for dual participation with PJM's wholesale Demand Response programs, which currently have 615 MW enrolled in them from customers sited in New Jersey,[4] and which serve different, reliability and economic purposes that provide additive value to retail load management programs.
- Leverage third-party aggregators to manage customer participation in the program.
- Be technology-neutral and allow behind-the-meter generation to participate, including battery storage and properly-permitted diesel and natural gas generators.

[4] https://www.pjm.com/-/media/markets-ops/dsr/2019-demand-response-activity-report.ashx?la=en, page 3-4.

- Target 2.5% of peak demand by 2029, which is the cost-effective potential for C&I DR identified in the May 2019 Energy Efficiency Potential Report by Optimal Energy.[5] The target should increase incrementally year to year.

Additionally, the BPU should direct its utilities to develop programs for both customer-sited and front-of-the-meter battery storage that aim to reduce peak demand under a pay-for-performance model. Storage-based programs can provide increased flexibility and drive additional savings. Storage-based "Daily Dispatch" programs in Massachusetts drive up to $6.20 in savings for every dollar spent, and similar benefits are likely possible in New Jersey.

Second, we recommend the BPU specify in its straw proposal that energy efficiency programs:

- Allow leveraging expertise of energy efficiency providers to manage implementation of energy efficiency projects for either utility or retailer's customers under the proposed energy efficiency programs.
- Allow third-party suppliers providing energy efficiency services, implementation or management, to either utility or electricity retailer's customers to register eligible energy efficiency installations into PJM's capacity market. This would allow the energy efficiency installations that could otherwise take up to four years to be accounted for utilities' capacity obligation in PJM markets to be accounted for as soon as possible.

Finally, we recommend the BPU require in its Final Straw Proposal that any Electric Vehicle Supply Equipment ("EVSE") deployed with the assistance of ratepayer dollars be "smart" – i.e., that it can connect to a network, interact with utilities or third-parties, and respond to signals or commands that modulate charging rates and times in a way that benefits the grid. In addition, the BPU should explore Time-of-Use ("TOU") rates for Electric Vehicle ("EV")

[5] "Energy Efficiency Potential in New Jersey." Prepared for New Jersey Board of Public Utilities by Optimal Energy. May 24, 2019. Available at https://s3.amazonaws.com/CandI/NJ+EE+Potential+Report+-+FINAL+with+App+A-H+-+5.24.19.pdf

charging to incentivize off-peak charging that will mitigate the impacts of EV adoption on peak demand.

We expand on these recommendations below.

A. The BPU should clarify design elements for new curtailable load programs in its Final Straw Proposal.

To ensure that new C&I curtailable load programs are successful, the BPU should provide more prescriptive requirements for the design of new programs. While utilities should retain flexibility to tailor programs to their service territories, there are common best practices from curtailable load programs in other states that the BPU should include in its Final Straw Proposal to ensure they are incorporated into new state-wide programs.

First, the BPU should ensure utilities use a consistent cost-benefit framework that recognizes curtailable load programs' avoided transmission, distribution, capacity, and energy savings in addition to other verifiable savings and non-energy benefits. It should also specify that utilities should consider avoided transmission and distribution costs in their program compensation.

Second, the BPU should ensure that programs are designed and implemented in a way that preserves the ability for customers to dual-participate in the PJM capacity, energy, and ancillary service markets. In 2019, PJM finalized rules that allow utilities to qualify their retail peak shaving programs with PJM to recognize more immediate capacity savings by adjusting the load forecasts that PJM uses to set their capacity obligation. However, PJM does not allow customers participating in such a "Peak Shaving Adjustment" option to dual-participate in the wholesale markets. While the "Peak Shaving Adjustment" may be appropriate for residential peak-shaving programs that are unable to participate in PJM's wholesale programs due to their seasonal nature, it is not a realistic option for the overwhelming majority of C&I customers.[6]

[6] Commercial and industrial customers would need to be subject to regular and prolonged curtailments in order to guarantee a reduction in PJM's load forecast and therefore capture the same capacity savings they provide to a state via participation in the wholesale market as a reliability-only resource. It is far more cost-effective for customers with year-round flexible electric demand to participate as a capacity resource on the supply-side and contract to reduce load in the case of an emergency.

Utilities can create cost-effective peak shaving programs for C&I customers that do not require participation in the PJM "Peak Shaving Adjustment" option. The PJM "Peak Shaving Adjustment" option is solely intended to reduce capacity market's summer coincident peak load forecasts, and is not targeted at other avoided costs such as energy, transmission, and distribution, nor New Jersey's local peak demand hours. The BPU should direct utilities in NJ not to take any steps that would preclude C&I customers from participating in both the PJM demand response programs[7] and a utility peak-shaving program. Therefore, New Jersey's peak shaving C&I program should not be required to submit into PJM's "Peak Shaving Adjustment," at least as long as the existing prohibition on dual-participation with PJM wholesale markets continues. This will help preserve the hundreds of millions of dollars in cost savings and reliability benefits that the wholesale programs deliver to New Jersey consumers today and enable incremental benefits that are not realized through the PJM demand response programs.

Third, the BPU should provide guidance on important and fundamental program requirements, such as the number of call hours and or/dispatch triggers that customers could be subject to under a program. Peak management programs in Massachusetts, New York, and Pennsylvania all use forecasts of day-ahead demand to determine whether a dispatch event will be necessary, and both the Massachusetts and Pennsylvania programs cap total program dispatch hours at 24 hours to ensure customers are only being asked to respond at the times of greatest system need. The BPU should assess its options and direct its utilities to establish a dispatch threshold based on a high percentage of peak demand or other threshold that targets peaks on the transmission and distribution system; this threshold may be gradually relaxed as customers gain experience in the program and New Jersey strives for additional demand savings.

Finally, any new utility-led load management programs should be open to qualified third-party aggregators, who are experts at managing and facilitating customer participation in such programs. New York, Massachusetts, and Pennsylvania all enable multiple third-party providers to participate in their programs; customers can also participate directly through the utility if they desire. Currently, 82% of customers in PJM participate in PJM's Load Management Demand Response program through a third-party aggregator,[8] as do many customers in PJM's Economic

[7] PJM Demand Response programs include the Load Management Demand Response and Economic Demand Response programs.

[8] https://www.pjm.com/-/media/markets-ops/dsr/2019-demand-response-activity-report.ashx?la=en

Load Response program. New Jersey customers in a retail program should have the same opportunity to do so.

B. The BPU should direct utilities to develop new storage programs that target peak demand.

New Jersey has a robust storage deployment target of 2,000 MW by 2030, and storage resources can drive significant net benefits for consumers with proper program design. Most notably, storage can reduce the 1% of peak demand that typically drives 8%-10% of system costs. AEMA fully supports the comments on the BPU's Straw Proposal by the Energy Storage Association that would create "pay for performance" storage programs and non-wires alternative pilot designs. If the compensation for such programs is aligned with the value to ratepayers, then storage development can be stimulated in a cost-effective manner.

The utility "Daily Dispatch" programs in Massachusetts provide a potential template for New Jersey. Massachusetts Daily Dispatch programs are dispatched for 30-60 events over the summer, up to three hours per event, in order to capture the full scope of avoided capacity, transmission, and distribution benefits with greater availability than traditional curtailment-based DR programs can typically provide. Based on the avoided cost stack, these programs compensate customers at $200/kW-year under a "pay-for-performance" model, meaning they are only paid if they perform during their dispatch events. Crucially for developers, the programs provide a five-year rate lock for new projects, helping to reduce financing costs and create viable new projects.

The Massachusetts Daily Dispatch programs provide $1.70 to $6.20 in benefits for every dollar spent.[9] While the programs are only available to customer-sited storage projects, a similar program could be designed for front-of-the-meter projects that help reduce demand behind a substation. The BPU should direct its utilities to develop and propose new programs similar to Massachusetts as part of its Final Straw Proposal. This would also ensure that the BPU is harmonizing its effort with the state legislature's goal of 2,000 MW of energy storage deployment by the end of the decade. A Clean Peak Standard for New Jersey could also further this goal, and we encourage the BPU to continue its exploration of such a program.

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[9] "Energy Storage: The New Efficiency. How states can use energy efficiency funds to support battery storage and flatten costly demand peaks." Clean Energy Group, April 2019. Pages 8-9. https://www.cleanegroup.org/wp-content/uploads/energy-storage-the-new-efficiency.pdf

C. The BPU should clarify design elements for new curtailable energy efficiency programs in its Final Straw Proposal.

New Jersey BPU should require the administration of both the utility and state administered energy efficiency programs in a manner that ensures equal access to the energy efficiency incentives for residential and C&I customers of the seven investor-owned utilities ("IOUs") and electricity retailers, as well as flexibility to choose its energy efficiency provider or contractor. AEMA believes the Straw Proposal energy efficiency incentives should be made available to all customers adopting energy efficiency strategies, regardless of whose customer they are from a retail choice perspective. This will ensure that any customer that chooses to adopt energy efficiency measures will simultaneously be able to choose the best retail choice option for them without having to forgo the benefits of the BPU's Energy Efficiency programs proposed in this Straw Proposal. AEMA believes allowing access to all customers in New Jersey will better incentivize customer adoption of energy efficiency programs across the state. AEMA does not object to IOUs administering the utility programs as long as customers of electricity retailers are eligible to apply and receive the benefit of the proposed program while allowing customers flexibility to choose an energy efficiency provider as long as the energy efficiency investment complies with program requirements.

Regardless of the portion of residential and C&I customers that are under the seven IOUs versus are shopping customers at this time, AEMA believes the BPU should adopt a policy of allowing all customers access to these programs since preventing customers of electricity retailers from gaining access to the proposed Energy Efficiency programs could inadvertently disincentivize a portion of customer's from contributing to furthering New Jersey's clean energy goals. While AEMA does not object to utilities administering programs for customers of electricity retailers, where the electricity retailer does not offer the administration of the program to its customers, AEMA believes there could be similar efficiencies gained for customers of electricity retailers who are also energy efficiency providers or have existing contractor relationships with energy efficiency providers of allowing an electricity retailer potentially in collaboration with a contractor to also administer the programs to its customers. AEMA experience is that electricity retailers in New Jersey have access to similar advantages as those described in the Straw Proposal for IOU administered programs since electricity retailers for

both residential and C&I programs also have access to customer data that can inform optimal energy efficiency measures including their understanding of customer energy use patterns, have existing relationships with residential and large C&I customers and contractors, have the ability to use targeted marketing to identify potential program participants, and have the ability to offer on-bill financing to program participants. Additionally, the data that are available to electricity retailers is also sufficient to stack other solutions in an energy master plan: renewables, curtailment and DER with an eye to carbon reduction. Most C&I will have supply and efficiency targets that need to be supported in tandem and a electricity retailer with experience providing energy efficiency services can and may be able to implement this most effectively for its customers.

Further, AEMA requests the BPU include in the Final Straw Proposal a requirement that would allow leveraging expertise of energy efficiency providers to manage implementation of energy efficiency projects for either utility or retailers' customers under the proposed energy efficiency programs. AEMA believes the programs would be most effective if administered in a manner that the customer has the flexibility to choose an energy efficiency provider to manage and implement strategies if it chooses. AEMA members include energy efficiency providers that have expertise providing or managing implementation of energy efficiency solutions to C&I customers. Electricity retailers may have ability to collaborate with companies similar to AEMA members to provide energy efficiency strategies to its retail customers, especially under federal or state programs such as the federal ReHome Performance with Energy Star® program.

AEMA believes New Jersey's energy efficiency program should not prevent third-party suppliers providing energy efficiency services, implementation or management, collaborating with utility or electricity retailer's customers to register eligible energy efficiency installations into PJM's capacity market. If eligible energy efficiency projects are not registered in PJM's capacity markets this can result in the PJM's load forecast used to set the utilities' capacity obligation not accounting for the energy reduction resulting in utilities potentially have increase in capacity obligations that could be avoided due to the energy efficiency reduction. PJM capacity market design allows registered capacity market participants to offer the energy efficiency reduction amount on the supply-side to reflect as soon as possible the energy reduction

benefit from the implementation of the strategies in PJM's capacity market, otherwise it could take up to four years to be accounted for in utilities' capacity obligation in the PJM markets.

D. The BPU should require any ratepayer-funded EVSE to be "smart", and should encourage the development of TOU rates for EV charging.

New Jersey can accelerate peak reduction and environmental benefits by adopting rates, smart charging programs, or other strategies to ensure that EV charging does not undermine the peak demand reduction objectives laid out in the Straw Proposal. Such strategies are especially crucial given the EV deployment targets of 330,000 by 2025 and 2,000,000 by 2035 contained in S2252 / A4819, which was approved by the New Jersey State Assembly and Senate on January 13, 2020 and is awaiting the signature of Governor Murphy as of the time of drafting. As the Straw Proposal correctly notes, such a large influx of new electric demand from EV charging can negatively impact the grid and the utilities' ability to deliver service.

The Straw Proposal discusses TOU rates and EV charging demand response programs as two potential strategies to shift EV charging outside of peak demand hours. As an enabling component to either of these peak reduction strategies, New Jersey should require that any EVSE deployed with the assistance of ratepayer dollars is "smart" -- i.e., can connect to a network; communicate with the utility or third-party aggregator; utilize its embedded, revenue-grade submeter to enable TOU billing; and respond to signals or commands that modulate charging rates and times in a way that benefits the grid and prevents the stranding of ratepayer-funded assets. With regards to the strategies themselves, TOU rates for EV charging are an effective first-order solution that are easy for drivers to understand and implement. TOU rates have demonstrated strong results in incentivizing drivers to charge during off-peak times.[10] As a higher-order solution, smart EV charging capabilities afford a variety of options to adjust the time and rate of EV charging to maximize customer and system benefits, including load shifting to avoid peak demand hours or TOU timer peaks, or load shaping to time EV charging to coincide with the maximum availability of renewable energy. The BPU should explore all of these strategies as it prepares to integrate the coming wave of EV charging onto New Jersey's grid.

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[10] https://sepapower.org/resource/residential-electric-vehicle-time-varying-rates-that-work-attributes-that-increaseenrollment/

E. The BPU should allow third-parties to be considered for any non-wires alternatives.

AEMA member companies provide solutions to consumers to support cost-effective, reliable delivery of electricity by ensuring continued service throughout distribution or transmission grid disturbances or removing consumer load from the system during periods where higher levels of congestion occur in the consumers' load pocket. Non-Wires Alternatives can provide substantial savings to ratepayers and the BPU should include in its Final Straw Proposal for Non-Wires Alternatives and Non-Pipe Solutions the ability for third-party suppliers to be considered under any utility administered program. AEMA member companies are providing solutions today and believe the state and utilities would benefit from its expertise. AEMA has previously filed comments at the Federal Energy Regulatory Commission detailing a review of non-wire solutions benefits in which one of the case studies included the estimated benefits of non-wires alternatives achieved in a Con Edison project was around $1.2 billion. [11]

III. Conclusion

AEMA appreciates the opportunity to submit comments for consideration by the BPU and the BPU's on-going work and efforts in this docket. Energy efficiency, demand response, storage, EV smart-charging, and other forms of DERs provide benefits to all consumers while growing jobs and stimulating the economy in New Jersey. AEMA supports the BPU's initial recommendations for utilities to develop new energy efficiency and load management programs, as well as additional Non-Wires Alternative projects, and recommend that it include the additional guidance contained herein in its Revise Straw Proposal to ensure those programs are successful. Please consider AEMA as a resource and do not hesitate to contact me should you have any questions regarding this filing.

[11] Advanced Energy Management Alliance comments on Federal Energy Regulatory Commission's Inquiry Regarding the Commission's Electric Docket No. PL19-3-000 Transmission Incentives Policy under Docket No. PL19-3.

Respectfully Submitted,

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January 17, 2020

ALLIANCE TO SAVE ENERGY
using less. doing more.

Scott Thach
VP, Strategic Development
Alliance to Save Energy
1850 M St. NW, Ste. 610
Washington, DC 20036

January 17, 2020

Secretary of the Board of Public Utilities
44 South Clinton Ave., 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350
Attn: Aida Camacho-Welch

Re: Draft Straw Proposal – Energy Efficiency and Peak Demand Reduction

Dear Board of Public Utilities,

Having reviewed the Board's Straw Proposal, we applaud its commitment to advancing statewide energy efficiency curriculum. In our experience, energy education programs serve not only to deepen STEM learning and create future generations of smart energy consumers, but also to broaden household and community participation in energy efficiency programs. This requires collaboration among multiple stakeholders. We write in support of the important role that utilities have played—and we hope will continue to play—in delivering the state's K-12 energy education programs.

The Alliance to Save Energy has provided K-12 energy education programs across the country since 1996. Throughout our history, we have found utilities to be natural allies in the effort to foster energy literacy. They share our interests in engaging communities; educating students and their families about energy efficiency; and giving them the practical tools to turn that understanding into increased energy savings. As states develop ambitious clean energy goals to reduce emissions and increase energy equity, the coordination of K-12 education and community engagement is more critical than ever.

The first role of K-12 energy programs is to support the goal of educating students. Coordination with the education community is key to integrating energy curriculum within busy classrooms. Our programs begin with STEM education, offering lesson plans correlated to Common Core and Next Generation Science Standards. Utilities have served as important partners in curriculum development. Our inclusion of subjects like demand response, the energy-water nexus, and green careers are of the result of collaboration with utility partners. Student-led auditing activities—a hallmark of our program and the foundation for its energy-savings—were also developed with utility support. Their input is critical to understanding the practical application and evolving science of energy efficiency.

ALLIANCE TO SAVE ENERGY
using less. doing more.

Energy education is not only an academic imperative; programs need to translate knowledge into action. Students should be able to apply their skills to drive energy savings within their schools, communicating data-driven recommendations and leading sustained campaigns to realize measurable energy savings. In California, our utility-funded programs have allowed us to measure behavior-driven savings, averaging 5-15% and returning hundreds of thousands of dollars to schools and school districts. The sense of agency and empowerment that this gives students is difficult to quantify but is just as significant as the money and energy saved.

To be impactful, energy education also needs to reach beyond the classroom. There are no better ambassadors of energy efficiency than educated students. In California, our students drove the highest return rates of Southern California Edison's Home Energy Efficiency Surveys in the program's history, rewarding participating families with home efficiency kits. Working with Energy Upgrade California, students have educated their households and communities about Time of Use rates, and how responding to them can lower energy bills and reduce statewide emissions. We have worked with New Jersey Natural Gas and South Jersey Gas to develop robust K-12 energy programs that include a Residential Pathway so that students can investigate their homes for potential savings. Last year, NJNG auditors ran a blower door test in participating classrooms to help students better understand the tools that measure energy saving opportunities. We're also developing online platforms that make it easier for students to take their energy auditing skills home. These programs provide a unique pathway to engage low-and-moderate income, first generation and other hard-to-reach communities, and to connect them with additional energy services, including efficiency kits, home weatherization, bill assistance, and other programs.

We recognize the BPU's interest in establishing statewide programs and agree that it is worth exploring how the state can advance this effort. The Alliance would be happy to meet with Board staff and other stakeholders to share our experiences in building curriculum and implementing it in a way that maximizes student learning while minimizing the burden on teachers and school districts. We also encourage the Board to consider how the content delivered in the classroom can lead to opportunities to motivate action at home and explore opportunities to partner with utility programs that support homeowners analyzing and reducing their energy usage. More than ever, energy education should be inclusive and impactful, and utilities are experienced and well-positioned to continue their vital role in this effort. We urge the Board to support and expand their work.

Best,

Scott Thach

Scott Thach

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January 16, 2020

Aida Camacho-Welch, Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Re: Comments on Program Administration Straw Proposal

Dear Mrs Camacho-Welch

These comments are submitted by A. O. Smith Corporation ("A. O. Smith") in response to the Energy Efficiency and Peak Demand Program Administration Staff Straw Proposal.

A.O. Smith Corporation, with global headquarters in Milwaukee, Wis., applies technology and energy-efficient solutions to products manufactured and marketed worldwide. Listed on the New York Stock Exchange (NYSE), the company is one of the world's leading manufacturers of residential and commercial water heating equipment and boilers, as well as a manufacturer of water treatment and air purification products.

A. O. Smith appreciates the opportunity to provide some clarity and expertise regarding program design and keys to successful market transitions that it has learned from experience spanning decades.

Our experience participating in diverse incentive and market transformation programs over the years has shown us which program designs are most likely to have the greatest impacts. These comments discuss three elements that have consistently led to successful market transformation, which A. O. Smith believes is essential to meeting New Jersey's energy efficiency and decarbonization goals, including: (1) programs need to be consistently administered across utility territories; (2) programs need to demonstrate long-term commitments; and (3) programs need to clearly articulate the "value" proposition to the consumer and create demand through education campaigns and outreach.

The first key element of a successful market transformation program is statewide consistency. A rebate scheme that is consistent across the state helps simplify understanding by those within the distribution channel and increase uptake. Programs administered by local Utilities typically tend to result in barriers to program participation (e.g. different program participation requirements, processes, and incentive structures). Furthermore, local programs usually require territory-specific reporting of end user Personally Identifiable Information (PII), which most

distributors and installers dislike, are reluctant to collect and share and OEMs do not have access to. A single statewide program would avoid the need to account for installations in each utility territory. A successful rebate scheme needs to be simple and A. O. Smith recommends that single Manufacturer Upstream rebate levels be established state-wide for all ENERGY STAR certified water heaters. Also, since about 50 percent of all water heaters are sold at retail and 50 percent at wholesale, incentives should be offered across all distribution channels. A. O. Smith believes having a single statewide program administrator for energy efficient water heaters is the easiest way to ensure consistency throughout the state.

The second key element of a successful market transformation program is demonstrated long-term commitments. For manufacturers to invest in the infrastructure needed to support the transition, program administrators must show they are committed to invest in long-term outcomes. The market transformation requires our supply chain to invest significant resources in product development, changing manufacturing operations, and training sales and installation partners. The industry will need New Jersey to demonstrate long-term commitments before making these investments through steady program funding and state-wide regulatory efforts that incentivize the necessary products to support policy goals.

The last key element of a successful market transformation program is creating the “buzz” for consumers. One of the keys to the success of any market transformation is getting consumers excited about the new technology such that they want to be part of the market transformation. It is important that the program includes funding to roll out marketing campaigns that focus on educating and establishing excitement around new technologies throughout the distribution channel and at the consumer level. Ultimately, the consumer must want to change products and needs to understand the utility of the product will not be compromised.

To do this, the most effective market transformation programs combine instant rebates available across all channels (i.e. instant reduction of the upfront cost of the equipment) with advertising campaigns (i.e. installer and consumer education and demand creation). Consumer education is particularly important for influencing high efficiency equipment sales, which are dominated by emergency replacements and are therefore heavily influenced by contractors and installers.

Once again, A. O. Smith appreciates the opportunity to provide its comments and stands ready to work with the New Jersey Board of Public Utilities moving forward.

Sincerely,

Francois Lebrasseur
A. O. Smith
Business Development Manager - Utility Sector
C: 615-339-3707
https://www.hotwater.com/

crossstate
Credit Union Association

January 17, 2020

Ms. Aida Camacho-Welch, Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Re: Energy Efficiency and Peak Demand Program Administration Straw Proposal

On behalf of the CrossState Credit Union Association, formerly the New Jersey Credit Union League, I am pleased to offer comments on the draft Energy Efficiency and Peak Demand Program Administration Straw Proposal.

The CrossState Credit Union Association speaks on behalf of New Jersey's 155 credit unions and their more than one-million members. Credit unions are not-for-profit financial cooperatives owned by their members. They provide a full range of financial products and services. Credit unions can be organized by groups such as an employer or group of employers, a community, house of worship, association or civic organization. Credit union deposits are federally insured and backed by the full faith and credit of the U.S. Government through the National Credit Union Administration (NCUA).

Since 2014, members of CrossState Credit Union Association have been working with CLEAResult and Energy Finance Solutions to offer financing of residential improvements in energy efficiency (EE) that are undertaken through the Home Performance with Energy Star (HPwES) program. The program offers two different loan options to New Jersey homeowners serviced by eligible gas providers for energy efficient home improvements. Applicants are able to use a portal to apply and transmit documents online. The first option allows for an interest-free loan of up to $10,000 for up to 7 years. The second option provides a 0.99% APR loan for loan amounts between $10,000 and $15,000 for up to 9 years. To date, the program has provided over $27M in loans to over 3,000 New Jersey homeowners with the majority of the volume in 2015 (39%) and 2019 (22%). The program initially offered additional incentives, which over time were cut from the budget.

We have serious concerns that the Straw Proposal appears to do away with the Credit Union program (program). The program links locally-grounded financial institutions with locally-based small contracting businesses to reach residents in the local geographical areas that they serve. It appears the Straw Proposal seeks to transfer wholesale the residential Home Performance with Energy Star audits, financing and contracting initiatives to large utilities. This

transfer threatens the well-being of those credit unions who have committed to offer the HPwES program to members, which benefits both the members and society at large. Instead, the transfer moves the economic benefit and customer interface to large utilities. Its impact on the contractors with whom credit unions routinely work is likewise uncertain, as utilities may have relationships with larger contracting businesses rather than local "mom and pop" contractors with whom many credit unions work.

Specifically, we offer comments on the following statements in the Straw Proposal:

- Page 11: "Programs that rely heavily on the use of contractors are generally best handled at the utility level where the utility can build stronger relationships and take on co-branded advertising and marketing efforts."

  We profoundly disagree: Credit unions already have those relationships, both with contractors and with residential customers, who are their member-owners. The co-branding with HPwES is already effective at the credit union level. Contractors can build strong relationships through the existing 1M+ credit union members, as well as market to specific communities that both the contractor and credit union serve. Contractors also receive their payments from the credit unions within 24-48 hours when they successfully complete a project. Additionally, contractors can benefit from other credit union services to help improve their cash flow to empower contractors to produce more energy efficiency projects to homeowners.

- Page 13: "Maintaining statewide consistency of energy efficiency and peak demand reduction programs will help guarantee that ratepayers of all classes have the ability to participate in programs that address their needs regardless of where they are located in the state."

  Credit unions are the ideal vehicle to afford equitable access to energy efficiency programs. In fact, NJ credit unions have been able to provide over $80M in benefits through more economical rates and fees in 2019. Our member-owners range across the socioeconomic spectrum, and we have a long history of serving low-to-moderate income individuals and small businesses. To discard these personal relationships in favor of less established and ones with utilities points the Clean Energy Program in the wrong direction.

- Pages 14-15: We disagree with what appears to be a recommendation to move the Residential Home Performance with Energy Star program, the core of the program, to be administered solely by utilities and no longer at the State level. While utilities have not been precluded from offering HPwES, many have had programs that are, we suspect, not as established and successful as the Credit Union program. In fact, there have been situations when utilities have not been able to approve the homeowner, but the credit union has been able to extend the required financing to that same homeowner. This represents $1.8M in loan dollars. We strongly object to the inverse of forcing credit unions out of a program that has proven to be successful for them, for the New Jersey credit union member-owners, for the BPU and for the State's energy profile.

- Page 22: "Utilities are able to offer flexible financing options, such as on-bill repayment and other types of bill credits. These financing options provide a more streamlined process for financing energy efficiency upgrades and allow for quicker incentive payments to consumers, which can increase energy efficiency adoption. On-bill financing can be particularly influential for residential and smaller commercial customers who may not have sufficient capital to expend on efficiency measures and who may be unable to wait long periods of time to receive a rebate or incentive."

  The Credit Union program offers residential customers the very same advantages, wherein the customer is required to lay out no personal funds up front, but instead to finance improvements with a no- or low-cost loan, paid back over time. Additionally, the Credit Union program provides the customer the rebate benefit at the time the project is completed, guaranteeing no wait periods or the need to use personal capital. It is no less streamlined than on-bill financing with the convenience of automated payments, and we venture to say that many New Jersey residents are more comfortable with borrowing from the local credit union of which they are an integral part than with a utility with which they likely interact just as one of tens of thousands of customers if not more. Additionally, credit unions have been able to help residents with obtaining additional funding over the current program thresholds via home equity or personal loans, thus increasing the overall size of the project.

- Page 28: We were disappointed to see that the newly-launched multifamily program will also be under the sole purview of the utility companies. As we noted in our May 30, 2018 comments to the TRC Compliance Filing, the BPU's 2019-2022 Straw Proposal and the New Jersey Clean Energy Program Strategic Plan:

  "We strongly suggest extending the Credit Union program to the new Multifamily structure proposed in the Compliance Filing and Strategic Plan. Since the Multifamily program will combine residential and Commercial incentives, some smaller multifamily buildings may already be taking advantage of HPwES incentives. They should not lose access to those incentives. In addition, the proposed strategic plan on page 55 also notes:

  "The TRC team has also received feedback from multifamily stakeholders that financing may help some customers overcome barriers to adoption of clean energy solutions. As a priority, the TRC team has focused on restructuring its multiple current multifamily offerings into a unified MF program to make it more streamlined and effective, but the team will continue to consider multifamily financing as a tool that may be worth exploring."

  "We believe that it would be an easy transition since the infrastructure is already in place to extend Credit Union program to multifamily

buildings, especially smaller multifamily buildings that may be owned by individuals and small businesses."

- Page 31: "Staff recommends a collaborative approach between the State and the utilities to ensure that program offerings are marketed and communicated clearly, have maximum reach to all customers, and are implemented at the least cost to the ratepayer, as has been successfully implemented in other states. A coordinated marketing approach to include both the State and utility collaboration will foster consistent messaging and marketing efforts, provide cost savings, and provide a platform to share market barriers and best practices."

  We believe credit unions could be a valuable partner in this collaborative approach both because of their ability reach to 1M+ members with whom they have already established a positive relationship given the credit union member-owner, cooperative structure, as well as the local communities they serve. Utilization of the credit union existing communication methods and channels would prove an additional cost-effect approach to build broad awareness.

Finally, we are surprised and disappointed that, if it is the intention of the Straw Proposal to do away with the current Credit Union program, nowhere in the current document is that stated plainly and simply. The potential dismantling of this important program that works well at the local level should have been addressed more straightforwardly in the Straw Proposal and in the stakeholder process. Credit unions have a proven history of success in serving thousands of New Jersey credit union members through a program that has worked well for everyone involved. We sincerely hope that that program will not be abandoned.

We look forward to meeting with BPU staff to further discuss this important matter and thank you for your consideration of our comments.

With best regards,

Patrick C. Conway

Patrick C. Conway
President & CEO

Received to EnergyEfficiency@bpu.nj.gov on 12/20/2019
From: Dan Aschenbach
Partner
AGVP Advisory
agvpadvisory.com

I have reservations on the proposal because it is state directed and relies on investor owned utilities to substantially implement.

PSE&G or other investor-owned utilities have no incentive or passion to have customers use less energy. They don't make their money on less product sold. There is an interest in carbon reduction but remains not a key focus.

The last iteration of energy efficiency programs in NJ fizzled. My personal example was PSEG installed a switch on my air conditioner to ramp down during peak. Unrelated my air conditioner needed service and the technician told me the switch was not operable yet I had been receiving a credit for six months for the program. The utility didn't really care because they received a return on the larger energy use.

The state is too disconnected from average customers. While well-intentioned, my opinion is the closer to the customer, the more effective such programs can be. I didn't see much emphasis on local government involvement.

California is using Community choice aggregators to implement programs locally that have tapped the energy of local communities to manage energy efficiency programs; EV plans and focusing power procurement on clean energy.

I think expansion of the more limited NJ CCA concept to incorporate some of the state's energy efficiency goals could yield value.

Thanks for opportunity to comment.

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January 17, 2020

DNV·GL

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RE: Request for Comments: New Jersey Board of Public Utilities "Energy Efficiency and Peak Demand Program Administration Staff Straw Proposal"

Dear Commissioners of the Board of Public Utilities:

On behalf of DNV GL, please accept these comments in response to the "Energy Efficiency and Peak Demand Program Administration Staff Straw Proposal" (the Straw Proposal) released by the Board of Public Utilities (the BPU) on December 20th, 2019. We respond as a company very interested in investing more in New Jersey, particularly in the workforce, and offer input here to support maximizing cost-effective energy efficiency to meet the goals of New Jersey. We appreciate all of the effort that the BPU has put in over the last year to support the state's efforts to significantly ramp up energy savings per the Clean Energy Act (P.L. 2018, c.17), the multiple opportunities to provide comment, and the detail laid out in the Proposal.

DNV GL has provided energy efficiency engineering and advisory services to North American end users, utilities, government bodies, and consortia for over 40 years. Our experience flows through the energy efficiency program lifecycle, from pre-program market and technical research, design and pilots, implementation and operation, to evaluation and redesign. DNV GL has helped individual utilities, utility consortia and state agencies with long-established energy efficiency and peak demand reduction programs. We base our comments on our experience designing and delivering numerous programs under all approaches in the Straw Proposal program administration framework – utility administration, state administration and joint administration.

Program Administration Framework. The program administration framework laid out in the Straw Proposal clearly and thoughtfully incorporated the extensive stakeholder feedback that the BPU gathered from a wide array of NJ stakeholders as well as national experts on best practice. We agree with many of the fundamental underlying principles at the start of the Program Administration Frameworks section of the proposal:

- Utilities are best-suited to deliver programs based on existing customer and contractor relationships and utility data.
- States are well positioned to lead in initiatives tied to state-wide policy, such as building codes, and market transformation activities such as contractor training and education.
- To meet equity goals, joint efforts across the utilities, such as the current Comfort Partners Program, are appropriate.
- State-wide collaboration can reduce market barriers, e.g., consistency in contractor/trade forms across the state to minimize market barriers and confusion.

The proposed administration framework, however, is very complex for the early stages of the transition and could be confusing to the marketplace as well as stakeholders.

We believe that the framework can be streamlined without sacrificing the above principles. As one example approach, the state could lead new construction, workforce development and grant programs, and the utilities could lead incentive and data-driven programs. Utilities could have flexibility in delivery of programs in their service territories, while driving

consistency across programs, e.g., in trade ally forms, and continuity from state programs, e.g., in continuing existing trade relationships.

Onbill financing. One driver behind simplifying the approach to program administration is the application of on-bill finance across markets, e.g., for all residential, small non-residential and government markets. In helping with several highly successful energy efficiency program portfolios in the states of Massachusetts, New York and California, we have observed that utility on-bill repayment has a unique ability to increase savings by reducing financial barriers related to cash flow, particularly in underserved and valued markets in small non-residential, municipals, multi-family, hospitals and schools.

Program Design and the Transition. The Core Programs in the Straw Proposal as written appear to be constrained to a transition from state-led programs without considering the transition from the current utility-led programs and, perhaps more importantly, facilitating a transition to best practice program design.

Commitment to Energy Efficiency. To support the Clean Energy Act, a longer commitment to all programs, regardless of administrator, would support utilities, trade allies, retailers, distributors and manufacturers investing in the New Jersey energy efficiency market. Three-year programs are inconsistent with the timeline of the Clean Energy Act, and do not signal to the market the investment behavior needed to meet the goals of the act.

Metrics. Especially as the state market is building and evolving, fewer and simpler metrics will be more effective. We have experienced that multiple metrics can create unintended consequences, with program administrators re-allocating budget and resources to struggling initiatives to meet goals at the expense of activities that are working better in the market. Cost-effectiveness and total savings typically suffer when program administrators are forced to hit more metrics.

Flexibility to meet goals. DNV GL has seen that the most successful programs have a process of continuous improvement where they adjust incentives and measures based on current market conditions and shift resources to the program components delivering the most savings. State and utility program administrators should have sufficient flexibility to make adjustments to maximize cost-effective savings based on real-life results of different initiatives.

We appreciate the opportunity to provide comments and hope that these thoughts are some help to the BPU in the ongoing effort to advance energy efficiency and demand reduction in New Jersey.

Sincerely
for DNV GL,

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January 17, 2020

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Re: Energy Efficiency Alliance of New Jersey BPU Program Administration Straw Proposal Docket No. QO19010040

EEA-NJ appreciates the opportunity to engage with the New Jersey Board of Public Utilities ("BPU" or "Board") on program administration for the implementation of the Clean Energy Act ("CEA"). With these comments, as well as the joint letter from environmental, business, and nonprofit allies EEA-NJ hopes to provide the BPU with the information required to create a thriving market for energy efficiency in New Jersey.

The Energy Efficiency Alliance of New Jersey ("EEA-NJ") is a trade association dedicated to expanding the market for energy efficiency in the Garden State. Together with its sister organization, the Keystone Energy Efficiency Alliance ("KEEA"), EEA-NJ has more than 60 business members who provide energy efficiency products and services across the state, and support an industry that accounts for more than 30,000 New Jersey jobs. Our membership is large and diverse, with experience designing and implementing a variety of demand side management solutions and energy efficiency programs across the globe. Simply stated, our members understand what works and what does not when it comes to successful demand side reduction programs.

The Energy Efficiency Alliance of New Jersey (EEA-NJ) applauds the Board of Public Utilities (BPU) for the ambition, consideration, and judgment demonstrated by the Program Administration Straw Proposal (Straw Proposal). It is clear that the BPU understands the value of utility administrative programs and that consideration was given to comments and inputs received during the stakeholder process.

However, we believe that the straw proposal can be improved in several key areas, outlined below.

1. **In general, the Straw Proposal identifies clear roles for utilities and State in establishing the state's hybrid program administration model, in which the utilities are largely responsible for running programs and the State focuses on regulation, oversight, and market transformation.**

Overall the program implementation proposal proposes an administrative framework created through a hybrid administration model. The key to successful hybrid program implementation is clearly identified with roles for each actor entity based on relative strengths. By establishing

programs assigned to utilities and the State, outlining the parameters for utility and State coordination, and identifying additional utility programs utilities to complement this and other state policy efforts through Additional Initiatives, the Straw Proposal establishes a strong foundation for program administration.

Additionally, the Straw Proposal builds on each program administrators' strengths. Utility-administered programs are customer-facing, data-driven, and scalable through relationships with customers, trade allies, and energy efficiency providers. The state is tasked with market transformation, consumer education, and workforce development. Having the utilities and State work in these separate spaces has shown to be a successful program model in leading energy efficiency states.

For the most part, the Straw Proposal posits that utilities will run programs that will be available statewide; however sections of the Straw Proposal assign the administration of certain programs to the state. The *State Administered Core Programs* claims that the state is best able to implement programs which "cover the entire state" and avoid "duplicative administrative costs" and "minimize transaction costs for trade partners operating in multiple utility service territories."[1] However, this ignores the challenges that the State would face in administration of the hugely scaled programs necessary to meet the State's new energy efficiency goals. The mandates within the Clean Energy Act require a expansive portfolio of statewide energy efficiency programs, available immediately. Therefore, utilities should administer these as they will have the capacity to hire and oversee contractors within their territories. The State should oversee regulations and push innovation through state mandates as it can coordinate between agencies.

There may be a role for the State to support utilities with Core Programs that is consistent with the general delineation of roles described above. The state can "facilitate collaboration with and establish consistency in its program offerings"[2], such as mandating and overseeing the creation of a single online platform for contractors to bid, setting requirements in place to make sure there is fair and equal competition in the market, and setting parameters for program implementation that ensure all programs are accessible across the state. Moreover, the costs of program oversight are minimized when utilities, and/or third-party implementers have to meet reasonable reporting requirements that are evaluated by a third party. Additionally, the Clean Energy Act puts the mandate on utilities to meet the energy savings targets, so they will have an extra buy-in to support and administer the expansion of these programs.

2. **EEA-NJ recommends moving administration of the Residential New Construction Programs and Pay for Performance – New Construction from the State to Utility Administration.**

For Residential Programs, the Straw Proposal suggests that the State administer both the Residential New Construction Programs and the Energy Codes and Standards Initiative, while utilities will administer the Home Performance with Energy Star program. We strongly recommend that the Residential New Construction Program and the Pay for Performance – New Construction be administered by utilities. This model will allow the state to focus its efforts on market transformation through creating nationwide regulatory change that will direct both the

[1] New Jersey Board of Public Utilities, Energy Efficiency and Peak Demand Program Administration Straw Proposal: Draft for Public Comment, December 20, 2019, p. 18. (Straw Proposal).
[2] Straw Proposal at 18.

Residential New Construction and the Pay for Performance – New Construction programs. The State is best positioned to drive the promulgation and enforcement of building codes and should focus its efforts in new construction in this area.

Numerous commenters, including EEA-NJ and our members, have commented on the issues experienced with BPU CEP office currently running these and similar programs. Allowing the state to continue to administer these programs does not address what is at the root of their administrative issue: bureaucratic processes that stall projects and burden efficiency in implementation.

These two programs, Residential New Construction and Pay for Performance – New Construction, have more in common with other programs in the utility-administration than the programs assigned to the State. Both programs rely on a network of contractors and trade allies, must scale rapidly across all service territories, and overlap with other Core Programs assigned to utilities, such as Home Performance with Energy Star and Pay for Performance – New Construction. The Straw Proposal posits that splitting new construction programs by service territory could cause confusion. However, builders are familiar with navigating regulation and permitting issues, including hook-ups and other utility issues, that vary across many jurisdictions and service territories. We agree that the State is best positioned to administer building codes programs, but do not have significant overlap with the administration of new construction programs.

Currently, many states offer new construction programs administered by utilities which meet the statewide needs of builders/developers, either through statewide coordination or programmatic approach. In addition, utility administration would allow for coordinated outreach efforts with other residential and commercial programs (e.g., representation at home shows, presentations at builders' association meetings, engagement with trade allies such as HVAC contractors).

3. While the Straw Proposal recognizes that "allowing utilities to react quickly to changing market conditions" is an important feature of program administration, the limits on program adjustments are too constrained for there to be any true program flexibility.

We appreciate the Board embracing the idea of flexibility in implementation by allowing programs to reallocate funds, modify rebates, and make other minor modifications, but the adjustment limits proposed will do little to allow programs to respond to changes in the marketplace and should be reassessed. While there does need to be some limitation on what utilities can do with program spending, the proposed "reasonable limits" in the Straw Proposal are too ambiguous, and too constraining and can actually be counterproductive toward the goal of maximizing cost-effectiveness across programs.[3]

a) The BPU should not adopt a policy that allows for program administrators to make "minor modifications" to programs without explicitly defining "minor modification."

[3] Straw Proposal at 30. (allowing utilities to react quickly to changing market conditions, within reasonable limits will ensure programs remain effective.").

The ambiguity of the phrase can lead to issues stalling in the implementation process as program implementers will have to analyze on their own whether an adjustment they are considering is minor without specific guidelines. This can lead to ineffective program spending as administrators may interpret such language loosely and make poor decisions, then later be reprimanded while programs run at the expense of ratepayers, or avoid making needed adjustments and run less cost-effective programs while decisions are made.

Program flexibility can only be productive if program administrators are given clear parameters. Therefore, we suggest that the BPU not adopt such an ambiguous guideline unless they define such an adjustment further in the policy.

b) The proposed 3% limit on shifts between program budgets and 15% limit on adjustments to incentives are too restrictive to allow program administrators to respond to changes in market conditions. Instead, we recommend a limit of at least 10% on shifts between program budgets and a maximum increase, but no maximum decrease on adjustments to incentives (also referred to as an "up to" amount).

Since overall portfolio budgets may not be adjusted, these adjustments will not come with an increased cost to ratepayers. On the contrary, adjustments can make programs more cost-effective as program administrators respond to unforeseen changes in the market as well as successes or failures as implementation progresses. The State can look to New York to see how such restrictions on programs have come to be seen as unnecessary and administratively burdensome.

In New York, in 2010 programs were set so that NY EEPS programs implementers received funding and targets for each program within their portfolio and could transfer up to 10% between certain categorized program portfolios, with program rebates adjustments capped at or above 20%.[4] In 2011, only one year later[5], the New York Public Service Commission determined that Program Administrators should be allowed to make adjustments of up to 20% with no cap on lowering rebates, finding that "…no useful purpose is served by the cap on downward adjustments in rebate/incentive levels [as] downward caps may result in overspending."[6] In 2016, after Adoption of Reforming the Energy Vision by Governor Cuomo[7], it was general policy that

[4] 2010 Order Approving Three New Energy Efficiency Portfolio Standard (EEPS) Programs and Enhancing Funding and Making Other Modifications for Other EEPS Programs, June 24, 2010, page 44. Available at https://www3.dps.ny.gov/W/PSCWeb.nsf/All/06F2FEE55575BD8A852576E4006F9AF7?OpenDocument. (can adjust program rebates up or down 20%)("utility electric program administrators" and "gas program administrators" were allowed to "reallocate up to 10% of their total annual approved budget" within their program portfolios. That the Program Administrator certifies to the Director of the Department of Office of Energy E that they do not result in "(a) net reductions in aggregate energy savings; (b) materially affect the overall balance between customer market segments; and "(c) do not appear to be detrimental in any other manner to the EEPS program)

[5] 2010 Order Approving Three New Energy Efficiency Portfolio Standard (EEPS) Programs and Enhancing Funding and Making Other Modifications for Other EEPS Programs, June 24, 2010, page 44. Available at https://www3.dps.ny.gov/W/PSCWeb.nsf/All/06F2FEE55575BD8A852576E4006F9AF7?OpenDocument.. ("program administrators including NYSERDA to make adjustments of incentives levels plus or minus 20% of Commission Approved levels).

[6] Order Approving Modifications to the Energy Efficiency Portfolio Standards (EEPS) Program to Streamline and Increase Flexibility in Administration, New York Public Service Commission, June 16, 2011, pg. 32, available at https://www3.dps.ny.gov/W/PSCWeb.nsf/ca7cd46b41e6d01f0525685800545955/06f2fee55575bd8a852576e4006f9af7/$FILE/6-20-2011%20Flexibility%20Order.pdf. (removes lower limitations on rebate limits finding that any lowering is cost effective)

[7] https://rev.ny.gov/.

funds allocated to utilities for energy efficiency programs are up to the discretion of the utilities[8] and that New York authorizes program administrators to modify their rebate structure up to a percentage established in a rate proceeding.[9] For rebate structures, establishing an "up to" amount allows for flexibility and limits unnecessary program spending because any adjustment of a rebate downward means that the program is making a better benefit-to-cost ratio.[10]

c) Additionally, the pie charts used to show the estimated savings were unclear on how the program savings would materialize. EEA-NJ worries charts and percentages assigned to each program implies there may be a limit on program savings.[11] Such a limit would create an unnecessary cap. Further, while the breakdown anticipated by the BPU might be appropriate for some utilities, others might need to design their portfolios differently in order to maximize cost effectiveness, equity, savings, or other policy goals.

4. **The state needs to better prioritize programs that target low- and moderate-income (LMI) and multifamily communities in a meaningful and equitable way.**

The state has identified "equitable access to energy efficiency options for customers throughout the state, regardless of address…"[12] as a priority in the implementation of energy efficiency programs. Yet there is little else done to expand upon the existing portfolio of programs in the Straw Proposal, as currently the state only proposes to keep the Comfort Partners program running and add a co-managed Multifamily Program with a Multifamily working group. New Jersey must act by identifying more ways to target and reduce the energy burden in these communities with the administration of energy efficiency programs. EEA-NJ recommends two actions to better address this discrepancy:

a) Create a working group focused on reducing the energy burden for LMI communities, similar to the working group proposed for Multifamily programs. Such a working group could identify state policies and EE program integration issues that will impact these communities and potential avenues to mitigate them. The Connecticut Low-Income Energy Advisory Board is one example of this type of mechanism.

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[8] Case 14-M-0101, Order Adopting Regulatory Policy Framework and Implementation Plan, effective February 26, 2015, available at http://www3.dps.ny.gov/W/PSCWeb.nsf/ca7cd46b41e6d01f052568580054595 5/06f2fee55575bd8a852576e4006f9af7/$FILE/REV%20ORDER.pdf. ("funds may be used for activities in support of planning and implementation of post-2015 energy efficiency programs."(Appendix C)) ("Funding levels after 2016 must be sufficient to meet existing targets and support a transition to more market based approaches. Utilities will annually propose budgets and metrics, as well as their program portfolio on the a three year rolling cycle."(75) .

[9] Order Modifying Certain Energy Efficiency Portfolio Standards (EEPS) Programs, State of New York Pubcli Service Commission, effective April 25, 2013,page 8, available at file:///Users/Erin/Downloads/%7B48F14415-063F-4DC3-A161-D735312E80FA%7D%20(1).pdf. (establishing it as policy that the programs can go up to the rebate amount decided in the rebate proceeding without any need for approval).

[10] Order Modifying Certain Energy Efficiency Portfolio Standards (EEPS) Programs, State of New York Pubcli Service Commission, effective April 25, 2013,page 8, available at file:///Users/Erin/Downloads/%7B48F14415-063F-4DC3-A161-D735312E80FA%7D%20(1).pdf. (establishing it as policy that the programs can go up to the rebate amount decided in the rebate proceeding without any need for approval).

[11] Straw Proposal at 34 – 37.

[12] Straw Proposal at 11.

b) Establish LMI-focused factors for performance incentives (QPI)s and in benchmarking for utilities.
c) Additionally, the BPU can require that utilities publicly report dollars invested in LMI programs or prioritize programs through other QPI and benchmarking metrics made public in filing requirements (for example the State can include an annual savings metric for performance incentives, which will incentivize programs that deliver more immediate benefits to these communities).

5. Any Energy Efficiency Products Marketplace and unified branding of all EE programs statewide should be integrated with utility core programs. Any statewide website or clearinghouse for program marketplaces should be developed with a wider group of stakeholders, and not hinder existing programs in any switchover to the extent possible.

A brand is distinct from a marketplace, and it is possible to develop statewide branding alongside utility branding and marketplaces that are integrated with core programs. Direct-sale online marketplaces greatly increase the penetration of products into the marketplace. Additionally, effective marketplaces can play an important role in integrating core programs, increasing marketing effectiveness across all channels, and generating powerful customer data. The BPU must balance the need for a statewide brand with the need to integrate the marketplace with all utility-run core programs.

The Straw Proposal states that the State will adopt a single platform for its energy efficiency products marketplace with a joint contractor selected in collaboration with utilities, ensuring there is easy single access to energy efficient products with the creation of the Energy Efficiency Products Marketplace. EEA-NJ supports a statewide website for customers featuring a statewide brand for the purposes of managing state-run initiatives and directing customers to core programs and utility marketplaces. The state could use the brand to engage in education and outreach efforts through the website, and utility marketplaces and core programs could benefit from having the statewide logo featured in the programs in their territories and alongside the utility brand.

An Energy Efficiency Products Marketplace can be a powerful tool for consumer engagement, but effective implementation, integration, and operation are expensive and extremely complicated, with opportunities and implications stretching beyond the sale of energy efficient products. During this transition it is important that the BPU remember that the majority of New Jersey energy consumers currently have access to a marketplace under successful pilot programs, and care must be taken to ensure their experience and service levels are maintained, or preferably improved, even as access expands to the rest of the state and with additional programs. Specifically, in New Jersey, EEA-NJ members report that some of their most successful program offerings are those in which they present the utility brand in their marketing materials, ID badges, and the clothing they wear. As the state continues to establish the branding around EE programs there should be room for utilities and state branding to co-exist in the new marketing campaign.

The State is on the right path in establishing a stakeholder group that will oversee implementation of co-branding, collaborating on marketing education, and promote cross marketing. But EEA-NJ believes additional stakeholders should be included in this effort as

well. In implementing programs, it would be valuable for the state to see input from energy efficiency program administrators and others that work in the energy efficiency marketplace

6. **EEA-NJ supports the proposed metrics as a good starting point. Additionally, we recommend that carbon reduction and other quantifiable non-energy benefits such as improved air quality be considered to ensure that energy efficiency programs are supporting other goals of the State.**

Certain programs have different goals and outputs that will need to be valued in different formats. Additionally, the implementation of energy efficiency programs is part of a larger effort aimed at modernizing New Jersey's energy grid and tackling climate change. When evaluating the cost-effectiveness of programs, BPU should utilize a cost test that accounts for non-energy impacts and policy goals of the State. Such tests can encompass impacts on low-income customers, fuel impacts, water impacts, environmental impacts, public health impacts, economic development, and energy security, among others. The National Standard Practice Manual ("NSPM") provides significant detail on how to treat each category of impact and cost, as well as the sub-categories that comprise them.[13]

For further elaboration of EEA-NJ's view on this matter, please see our additional comments submitted on EM&V and Reporting Requirements as well as other comments on EM&V and cost-effectiveness.

7. **The Straw Proposal is confusing as to whether program cycles will run 3 or 5 years. We appreciate the BPU's acknowledgement of the benefits of 5 year programs, and recommend the BPU clarify program length.**

We believe that it would make the most sense to have portfolios run 3 or 5 years. While the Clean Energy Act states that savings targets must be achieved on 3-year time periods, 5 year program periods will allow for better implementation and business planning and either time could be interpreted to be acceptable under the Clean Energy Act.[14] Providing at least a 5-year minimum program budget life and planning horizon for implementers ensures stability for small businesses that work in the energy efficiency markets and allows them the opportunity to respond to changes in the market. This will ensure program stability, allow for costs and benefits to be more accurately measured, improve implementation, and allow for adjustments prior to determining the success or failure of a program. Such a policy will allow determination of what is achievable in a more cohesive and thought-out manner. Further, it creates confidence and stability in the marketplace so that participants can make longer term commitments to meeting program standards.

[13] *See* National Efficiency Screening Project, National Standards Practice Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources, Edition 1 Spring 2017, available at https://nationalefficiencyscreening.org/wp-content/uploads/2017/05/NSPM_May-2017_final.pdf

[14] § 48:3-87.9(a) (requires each natural gas and electric public utilities to achieve annual reductions of "usage I the priori three years within five years of implementation of its electric energy efficiency program.").

8. **Clarification on Peak Demand Reduction and Demand Response Programs and expected timelines and implementation goals.**

The Straw Proposal refers to programs specifically focused on peak demand reduction and demand response, but does not further describe the programs [at 13]. We appreciate the BPU's embrace of rate design programs, and request additional clarification regarding the goals of the program and specific descriptions of initiatives. Additionally, the Straw proposal provided lots of categories and it is important that there is clarification on what the timelines are for certain state market transformation initiatives and what sectors will be receiving priority. Clarification on the data, metrics, and policy assumptions used would be much appreciated.

9. **The Straw Proposal provides a foundation for strong Energy Efficiency Programs in New Jersey, but must ensure other aspects of program design build on them.**

The BPU has recognized that "utilities will have to significantly expand the scope of their respective energy efficiency and demand response portfolios."[15] And in fact, the Straw Proposal calls for electric utilities to go from running programs that account for 5% of energy efficiency savings to a group of programs that account for 54% of savings.[16] To ensure adequate buy-in from utilities, energy efficiency programs must have shareholder and management incentives aligned with energy savings objectives. Therefore, we suggest that as the process moves forward the New Jersey Board of Public Utilities should look to the "three-legged stool" regulatory approach proposed by the American Council for an Energy-Efficiency Economy to ensure the cost recovery, lost revenue recovery, and performance-based incentive mechanisms align with the roles assigned to Utilities and the BPU in the Straw Proposal. The "legs" of the stool include:

1. Recovery of energy efficiency program direct costs.
2. Removal of the throughput incentive (profits linked to increased energy sales) through full symmetrical decoupling.
3. Creation of earnings opportunities for efficiency investments and performance through rate of return tied to performance.[17]

The approach will ensure that New Jersey surpasses the energy reduction goals in the Clean Energy Act while also keeping with the policies and initiatives in the Energy Master Plan and state solar and electric vehicles initiatives.[18]

Sincerely,

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[15] Straw proposal at 13.
[16] For natural gas utilities it will be 16% to 64% respectively. Cite to Straw Proposal pgs. 34-37. (Data was gathered by adding the components of the pie charts on pages 34 – 37.).
[17] Maggie Molina and Marty Kushler, Policies Matter: Creating a Foundation for an Energy Efficiency Utility of the Future, June 2015, pg.8, available at: https://aceee.org/sites/default/files/policies-matter.pdf.
[18] *Id*; Top 20 states within the ACEEE score card have a mix model of administration, but they do have decoupling and strong ERS.

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January 17, 2020

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Re: Energy Efficiency and Peak Demand Program Administration Straw Proposal

The Energy Efficiency Alliance of New Jersey, American Council for an Energy Efficiency Economy, New Jersey Sustainable Business Council, The Nature Conservancy, NJ Chapter, and Isles Inc. submit the following letter in response to the New Jersey Board of Public Utilities (BPU) Energy Efficiency and Peak Demand Program Administration Straw Proposal (Straw Proposal). Please note that some individual organizations may not endorse all recommendations included herein.

The Clean Energy Act (CEA) directs both the BPU and New Jersey's electric and gas utilities to act to reduce energy usage in the Garden State.[1] Specifically, the CEA spells out that each electric utility will be required to achieve a 2% reduction in energy usage per year, while each natural gas utility will be required to achieve a .75% reduction per year. Additionally, the state is implementing ground-breaking energy and environmental policies through the Energy Master Plan (EMP) as well as other legislation. Beyond energy efficiency, the State is currently pursuing policies in support of building decarbonization and electrification, electric vehicle deployment, nation-leading procurement of wind resources, and a complete overhaul of its solar incentive program. Therefore, the proper program administration structure can set New Jersey on a path to be a leader in national energy efficiency, while providing good-paying jobs to the state's residents, electrifying the grid in an equitable and environmentally conscious way, and complementing other groundbreaking State environmental policies.

We applaud the New Jersey Board of Public Utilities' Energy Efficiency and Peak Demand Program Straw Proposal for recognizing the value of utility program administration, utilizing a hybrid program model with clear roles based on program administrators' relative strengths, and prioritizing a customer-centric approach with a focus on engagement and marketing. Below we have outlined key takeaways, including recommendations where we think the State could take extra steps to improve the proposed administrative framework.

The hybrid program administration framework generally identifies appropriate roles for utilities and the state in administering programs, and we also recommend the BPU add a principle of accountability toward savings goals for all obligated entities. Key aspects of successful program implementation include clearly identified roles for each actor based on relative strengths and clear accountability for all obligated entities. By establishing programs assigned to utilities and the State, outlining the parameters for utility and state coordination, and identifying future priorities with Additional Incentives, the Straw Proposal establishes a strong foundation for program administration moving forward.

[1] Clean Energy Act, PL 2018, c. 017, a3723, 3(a).

Additionally, the Proposal builds on each program administrators' strengths as utility administered programs are customer facing, data driven, and large scale; while the state is tasked with market transformation, consumer education, and workforce development. This delegation of responsibility for administration among Utilities and State, while also coordinating across programs and initiatives, has shown to be a successful program model in states with leading energy efficiency performance, such as New York and Maryland.

To further strengthen the Straw Proposal, we recommend including a principle and requirement that all obligated entities meet savings goals that combine to achieve statewide savings goals under the CEA. The reporting section includes a requirement that all entities report savings, costs, and evaluation data and that all savings and expenditures are accurately tracked and accounted.[2] We commend the BPU for including this important step and specificity on reporting. We also commend the BPU for including an analysis of energy savings and estimates of anticipated attributable savings.[3] An additional statement of principle and requirement that all entities will have their own savings goals would further strengthen the straw proposal.

We recommend moving administration of the Residential New Construction Programs and Pay for Performance – New Construction to utilities. The Straw Proposal identifies numerous categories where the State would administer programs and initiatives that would strengthen New Jersey's energy efficiency offerings. For Residential Programs, the Straw Proposal suggests that the BPU's Clean Energy Program run both the Residential New Construction Programs and the Energy Codes and Standards Initiative, while utilities will administer the Home Performance with Energy Star program. We suggest that the State focus on the Energy Codes and Standards Initiative and leave the implementation of the Residential New Construction Program and the Pay for Performance – New Construction to the utilities. This format would lower administrative costs as utilities will already be administering the Home Performance with EnergyStar Program, which incorporates federal-led EnergyStar efforts that overlap with the Residential New Construction program. The same is true for the running of the Performance – New Construction; utilities will already be running the administrative process for the Pay for Performance – Existing Buildings.

Additionally, this model will allow the state to focus its efforts on market transformation, enabling regulatory oversight of both the Residential New Construction and the Pay for Performance – New Construction programs, as well as coordination with the State's Codes and Standards work. It would more effective for both the BPU and the Utilities if the state regulates and oversees these programs through code and regulation changes as well as setting program standards, but leaves the administrative work of scaling these programs statewide to the utilities.

We support the creation of the *Energy Efficiency Products Marketplace* and co- branding of all energy efficiency core programs state-wide, which can guarantee accessibility and ease of use for customers across the state. As noted in the Straw Proposal, lack of effective marketing has had a serious impact on program participation in New Jersey.[4] Best practices from other leading states have shown that a state brand not only increases program's

[2] New Jersey Board of Public Utilities, Energy Efficiency and Peak Demand Program Administration Straw Proposal: Draft for Public Comment, December 20, 2019, p. 31. (Straw Proposal).
[3] Straw Proposal at 33.
[4] Straw Proposal at 28.

participation and awareness, but also allows for equitable access across the state. We support the BPU's proposal of an *Energy Efficiency Products Market Place,* which will provide such a platform for the New Jersey's energy efficiency products and programs, reducing transaction costs for consumers but have two issues with the Straw Proposal administration format. We recommend the following changes and modifications: First, we ask that the platform serve solely as a centralized reference point for customers, co-managed by utilities to complement, and not replace, the utility energy efficiency platforms already established in the state. Second, we ask the BPU key aspects of administration for this marketplace.[5] For example: ho will be responsible for updating and managing the platform; how utility administration of utility platforms will interact with a statewide platform; and how utility and company branding will interact with state wide energy efficiency branding efforts.

The BPU should do more to prioritize programs that target Low-and Moderate Income and Multifamily communities in a meaningful and equitable way. The state has identified "equitable access to energy efficiency options for customers throughout the state, regardless of address…"[6] as a priority in the implementation of energy efficiency programs. Yet there is little else done to expand upon the existing portfolio of programs in the Straw Proposal, as currently the state only proposes to keep the Comfort Partners program running and add a co-managed Multifamily Program with a Multifamily working group.[7]

Low-income households already face significantly higher energy burdens than non-low-income households. Therefore, New Jersey must act by identifying more ways to target and reduce the burden in these communities in the administration of energy efficiency programs.

Even more so with low-income programs, regulatory oversight is critical to ensuring its administration's effectiveness and accessibility. If utilities will play a role in its management, the Board of Public Utilities should direct a funding allocation per year specifically for low-income households. Additionally, Comfort Partners, the Multifamily, and other low-income programs should be exempt from any cost-effectiveness tests that doesn't account for the health and safety benefits of the programs.

In the next phases of this process, the State should directly engage more LMI stakeholders in the process, perhaps through a working group, similar to the working group proposed for Multi-Family programs but with broader objectives around equity in the process and outcomes. To ensure that the State hears from LMI voices, the group should consider varying hours and formats and providing more advance notice to enable meaningful participation. Such a working group could identify State policies and EE program integration issues that will impact these communities and potential avenues to mitigate them. This working group, as well as the Multifamily Working group could begin work prior to the suggested July 2021 date in the Straw Proposal so as to ensure input is part of the process right away. The Connecticut Low-Income Energy Advisory Board is one example of this type of group.

The Straw Proposal provides a foundation for strong Energy Efficiency Programs in New Jersey, but must ensure other aspects of program design build on them. The BPU has recognized that "utilities will have to significantly expand the scope of their respective energy

[5] Straw Proposal at 27.
[6] Straw Proposal at 11.
[7] Straw Proposal at 28.

efficiency and demand response portfolios."[8] And in fact, the Straw Proposal calls for electric utilities to go from running programs that account for 5% of energy efficiency savings to a group of programs that account for 54% of savings.[9] To ensure adequate buy-in from utilities, energy efficiency programs must have incentives aligned with these energy savings objectives. Therefore, we suggest that as the process moves forward the New Jersey Board of Public Utilities should look to the "three-legged stool" regulatory approach proposed by the American Council for an Energy-Efficiency Economy to ensure the cost recovery, lost revenue recovery, and performance-based incentive mechanisms align with the roles assigned to Utilities and the BPU in the Straw Proposal. The "legs" of the stool include:

1. Recovery of energy efficiency program direct costs.
2. Removal of the throughput incentive (profits linked to increased energy sales) through full symmetrical decoupling.
3. Creation of earnings opportunities for efficiency investments and performance through rate of return tied to performance.[10]

The approach will ensure that New Jersey surpass the energy reduction goals in the Clean Energy Act. While also keeping with the policies and initiatives in the Energy Master Plan and state solar and electric vehicles initiatives.[11]

Thank you for your time and consideration.

Erin Cosgrove
Policy Counsel
Energy Efficiency Alliance of New Jersey

Maggie Molina
Senior Director for Policy,
ACEEE

Trina Mallik
Climate Change and Clean Energy Policy Manager
The Nature Conservancy, New Jersey Chapter

Katharina Miguel
Clean Energy Advocate
Isles Inc.

Richard Lawton
Executive Director
New Jersey Sustainable Business Council

[8] Straw proposal at 13.
[9] For natural gas utilities it will be 16% to 64% respectively. Cite to Straw Proposal pgs. 34-37. (Data was gathered by adding the components of the pie charts on pages 34 – 37.).
[10] Maggie Molina and Marty Kushler, Policies Matter: Creating a Foundation for an Energy Efficiency Utility of the Future, June 2015, pg.8, available at: https://aceee.org/sites/default/files/policies-matter.pdf.
[11] *Id*; Top 20 states within the ACEEE score card have a mix model of administration, but they do have decoupling and strong ERS.

The Labor-Management Organization for IUOE Local 825
Building Our Future

January 17, 2020

Secretary of the Board of Public Utilities
44 South Clinton Ave, 9th Floor
Trenton, New Jersey 08625-0350

Subject: Draft Straw Proposal – Energy Efficiency and Peak Demand Reduction

Thank you for the opportunity to submit comments, participate in the stakeholder process and offer our unique insight toward shaping the roadmap of New Jersey's energy future.

The Engineers Labor-Employer Cooperative is a labor-management trust that represents the combined interests of the nearly 7,200 members of International Union of Operating Engineers Local 825, and the signatory union contractors who employ them. As a multi-state organization, ELEC focuses on promoting economic development and advocating for investments in infrastructure – not only to provide work opportunities, but to ensure that our members, contractors and their families have the quality of life they deserve as residents of New Jersey.

IUOE and contractors invest millions annually, hosts and operates two state-of-the-art training campuses and are making significant advancements and investments in STEM higher education for our members to keep up with equipment technology, software and hardware, internal computers, GPS and other advanced features, which will be required to build the energy of the future. As we plan the energy mix of the future, it is critical to keep in mind that organizations like ours have already begun putting the pieces in place to ensure our membership is up-to-date and ready to work.

At present, electric and gas utilities are mandated by the Clean Energy Act to reduce electric and gas consumption by 2% and 0.75% respectively – this is acknowledged in the draft Energy Master Plan. Our utilities possess several unique advantages in delivering energy efficiency programs to customers, including established customer relationships, expertise administering energy efficiency programs, ability to offer on-bill repayments, and access to usage data to identify energy savings opportunities and monitor the impact of energy efficiency projects.

ELEC825 supports setting realistic and attainable goals and empowering the utility companies to serve as the lead administrators of the energy efficiency programs designed to achieve the Clean

Energy Act's goals and targets. Helping customers reduce energy usage is critical to lowering emissions; without cost-effective energy efficiency programs spearheaded by utilities, this will be very difficult to achieve. Leading states in energy efficiency rely on a utility-driven model because utilities are best positioned to manage complete energy efficiency program portfolios that account for the unique customer class mix within their service territories.

Just as we must take into account how new energy generation sources play into the PJM energy grid, the same goes for reduction of peak demand and efficiency. ELEC825 supports a regional approach to our energy future and the current plan does not take this in account. The currently plan also fails to address in detail the shift in peak demand caused by a grid reliant upon renewables sources that may be unreliable… Simply shifting the peak time is not a realistic strategy. To address this, we support investments in infrastructure to harden the grid against spikes, storms and other occurrences.

Currently, New Jersey ratepayers pay nearly $1 billion annually in Societal Benefits Charges, of which approximately $350 million is annually earmarked for energy efficiency programs, through the New Jersey Clean Energy Program. Additionally, ratepayers pay approximately another $250 million annually, built into utility rates, for utility-sponsored energy efficiency programs. These State-run and utility-run programs sometimes are redundant, at times overlap, and often cause confusion for ratepayers and yield few cost efficiencies. The draft EMP proposes increased funding for a continued public relations campaign that will undoubtedly be mismanaged and misused for political purposes instead of educational purposes. ELEC825 does not support allowing state agencies to increase public relations funding and would much prefer the money be placed into capital investment where ratepayers would see tangible benefit.

We would also support a mechanism that would enable utilities to recover costs associated with mandated energy efficiency program offerings and lost revenues. In many other states, there are mechanisms that allow utilities to recover lost revenues resulting from energy efficiency programs to prevent market forces from disincentivizing the implemention of energy efficiency programs. Recovered revenue could be used for on-going and much needed capital infrastructure investment. A successful program that takes into account reliability, safety, affordability and resiliency will help New Jersey meet its clean energy and greenhouse gas reduction goals.

Comments of EnergyHub

On

New Jersey Board of Public Utilities

Energy Efficiency and Peak Demand Program Administration Straw Proposal

January 17, 2020

I. Introduction

EnergyHub would like to thank the New Jersey Board of Public Utilities for the opportunity to comment on the Energy Efficiency and Peak demand Program Administration Straw proposal. EnergyHub provides utilities with innovative DER and Bring Your Own Device (BYOD) software and program management solutions. With the combination of EnergyHub's Mercury DERMs Platform and industry-recognized experts, EnergyHub enables utilities to implement and manage successful DER and BYOD programs. EnergyHub's Mercury DERMs platform serves as the technical and business link between utilities and connected device manufacturers, delivering robust monitoring and control functionality through a single utility interface. EnergyHub currently works with over 40 utilities across North America to launch, design and run innovative and successful Bring Your Own Device programs encompassing, but not limited to enrollment management, demand response dispatch, DER optimization, and EM&V.

II. General Comments

EnergyHub strongly supports the direction given by the BPU in the straw proposal regarding direct load control programs. However, the BPU should work to clarify and add specificity to specific design elements for new direct load control programs in its final report. There are many examples and best practices that can be drawn on from direct load control programs in other states, that the BPU should consider and include. Providing requirements and guidelines for the design of new programs will ensure that any future programs in New Jersey are designed to be successful.

One point of consideration that the straw proposal does not consider is the already large and growing direct load control resource that already exists in New Jersey. The straw

proposal makes clear that programs should be developed that allow customers to provide access to particular high-demand technologies, but does not provide direction as to how to harness the technologies that may already be in place within New Jersey. A novel approach to harnessing residential customers for peak reduction has been Bring Your Own Device (BYOD) model for demand response. The BYOD model eliminates the need for utilities to source hardware or provide installation services as part of a demand response program, while also maximizing customer choice. Utilities are able to take advantage of the growing population of connected devices that are already installed in their service territory. As customers continue to adopt more and more smart devices, utilities can convert these devices into utility assets by enrolling them into utility run load control programs.

EnergyHub has worked with numerous utilities throughout the United States to launch, design and run innovative and successful BYOD programs, including in States neighboring New Jersey such as NYSEG, RG&E, National Grid New England & New York, PSEG Long Island, and Eversource. The company has seen significant interest from residential customers in enrolling connected devices such as smart thermostats, electric vehicle charging, connected water heaters, and batteries/energy storage into BYOD programs. On average we see 15-40[1] of eligible residential customers with connected devices in a utility service territory enroll in BYOD programs if they are available. These enrollments create a utility resource that is reliable and cost effective to reduce system peaks or local distribution constraints. With the right program design and eligible customer mix we have seen resources created that can reliably deliver significant MWs of peak reduction, that can be called on multiple times throughout the year. Ultimately, a BYOD resource can be a win for both the utility, the state, and the end use customer.

[1] Enrollment rate varies based on program design and device class

EnergyHub appreciates the opportunity to comment on the Energy Efficiency and Peak Demand Program Administration Straw Proposal. We appreciate the direction and initiative being set forth by the New Jersey Board of Public Utilities in establishing the guidelines to ultimately make any future energy efficiency and peak demand reduction programs successful. Please consider EnergyHub's proposal while identifying and designing successful programs.

Respectfully Submitted,

Erika Diamond
VP, Market and Utility Services
EnergyHub
diamond@energyhub.net

Energy Solutions

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
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P.O. Box 350
Trenton, NJ 08625-0350

January 17, 2020

Re: Comments on the Energy Efficiency and Peak Demand Program Administration Straw Proposal
Docket No. QO19010040

Dear Secretary Camacho-Welch:

Energy Solutions appreciates the invitation from the Board to submit comments on New Jersey's Energy Efficiency and Peak Demand Program Administration Straw Proposal (Straw Proposal). We commend the Board on seeking to adopt best practices in Demand Side Management from effective program examples nationwide.

Energy Solutions is a nationwide demand-side management program implementation firm specializing in market scale supply chain market development and market transformation programs with over twenty years of experience. The following comments are based on our experience in program implementation and cite best practices from corroborating references where possible.

As New Jersey enters a new phase of effort in pursuit of the statutory obligations laid out in P.L. 2018, c. 17[1], optimal design of the energy efficiency programs in place over the next five years will greatly influence savings achievement on an annual and lifetime basis. In our original comments, dated 11/6/2019, we noted that **upstream and midstream supply chain market development programs** and **codes & standards technical support and advocacy** are the best program practices employed by states achieving the greatest, most cost-effective savings for their ratepayers. However, the Straw Proposal makes no explicit mention of these proven and powerful program strategies nor includes these programs in the forecast breakdown of Energy Savings. We urge the Board to explicitly include in their Straw Proposal both upstream programs and technical support and advocacy for new appliance standards and building codes at the local, state, and federal level.

<u>Codes and Standards Advocacy Programs Help Achieve Ambitious Savings Targets</u>
The Clean Energy Act establishes ambitious energy efficiency and peak demand targets which will play a key role in achieving the state's goal of 100% clean energy by 2050. Appliance standards and building code updates are an essential element in helping achieve these objectives as they have been the most cost-effective and significant energy savings initiatives since the 1970s. The Straw Proposal recommends that the State continue to lead efforts to revise and implement code and improve code training, code compliance, and code enforcement. However, codes and standards remain an area of underutilized potential for efficiency programs, including those administered by utilities. Codes and standards advocacy at the state and national level can have a dramatic impact on energy efficiency portfolios; in California, these savings represent more than half of total claimed energy savings and are

[1] https://www.njleg.state.nj.us/2018/Bills/AL18/17_.PDF

projected to achieve two-thirds of utility portfolio savings by 2020 while constituting less than five percent of statewide portfolio costs.[2]

Traditional efficiency programs target measures with low market adoption rates, and thus achieve higher net-to-gross savings, but they typically reach a relatively small portion of the market. Codes and standards programs capture additional cost-effective energy savings that complement traditional program designs and achieve significantly larger savings because they impact the entire market. Codes and standards programs can be effectively run as demand side management resource savings programs, and can include compliance improvement, technical support for the origination of new codes and standards, and advocacy for the origination of new codes and standards at the local, state, and federal level.

As states nationwide realize the highly cost-effective potential savings available through the market transformation that codes and standards programs can provide, there is a groundswell of interest in multiple states – including NY, MA, CT, RI, MI, CO, AZ, MD, and others – in allowing state regulatory or regulated utilities a mechanism for claiming attribution for savings originating from these types of programs. Codes and standards programs also have the added benefit of serving all ratepayers, including hard to reach and disadvantaged communities. We encourage the Board to consider the full range of codes and standards program opportunities, including technical analysis and advocacy in support of new building codes and appliance standards at the local, state, and federal level. Adoption of a "program-to-code" framework – wherein traditional incentive programs drive market adoption and gather market data specifically in support of anticipated potential code updates and receive partial savings attribution for that future code – could be another program design to explore.

Efficiency Programs Should Be Designed to Leverage Markets

The Straw Proposal indicates that "programs that have important structural elements that cross jurisdictions are best handled at the state level" and identifies "simple and consistent statewide" programs as one of the four primary objectives. We believe that the market is one of these key structural elements that requires statewide coordination. Market actors engaged with efficiency programs typically sell into more than one program administrator territory. These businesses incorporate pricing and administrative changes into their operations much faster when there is consistency in program design, incentives, equipment eligibility, and participation rules across as large of a territory as possible. Statewide consistency is critical for program adoption and achievement.

The Straw Proposal reflects this market reality by proposing statewide coordination of new construction programs based on the observation that this industry "often works across utility service territories." The same observation is true of distributors who stock and sell other significant end use products such as HVAC, water heater, lighting and foodservice equipment. As recommended for new construction programs, we recommend that upstream/midstream programs – ones that engage upstream market actors including manufacturers, manufacturer representatives, distributors, and retailers – be administered with statewide consistency as these market actors have service territories that overlap with utility service territories. As recognized in the Straw Proposal, this statewide consistency can be achieved either through a statewide program administered by the State or other single entity or through joint and close coordination of the utilities.

Midstream Design Approaches are "Core Programs"

[2] California Energy Commission, Demand Analysis Office, 2019

The Straw Proposals defines "Core Programs" as those "base programs which Staff believes will be critical to meeting the energy efficiency targets." Because midstream programs move utility incentives up the supply chain to target the market actors that have the greatest influence on equipment sales, they can achieve substantially greater savings than similar downstream programs. Midstream programs can effectively deliver savings for those measures that "currently comprise a majority of NJCEP offerings," as envisioned in the rationale for establishing "Core Programs," such as those related to HVAC, water heating, lighting and foodservice products. Furthermore, midstream programs effectively target market barriers only addressable by these market actors. By focusing on midstream market actors and maintaining relationships with regional distributors, midstream programs address stocking and upselling practices, amplify the incentive impact through leverage of the markup process in the supply chain, increase program impacts, and increase customer satisfaction.

One of the most effective aspects of midstream program approaches is the ability to impact distributor stocking practices, leading to widespread market transformation. The majority of sales for major HVAC and water heating equipment are driven by emergency replacement scenarios, and if efficient products are not available on the shelf, they will not reach the customer, regardless of incentive levels, outreach, education or other aspects of program design. Successful midstream design aligns with current market practices and business models and leverages existing market infrastructure to deliver increased savings to consumers.

While midstream programs can deliver significantly greater impacts than traditional downstream program designs, specific barriers must be overcome, as discussed in the article "Moving to the Middle – How to Navigate the Ins and Outs of C&I Midstream Programs." (AESP 2016).[3] Furthermore, we offer the following best practices observed in other regions when considering incorporating midstream programs into the portfolio:

- **Streamline Market Actor Participation:** Program participation from midstream market actors should be highly automated and facilitate ease of integration with sales systems, automatic payment tracking, automated customer address matching, automated model matching and verification, and debiting.
- **Alignment with Market Actor Business Models:** Optimal program design pays market actors fast to maximize market actor return on net assets by reducing their sales outstanding on transactions qualifying for the program. By paying midstream market actors faster than their standard 60-90 day payment terms, the program makes qualifying transactions more profitable than standard efficiency transactions. Program design should respect the market actor typical sales cycle and seek to communicate any program changes or ending of program with plenty of time for market actors to complete all pending jobs in their pipeline so as to not cause financial harm to their businesses and endanger future market buy-in for the program in question or its successors.
- **Design Customer Engagement into the Program:** Designing an effective program includes performing outreach to the downstream end customer receiving the equipment and sharing with them the role the program had in making the premium efficient equipment in stock and available at competitive prices, as well as individually quantifying the impacts for that specific customer based on their past energy usage. Post-installation outreach is also a perfect opportunity to introduce the customer to other programs and to energy services which support the entire lifecycle of the equipment – quality installation, quality maintenance, strategic energy management, active demand management, and early retirement. Midstream programs typically have ten times or more the energy savings of downstream programs and have the potential for significantly more customer engagement than downstream programs.

[3] https://www.aesp.org/page/MidstreamPrograms/How-to-Navigate-the-Ins-and-Outs-of-CI-Midstream-Programs.htm

- **Fully Engage Utilities in Program Implementation:** As recognized in the Straw Proposal, there are a variety of successful administration models seen in other states. The most impactful programs have the full engagement and collaboration of the state's utilities to support a broad range of critical program activities including consistent program design, integration with other program offerings, market actor outreach, access to customer energy usage analytics and service address information, access to customer sites for inspections and evaluation, and access to existing utility channels of customer engagement.
- **Procure Midstream Programs Separately from other Portfolio Programs:** The effective delivery of the midstream program model requires a level of market engagement and reciprocal trust with the program implementor. Procuring midstream program implementation separately (rather than bundled with downstream programs), will allow more competition from implementation firms that specialize in supply chain engagement and market development. This competition will lead to a certainty of procuring the most effective resource for the task at hand.

Energy Solutions appreciates the opportunity to provide comments on these topics. We welcome the opportunity to provide further information and share our experiences implementing Codes & Standards and Midstream Market Development programs with the objective of assisting the Board in designing the best possible plan to reach New Jersey's ambitious and visionary clean energy goals.

Sincerely,

Chris Burmester
Executive Vice President, Products & Services

January 17, 2020

VIA ELECTRONIC FILING

Enervee Comments on Draft Straw Proposal - Energy Efficiency and Peak Demand Reduction

Enervee appreciates the opportunity to comment on the *Energy Efficiency and Peak Demand Program Administration Straw Proposal* (Straw Proposal) developed by the State of New Jersey Board of Public Utilities (NJ BPU) regarding the implementation of the Clean Energy Act provisions. Enervee applauds the NJ BPU's recognition of the critical importance of energy efficiency in achieving the State's clean energy goals, and the ambitious program framework laid out in the straw proposal.

In prior comments[1], Enervee recommended that NJ BPU plan for a statewide rollout of online marketplaces that rely on choice engine technology, so we were pleased to see that the Straw Proposal provided for a co-managed energy efficiency products marketplace.

In addition to the advantages of single statewide platform mentioned in the Straw Proposal (i.e., facilitate access, reduce market confusion, allow the State to maintain a strong oversight role), a statewide approach can maximize market transformation impact. It is also wise to foresee a significant role for utilities in marketing the statewide site to customers, given the contractual relationship that already exists between utilities and their customers and the fact that customers look to their energy provider for trusted energy advice[2]. In addition, utility marketing can readily leverage customer, utility and third-party data to better segment and target offers. Together with the prior point, utility-branded marketing tends to have greater reach and cost-effectiveness.

One important thing to note is that not all energy efficiency product marketplaces were designed to eliminate barriers and transform markets at scale[1]. The two basic "flavors" (which are not mutually exclusive) are:

- Marketplaces that are e-commerce shops, where the utility sells a curated set of product models in a limited set of categories (largest impacts to date have been for thermostats and LED bulbs) direct to customers, often with significant instant discounts.

[1] Enervee Comments (submitted 11/06/2019), in conjunction with the October 30th "Energy Efficiency Stake-holder Meeting – Programs", page 260 in this document: https://www.njcleanenergy.com/main/njcep-policy-updates-request-comments/policy-updates-and-request-comments

[2] Enervee Comments (submitted 02/13/2019), in conjunction with the Public Meeting on Energy Efficiency and Peak Demand Reduction, available on request.

- Marketplaces that aggregate product offers from all retailers and integrate choice engine technology and behavioral psychology insights to change the choice architecture in such a way that customers can readily choose the most efficient products to meet their needs, which they then purchase from the retailer of their choice.

Adopting a marketplace with choice engine technology that aggregates the entire market and is not limited to a curated set of products has a number of important advantages:

- Partner, rather than compete with retailers. The State and utilities will be working in partnership with retailers to create an efficient product ecosystem, rather than using ratepayer dollars to compete with retailers
- Commitment to consumer choice. Consumers are empowered to make energy smart buying decisions wherever they choose to shop – for maximum impact – and are assured that they will always be presented with the best price across all retailers
- Barrier elimination leads to favorable cost metrics. Choice engine technology is proven to result in more efficient choices, even without incentives, because it is designed to eliminate market and psychological barriers. This typically leads to savings at under $0.01/lifetime kWh.
- Opportunity to expand low-income programming. Choice engine platforms present an opportunity to modernize LMI programming, by introducing a retail product channel to complement traditional direct-install approaches.
- Access to consumer product market data. Choice engine technology relies on real-time market data on product efficiency, retail price and availability that is available to NJ BPU and can be used to support policy and other programs.
- Energy education resource. A data-driven platform is an invaluable resource to support public education on topics such as how to shop for the most efficient products, how product efficiency impacts energy bills, why it is important to take into account the total cost of ownership (and not just the up-front purchase price), and how much product prices vary on a daily basis. The interactive platform presents an easy way to introduce experiential learning into the energy efficiency curriculum.

Opinion Dynamics performed the first independent assessment of the AEP Ohio Marketplace, which clearly shows the benefits of a choice engine marketplace in eliminating pervasive barriers that prevent private investment into energy efficient consumer products, while capturing significant cost-effective savings that were previously untapped. Enervee would be happy to brief you on the

positive findings found in the recent independent study of both the ConEd and AEP marketplaces. Findings for AEP are summarized here, with ConEd to follow in February: https://blog.enervee.com/aep-ohio-marketplace-delivers-market-based-energy-savings-da67cdeb8fe

For the co-managed programs, including the statewide energy efficiency products marketplace, clear oversight and efficient administration will be critical for success. Enervee has significant experience deploying and managing statewide marketplaces, and was the provider for the Energize Connecticut marketplace that was operated in conjunction with Connecticut's regulated utilities. Enervee would be happy to share best practices for statewide marketplace administration (involving governments and utilities) with New Jersey regulators, down to important details, such marketing campaign approval processes.

The NJ BPU has an unprecedented opportunity to narrow the gap between economic and market potential – just by making it easier for consumers to choose efficient products. To achieve the greatest impact from the energy efficiency product marketplace, the State will need to procure a marketplace that integrates choice engine technology and contributes to an efficient product ecosystem and ensure efficient oversight and administration.

Sincerely,

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January 17, 2020

SUBMITTED VIA EMAIL
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Aida Camacho-Welch, Secretary of the Board
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44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350

Re: Energy Efficiency and Peak Demand Program Administration Straw Proposal

Dear Secretary Camacho-Welch:

The U.S. Energy Storage Association ("ESA") respectfully submits these comments to the Board of Public Utilities ("BPU") on the Energy Efficiency and Peak Demand Program Administration Straw Proposal ("Program Straw") released on December 20, 2019.

ESA is the national trade association dedicated to energy storage, working toward a more resilient, efficient, sustainable and affordable electricity grid – as is uniquely enabled by energy storage. With more than 190 members, ESA represents a diverse group of companies, including independent power producers, electric utilities, energy service companies, financiers, insurers, law firms, installers, manufacturers, component suppliers, and integrators involved in deploying energy storage systems around the globe. Further, our members work with all types of energy storage technologies and chemistries, including lithium-ion, advanced lead-acid, flow batteries, zinc-air, compressed air, and pumped hydro among others.

ESA was encouraged to see the Program Straw focused on greater management and reduction of peak demand loads as a key tool for achieving the State's energy transition affordably and efficiently. Since storage can charge off-peak when system demand and electricity costs are lower, and then deliver that electricity during peak periods of demand to relieve grid stress, energy storage can play an important role in peak demand reduction. Energy storage can save money for not only the individual consumer that installs storage, but all ratepayers in the State by reducing the amount of spare capacity needed to meet system peak demands, while better utilizing generation resources available during off-peak periods. While the Energy Storage Study produced by Rutgers University did not quantify the statewide economic benefits of storage deployment, Massachusetts' 2016 state-commissioned energy study of widespread energy storage deployment found benefits to its ratepayers of $2.3 billion over 10 years, most of which comes from reducing system and local peak demands. Given that New Jersey has a

system peak 40% greater than Massachusetts, a similar order of magnitude in benefits to ratepayers is reasonably expected.[1]

Despite its ability to support highly dispatchable peak demand reduction, programs that can drive the deployment of energy storage are not included in the Program Straw. Energy storage programs to reduce peak demand are supported by the New Jersey Clean Energy Act of 2018, which includes an energy storage target of 600 megawatts ("MW") by 2021 and 2,000 MW by 2030.[2] In our comments below, ESA provides recommendations on ways to incorporate energy storage cost effectively into the suite of energy efficiency and peak demand reduction programs under consideration at the BPU.

i. Define energy storage as an eligible resource for system efficiency and peak demand programs

ESA respectfully suggests that as a first step the Program Straw should explicitly define energy storage as an eligible resource for participation in any of the programs discussed in the proposal. Applying a technology-neutral approach to these programs and enabling customers to deploy the types of technologies that best fit their needs results in the deployment of the most cost-effective resources for addressing the program objectives, and also empowers customers.

ii. More prescriptive frameworks for utility programs are needed

The Program Straw calls on utilities to develop Peak Demand Reduction Programs, Non-Wires Alternatives and Non-Pipes Solutions but does not provide guidance in how to shape those programs. The Program Straw asserts that "since utility territories vary greatly in size, geography, demographics, and other key factors, it is critical that utilities have the ability to develop and file for peak demand reduction programs specific to their service territories."[3] ESA agrees with this assertion, but believes the BPU can provide guiding principles and frameworks for program design that will streamline the proposal process. There have been several successful peak demand reduction programs and non-wires alternatives programs in Massachusetts and New York that have slight differences in terms of tariff language and prices, but the overall program design and structure applies to all utilities.

ESA believes that the Program Straw would benefit from providing more guidance from the BPU on the development of the program design, specifically borrowing from other successful programs across the country in order to ensure program success. By doing so, the BPU will set a clear signal to the industry that effective programs are being designed at the State to justify investing in moving their businesses there, and the consistency in program design across utility territories will lower the barrier to entry for a larger number of companies.

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[1] Rutgers University Energy Storage Analysis, May 23, 2019, available at: https://www.bpu.state.nj.us/bpu/pdf/commercial/New%20Jersey%20ESA%20Final%20Report%2005-23-2019.pdf Massachusetts Department of Energy Resources, State of Charge report, September 2016, available at: https://www.mass.gov/files/documents/2016/09/oy/state-of-charge-report.pdf.

[2] Clean Energy Act (A3723), Signed by Governor Murphy in May 2018, available at: https://legiscan.com/NJ/text/A3723/id/1808963/New_Jersey-2018-A3723-Chaptered.html.

[3] New Jersey Board of Public Utilities, Energy Efficiency and Peak Demand Program Administration Straw Proposal, Draft for Public Comment, December 20, 2019, pg. 24, available at: https://www.njcleanenergy.com/files/file/Final%20Program%20Straw%20Proposal.pdf.

iii. Lean on existing peak demand reduction programs in Massachusetts, Vermont, and New Hampshire

ESA respectfully suggests that the BPU call on utilities to develop programs that provide customers with an opportunity to reduce their peak demand and receive compensation for it. There are several programs currently available to customers or under consideration in New Hampshire, Massachusetts, Vermont, Rhode Island, New York, and Maryland. These programs largely leverage a customer's private capital investment in deploying resources on their premises and provide them compensation aligned with the savings to the entire system and all ratepayers. These programs are not incentive programs, where grants or rebates are provided to customers deploying assets. Rather, these programs are compensating customers for savings provided to the system.

One such program is the "Bring Your Own Device" program currently available for Green Mountain Power customers in Vermont, and Eversource, Unitil and Liberty customers in New Hampshire.[4] Under such a program, customers are able to provide peak demand reduction benefits and other grid services to the utility and are compensated for the value they provide through an on-bill credit. The savings provided by customer-sited storage comes over time through the reduction of capacity obligation that the utility has in the wholesale market; through the deferment of traditional distribution investment that would have otherwise been needed; and at times also through the avoidance of transmission charges from bringing energy to those customers during periods of peak demand. The customers receive compensation for those services in several ways, including on-bill payments.

The BPU could also consider a successful program currently offered by Eversource and National Grid in Massachusetts. A "Targeted Dispatch" program[5] and Daily Dispatch programs recognize that shifting energy supply from periods of low demand on the system to periods of high demand to the system provides net benefits to customers by increasing overall grid efficiency and reducing the costs of delivering power at peak demand times. "Daily Dispatch" programs compensate storage resources based on performance during peak period dispatches upwards of $200/kW-yr. Importantly, the program is available to customers for a five-year contract, which provides certainty of incoming revenue streams that is critical for project financing. The savings potential for this program includes reduced capacity obligation for the utility at the wholesale market, distribution deferral benefits, and transmission avoidance.

iv. BYOD and Daily/Targeted Dispatch programs are cost-effective

The Daily Dispatch/Target Dispatch programs and the Bring Your Own Device programs are scalable and sustainable because they enable customers to provide real system and distribution level savings and

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[4] Green Mountain Power BOYD program, available at: https://greenmountainpower.com/bring-your-own-device/; New Hampshire PUC Order approving settlement agreement for Liberty BOYD program, available at: https://www.puc.nh.gov/Regulatory/Docketbk/2017/17-189/LETTERS-MEMOS-TARIFFS/17-189_2018-11-19_ENGI_SETTLEMENT.PDF; NH PUC Order 26,323 approving parties settlement agreement for 2020 update to the State's Energy Efficiency Plans, available at: https://www.puc.nh.gov/Regulatory/Docketbk/2017/17-136/ORDERS/17-136_2019-12-31_ORDER_26323.PDF

[5] Targeted Dispatch programs are dispatched for 3-8 events per summer for three hours each with compensation of $100/kW-yr, subject to performance. Daily Dispatch programs are dispatched for 30-60 events per summer for three hours each with compensation of $200/kw-yr, subject to performance. More info can be found in the Mass Save Report, *Active Demand Reduction: Demonstration & Initiative Update*, March 20, 2019. Page 25, available at: http://ma-eeac.org/wordpress/wp-content/uploads/March-Demand-Presentations_EEAC_3-8-19_Final_corrected.pdf.

receive compensation aligned with those savings. Because of their pay-for-performance design, these programs are built to protect ratepayer costs by ensuring resources are paid for the value they are providing to the grid. As we highlighted in our comments above, shifting electricity supply from times of low demand to times of peak demand can reduce the overall capacity contribution of a utility to the wholesale market, which then translates into lower capacity costs for all ratepayers. Similarly, distribution deferral benefits that can be achieved by foregoing the need for additional investment in areas potentially impacted by demand growth, and providing savings for ratepayers impacted by that investment. Finally, avoidance of transmission charges by providing electricity closer to load at times of peak demand can translate into savings for ratepayers. Initial analysis of these programs suggests overall savings to customers in the range of up to $3.40 for every dollar spent.[6]

v. Non-wires Alternatives pilot design should borrow from New York and Maryland

ESA supports the Program Straw's recommendation that utilities pilot non-wires alternatives ("NWA") and non-pipes alternatives.[7] Similar to our comments regarding peak demand reduction programs, ESA suggests that there are several templates for non-wires alternatives frameworks that the BPU may lean on to help shape the utility NWA proposals. For example, New York has had a successful NWA program in place since 2015. The New York's Public Service Commission ("NY PSC") worked with the state's utilities to develop suitability criteria for considering non-wires alternatives to identify what types of traditional investments would be subject to NWA consideration, including (1) the timing of utility's need and project development timeline, (2) costs of the investment, and (3) types of system need and storage application. The NY PSC and stakeholders continue to enhance the cost-benefit analysis framework used to evaluate the cost-effectiveness of NWA projects.

Additionally, Maryland's Public Service Commission ("MD PSC") has launched an energy storage pilot that could serve as a guide for the BPU and New Jersey's utilities as they consider an NWA pilot. The MD PSC's Public Conference 44 Energy Storage Working Group has also been refining the Benefit-Cost Analysis framework for energy storage distribution deferral projects to include values beyond the simple present value of the investment being deferred.[8]

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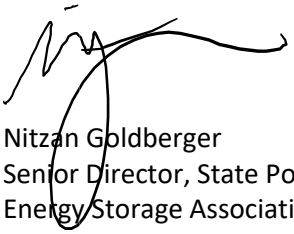
[6] Clean Energy Group, "Energy Storage: The New Efficiency. How states can use energy efficiency funds to support battery storage and flatten costly demand peaks," April 2019. Pages 8-9, available at: https://www.cleanegroup.org/wp-content/uploads/energy-storage-the-new-efficiency.pdf.

[7] BPU Energy Efficiency and Peak Demand Program Administration Straw Proposal, pg. 22.

[8] Maryland Public Service Commission Order No. 89240, Order Establishing an Energy Storage Pilot Program (Case No. 9619), available at: https://webapp.psc.state.md.us/newIntranet/Casenum/NewIndex3_VOpenFile.cfm?FilePath=//Coldfusion/Casenum/9600-9699/9619/\1.pdf; PC 44 Storage Working Group BCA proposal, available at: https://webapp.psc.state.md.us/newIntranet/Casenum/NewIndex3_VOpenFile.cfm?FilePath=//Coldfusion/Casenum/9600-9699/9619/\2.pdf.

ESA sincerely appreciates the opportunity to provide these comments on the Energy Efficiency and Peak Demand Program Administration Straw Proposal. We look forward to working with the BPU and stakeholders to develop robust, sustainable and scalable programs that drive energy storage deployments to support Governor Murphy's energy and environmental vision.

Respectfully submitted on this 17th day of January 2020.



Nitzan Goldberger
Senior Director, State Policy
Energy Storage Association

Jersey Central Power & Light
A FirstEnergy Company

300 Madison Avenue
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Kurt E. Turosky
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January 17, 2020

VIA ELECTRONIC MAIL ONLY

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350
EnergyEfficiency@bpu.nj.gov

Re: Jersey Central Power & Light Company's Comments in response to the Energy Efficiency and Peak Demand Program Administration Straw Proposal

Dear Secretary Camacho-Welch:

On December 20, 2019, the Staff of the New Jersey Board of Public Utilities (the "Board") issued the Energy Efficiency and Peak Demand Program Administration Straw Proposal ("Straw Proposal") regarding implementation of the energy efficiency requirements of P.L. 2018, c. 17 (the "Clean Energy Act," or "CEA," codified in relevant part as N.J.S.A. 48:3-87.9). Jersey Central Power & Light Company ("JCP&L" or "the Company") thanks the Board for the opportunity to participate in the design of New Jersey's energy efficiency transition and provide feedback on the Straw Proposal. JCP&L supports the comments filed by the New Jersey Utilities Association and offers the below as additional considerations.

OBJECTIVES

The Straw Proposal indicates it was developed with several primary proposed objectives, including statewide program consistency. JCP&L believes that while most programs and practices offered by utilities will be consistent in many regards, it is important that the Board provides each utility the flexibility to develop and implement programs that will best address the needs and opportunities of their unique customer base. This will allow the utilities to be creative, innovative, and nimble in their implementation practices to maximize efficiencies and savings in a cost-effective manner. JCP&L advises against a one-size fits all approach to program design and implementation practices, as such an approach will sacrifice the possibility of capturing individual utility efficiencies and may result in missed energy and demand savings opportunities.

JCP&L supports the concept of having program administrators work in coordination and collaboration with one another to support consistency where appropriate. However, flexibility in individual utility program design and implementation practices allows these entities to optimize savings and cost-effectively achieve individual targets. Flexibility also enables programs, incentives, and implementation approaches to be tailored to fit the uniqueness of the obligated entities' targeted customer demographics, rate structures and relationships. It further enables program administrators to leverage existing operations and pilot unique programs or innovative strategies.

Where appropriate and cost-effective, program administrators can also work together to coordinate consistent program operations. Collaboration and coordination are important to ensure broad and equitable access to program opportunities, to share best practice program ideas and implementation practices, to provide consistency where appropriate, and to coordinate complimentary program offerings. The utilities have demonstrated their ability to work together collaboratively through many efforts, such as through their sharing of insights from their implementation of existing energy efficiency programs. Collaborative workgroups can also be used as an effective tool to facilitate the sharing of best practice ideas and implementation approaches. By encouraging collaboration and coordination within a broader framework that supports flexibility, New Jersey can capture the best of both worlds.

PROGRAM RECOMMENDATIONS

Utility Administered Core Programs

As core programs are transitioned from the New Jersey Clean Energy Program ("NJCEP") to the utilities, JCP&L believes the Board should allow utilities to modify and improve program designs and implementation practices, where possible, by leveraging lessons learned from prior experience both inside and outside New Jersey, and by implementing best practices from affiliate utilities in other states. Enhancing NJCEP's existing programs is a necessary step to increase program performance and meet the aggressive targets under the CEA in an efficient and economical manner.

Additional Utility-Led Initiatives

JCP&L appreciates the Straw Proposal's recognition that the utilities need the ability to include Additional Utility-Led Initiatives in their portfolio, as many additional programs will be necessary to meet the significant increase in energy savings required under the CEA. JCP&L expects to leverage the energy efficiency and demand response experience of its nine affiliate utilities to propose expanded program offerings with additional efficiency measures when it files its portfolio plan as directed by the Board. As examples, entry level home audit offerings and

other targeted programs, such as programs tailored to agriculture and universities, may work well in certain utility territories based on customer demographics.

As discussed further below, JCP&L recommends that the Retail Products program should be a Utility Administered Core Program and not a State Administered Core Program. JCP&L notes that the current Retail Products program does not include all EnergyStar rated retail products and recommends that utilities be allowed to include additional products as an Additional Utility-Led Initiative. Such an offering will enhance the opportunities for energy savings by offering products, based on availability and market conditions, that are not currently offered under the Retail Products program. The potential to offer additional retail products, which oftentimes involves the use of the same retailers used for the Retail Products program, further supports utility administration of the program to leverage and ensure cohesive marketing across the utility's program portfolio. Utility administration of a single retail products program will also protect against the customer and retailer confusion or fatigue that can result from having multiple program administrators.

Additional State-Led Initiatives

The Company appreciates the Straw Proposal's acknowledgment that there may be opportunities for utilities to propose territory-specific pilot programs that have a research and development component. JCP&L and its affiliated utilities are members of the Electric Power Research Institute that supports various utility initiatives, including energy efficiency, and have recently participated in demonstration projects, including projects for advanced heat pumps and data centers. While the advanced heat pump demonstration is in progress, the data center project was successful in achieving material energy savings and resulted in a conference that was used to communicate and promote the opportunity, findings and results of the project to other data center customers. The Company anticipates similar research and development opportunities can be used in New Jersey to both market and enhance its program offerings to its customers.

Co-Managed Programs

Given the numerous challenges and complexities associated with shared roles and responsibilities, JCP&L suggests the programs identified as co-managed in the Straw Proposal be either re-directed to become purely utility administrated or state administrated programs. Specifically, JCP&L believes that mass market programs that involve consumer products or retailer engagement, including Appliance Recycling and EE Products Marketplace, should be utility managed programs. Additionally, as discussed above, JCP&L believes that Retail Products, which is proposed to be a State Administered Core Program, should be utility managed. On the other hand, programs that involve coordination with other state agencies and target limited customer sectors, such as Low Income and Multi-Family, may benefit from state administration.

PROCESS

Utility Coordination

While many programs and implementation practices will be similar across utilities, JCP&L recommends against dictating uniformity as this would sacrifice the ability of individual utilities to design and implement programs best structured to meet the needs of their unique customer mix. A "one size fits all" approach rarely leads to optimal results. While the Company recognizes that the Straw Proposal envisions the various programs in the State to be offered on a "consistent basis," JCP&L does not believe that means that programs need to be *identical* (e.g. the same incentive levels, regardless of location, economics or customer demographics), nor that it requires joint contracting for the programs or joint administration. Allowing utilities to work with different vendors to deliver programs provides the opportunity to evaluate the experiences that utilities have working with different vendors and program designs. Ultimately, New Jersey's utilities can share and learn from their collective experiences in order to develop better programs. By adopting this overall framework, New Jersey will be able to effectively test different program designs and approaches that support the utilities' efforts to maximize the performance of their program portfolios. Such a benefit would be lost if the State mandates uniform program implementation.

This framework, allowing utilities flexibility with their implementation of programs, is how all of JCP&L's other affiliated companies have operated programs in other states. Additional benefits of this approach include: (1) allowing the utility to design programs that are best situated for its individual service territory by taking into consideration customer demographics, local markets, and pricing; and (2) allowing the utility to select the implementation vendors that are best positioned to engage with customers and operate effectively within its territory. For example, certain vendors may be better positioned to deliver programs to a unique customer segment, the effectiveness of which will differ depending on the customer mix (rural v. urban, residential v. commercial v. specific industrial segment, etc.) within each utility's service territory.

Tracking System

The Straw Proposal includes a statement regarding the development of "a coordinated database to track and store program data" to "make the reporting process easier and the evaluation process timelier and more accurate." While recognizing that details on such a system would need to be developed, such a statewide database as described by the Straw Proposal may be a costly undertaking with significant administrative burden and may not be justified by its benefits. JCP&L suggests that program administrators utilize existing databases to track and report programmatic progress and that standard reporting templates be established to support consistent reporting and evaluation across all program administrators. Such an approach will make the cost and effort to design, develop, implement, and maintain a statewide database unnecessary.

However, JPC&L recognizes the potential need for a limited state-wide aggregated database to support the successful implementation of state-led initiatives where direct access to operational information is needed to manage program performance. As such, the additional administrative and IT infrastructure costs for such a limited purpose may be justified. In such a situation, JCP&L suggests that the State clearly define required minimal data inputs that the utilities can provide to support such initiatives.

In the event the State requires a coordinated database for all programs, JCP&L recommends that it include only high-level aggregated, programmatic information that is necessary to monitor progress and is divorced from customer records due to the need to protect confidential customer information and cyber security related concerns. Additionally, to the extent that the database includes unverified information that has not gone through utility-initiated quality processes or evaluation, it should not be utilized to determine a utility's compliance with its savings and performance targets.

METRICS

N.J.S.A. 48:3-87.9(c) requires the Board to adopt quantitative performance indicators ("QPIs") for each electric and gas public utility, "which shall establish reasonably achievable targets for energy usage reductions and peak demand reductions and take into account the public utility's energy efficiency measures and other non-utility energy efficiency measures including measures to support the development and implementation of building code changes, appliance efficiency standards, the Clean Energy program, any other State-sponsored energy efficiency or peak reduction programs, and public utility energy efficiency programs that exist on the date of enactment of [the Clean Energy Act]." Further, N.J.S.A. 48:3-87.9(e)(2) and (3) provides that a utility will receive an incentive (or penalty) if it achieves (or fails to achieve) "the performance targets established in the quantitative performance indicators."

The Company believes that the multifactor incentive mechanism proposed as part of the Straw Proposal is overly complicated and should be simplified to the core metrics enumerated by the CEA, namely "energy usage reductions and peak demand reductions". Creating a more limited set of targets creates clear objectives and ensures focus on achieving the ambitions CEA targets for utilities and the BPU. QPIs can be reassessed in the third year after programs are established, based on experience and performance to date.

Under the CEA, utilities have the obligation to deliver savings. It is therefore critical that incentives and penalties relate to the development, implementation, and administration of energy efficiency programs that are under the utilities' control. It is also consistent with the Act's mandate that the Board take into account appropriate factors "to ensure that the public utility's incentives

or penalties . . . are based on performance." *See* N.J.S.A. 48:3-87.9(c). As noted in the comments filed by NJUA, the implementation of QPIs for co-managed programs is inconsistent with this mandate because it places the utilities at risk of incurring penalties based on factors that are outside their control.

* * *

JCP&L again thanks the Board for the opportunity to provide these comments and Board Staff for its work on the Straw Proposal. JCP&L looks forward to further engagement with Board Staff and other stakeholders as New Jersey's transition under the CEA to utility-led energy efficiency programs continues to take shape.

If you have any questions about JCP&L's above comments, please do not hesitate to contact me.

Very truly yours,

Kurt E. Turosky

Kurt E. Turosky
Director, Energy Efficiency Compliance & Reporting

From: Kirk Frost <kirkafrost@yahoo.com>
Sent: Friday, January 17, 2020 12:44 PM
To: publiccomments@njcleanenergy.com
Subject: [EXTERNAL] Public comment 1: Energy Efficiency and Peak Demand Program Administration Straw Proposal

Dear NJ Clean Energy,

I very much appreciate all that NJ Clean Energy has done for New Jersey. I urge NJ Clean Energy to re-gear its organization and ability to monitor and track energy efficiency and renewable implementations.

The best practices offer no reporting or analysis on a monthly basis of energy sales, distribution, consumption and renewable generation at the endpoint level. Yet all of this data is available via the public utilities. Additionally, no commenter suggested to NJ Clean Energy that there are other approaches to improving energy efficiency and shifting towards renewable energy sourcing.

In reviewing over the comments submitted and the evolutions of EMP goals towards actual plans and straw proposals, it is clear that status quo energy remains the dominant force influencing NJ Clean Energy. There are a few health care customers that provided useful information (LED light bulbs and several other efficiency activities), but there are no comprehensive methods for NJ Clean Energy to actually measure, monitor and adjust Energy Efficiency progress and utility energy grid change required for shifting toward 100% clean energy.

The reduction numbers in natural gas and electricity over 30 years reflects the companies and utilities, but does not lend itself towards actual change in infrastructure or public awareness. The incentives target a specific residential median income and hope that the other outliers intuitively join in. This is not Equity Justice, nor does this serve efficiency and reduction in usage of natural gas and electricity.

My Suggestions:

Best Practices

- NJ Clean Energy initiates a counsel to review, provide monthly updates and assess alignment of programs with 30-year Transformation program towards achieving 100% clean energy by 2050.
- Engage NJ public high schools in research and competitions on energy efficiency, hydrogen economy, microgrid designs and renewable energy implementations.
    - 2020 – 2025 – Initial research and competitions sponsored by Utilities and companies proposing solutions.
    - 5-year Re-evaluation intervals of overall program and report into Energy Master Plan Transformation Program office of findings and comparison with other leading states and countries towards 2050 100% clean energy.
    - Nominate annually high school science teachers to NJ Clean Energy advisory council (5 teachers every year)
- NJ Clean Energy initiates a Data Integrity, Compliance and Reporting (DICR) unit that begins publishing Monthly Metrics on NJ Clean Energy website and developing deeper insight into energy usage issues, anomalies, provisioning to other agencies and reporting to the Governor and public monthly.
- Programs that have important structural elements that cross jurisdictions are best handled at the state level, from a Program Management level organization - Energy Master Plan Transformation Program Office (EMPTPO).

EMPTPO orchestrates all agencies and public in reviewing; coordinating with agencies and policies; approving and reporting monthly metrics associated; and ensuring programs align into EO28 2050 100% clean energy goal.

- Programs that rely on customer data or advance metering infrastructure (AMI) are best handled by utilities, but data must be submitted Monthly to NJ Clean Energy as the authoritative data source for New Jersey.
- All Programs must be submitted to NJ Clean Energy as the authoritative data repository and administered at the utility level for installation and compliance with DICR reporting requirements.
- Programs for which there are important equity considerations are best handled at the Energy Master Plan Transformation Program Office to be assessed for funding and enabling low income transition to renewable energy and energy conservation.
- Engage NJ Public by not only postings for comments but also by invoking NJ high schools as a mechanism for reaching New Jersey residents for input.

Program Administration

- Program Administration is managed and controlled by EMPTPO and DICR with input from the New Jersey Clean Energy Council (NJCEC) that includes representatives from utilities, high school science teachers and NJ agencies.
- NJCEC engages state legislature and communities to enable rapid transitions
- NJCEC publishes monthly metrics that outline programs and program measures.
- Statewide labeling of programs should also identify schools and sponsors that enable programs.
- Use 7 other states in the Zero Emissions Initiative as vetting of programs, policies and structure of programs to be initiated.

Program Recommendations

- All programs are overseen by EMPTPO
- Programs are evaluated in terms of:
    - Transformation of grid
    - Penetration into all NJ areas
    - Equity Justice
    - Conservation of residents
    - Implementation of renewable sources
    - High school research and pilots evaluated
    - Implementation of hydrogen as battery and fuel
- All programs will be required to include monthly reporting as well as ongoing metrics updates to NJ Clean Energy once program is completed.
- Programs built specific to explore microgrid and hydrogen combinations using NJ high schools as the proof of concept and pilot.
- Priority for programs governed where practical to distribute energy use into microgrids using locally sourced energy and distribution.
- Priority for programs that enable further renewable source implementations at each residential and commercial location in offsetting centrally located energy distribution or sourcing plant.
- Energy Savings that has direct residential and commercial energy savings.
- Behavioral Programs targeting energy waste that invests directly into location high school, local public township and community awareness programs.

Specific Energy efficiency targets

- Increased capacitance enabled through hydrogen storage and micro grid implementation

- Increased efficiency through conversions of locations to LED, smart plug devices (that turn off device charging power when not required) and HVAC efficiencies.
- Public education that sponsors high schools that have the most impact on a measurable neighborhood area.
- Grants that sponsor noncommercial applicants for developing new energy efficiency and renewable implementations.

Process

2020 – Form EMPTPO, DICR and NJ Clean Energy Counsel (NJCEC).

2020 – Initiate outreach to NJ high schools, utilities and stakeholders

Years 1 – 5

- Compile, evaluate and report monthly on programs, measurements and targets of programs.
- Trend, assess and report monthly on issues and anomalies from utility provided data.
- Public awareness initiative in coordination with NJ high schools.

Years 6

- Formal review of current plan and recommendations
- Evaluation of Public engagement
- Evaluation of Utility engagement
- Revised Project plan based on learned capabilities and global trends to enable 100% clean energy by 2050.

Years 7 – 12

- Implementation of aggressive plans to increase energy efficiency, convert to locally sourced clean energy usage and availability of hydrogen infrastructure readiness.

Years 12 – 20

- Highlight and invest into microgrid and hydrogen fuel as the core components for enabling a clean energy infrastructure.
- Start introducing emerging clean energy methods and technologies discovered.

End State

- New Jersey full energy traversal mapping and quantification of all energy traversal within NJ with details of what fuels used, what energy sources used, level of transformation of infrastructure migration to microgrid infrastructure and discreet energies created from renewable source, used by locations and overall capacity.
- Formalized implemented state organization that provides monthly metrics, continually utilizes NJ public education forums, sponsors new technologies and provides forum for residents to be engaged.
- Pressure on other states that still have legacy fossil fuel connections or transports through New Jersey to move off of fossil fuels.

Conclusion

New Jersey Clean Energy has been instrumental in sparking renewable energy with New Jersey. With Executive Order 28, New Jersey needs to evolve and push further in terms of measurement (Monthly Metrics), public engagement (via high schools) and drives to new energy renewable sources, energy transmissions (currently hydrogen) and substantial changes in efficiency (energy grid, buildings and homes).

The usual commenters do not take this into consideration. It is critical for NJ Clean Energy to reach beyond the usual commenters. The single most effective way is by engaging high schools across New Jersey and creating competitions,

research and awareness incentives distributed at the high school level to reach the community. I live in a neighborhood where many residents leave their luminescent lights on 24 hours a day and have houses that are not well sealed from the outdoors. The single best source for these residents to change is from their own children.

I very much appreciate you consideration to feedback.

Energy Efficiency and Peak Demand Program Administration Staff Straw Proposal

Comments of the New Jersey Large Energy Users Coalition

The New Jersey Large Energy Users Coalition ("NJLEUC") appreciates the opportunity to provide these comments regarding the Staff Straw Proposal regarding the future provision of the Office of Clean Energy ("OCE") and utility energy efficiency and conservation programs under the Clean Energy Act, P.L. 2018, c. 17 ("CEA").

On balance, the Straw Proposal is a thoughtful, high level analysis regarding the future provision of the OCE and utility programs, predicated on appropriate "core objectives" that require program opportunities to be provided in an equitable and consistent manner to all ratepayers, and all offerings to be cost-effective and protective of ratepayer interests. Because the CEA holds the electric and natural gas utilities responsible for achieving the Act's mandatory energy and peak demand reduction targets, the Straw contemplates that the utilities will play a more active, but properly balanced and restrained role vis-à-vis the OCE, in promulgating, administering and implementing efficiency and conservation programs designed to achieve those reductions. The Straw does not address issues relating to utility incentives and penalties and these Comments will be silent on those issues as well.

NJLEUC agrees with the Straw that it is important for the Board to maintain primary and active oversight responsibilities regarding all aspects of program planning and management. The Board's active role is necessary to assure that to the greatest extent possible, the programs offered by OCE and the utilities are viable, well researched in the relevant markets, cost-effective, aggressively marketed, implemented uniformly statewide, and with the results properly monitored and verified on a regular basis through application of common evaluation criteria. Some of these elements of program administration have not been adequately addressed and implemented in the

past. However, the enactment of the CEA signals that the time has come for all of these elements to coalesce to produce the suite of energy efficiency and conservation programs that are needed to achieve the State's energy usage and peak reduction goals.

The need for centralized planning and statewide coordination is critical to assure that all programs are implemented in a uniform manner to avoid customer and vendor confusion caused by inconsistent program rules and requirements, enhance efficiencies and attendant cost savings, and assure that the OCE and utility programs do not compete with each other. Program development and approval should occur as part of a Board-supervised collaborative process, involving OCE, the utilities, Rate Counsel and interested stakeholders to assure that all programs are developed and approved in accordance with the Straw's "core objectives".

Programs should be thoroughly evaluated and supported by adequate research in the relevant customer markets before implementation, to enable the Board to gauge their anticipated effectiveness, including the pricing of customer incentives and the consistency of program guidelines with customer requirements and circumstances. For example, the Pay for Performance program has included a 15% energy savings threshold requirement that is unattainable by many large customers. These companies were early adopters of energy efficiency and are currently capable of producing only modest incremental energy reductions. It is noteworthy that for this reason, the initial budget established for PFP proved to be overly generous and the surplus was transferred to the Large Energy Users Pilot Program, which included guidelines developed with customer input that were more conducive to participation by large C&I customers. This consideration is also relevant with regard to the Straw's assumptions regarding the future additional savings that are obtainable from these customers, as many can no longer be considered "low hanging fruit" capable of significant energy reductions.

All program-related issues, including consideration of additional programs proposed to be offered by utilities, should be resolved and the effectiveness of the programs fully assessed before the utilities are permitted to make their three year filings regarding future programs and initiatives. The utilities should not be permitted to make programmatic decisions, which should be reserved in the first instance to the OCE, aided as required by independent third party program managers, through the collaborative process. We recognize the obvious--that utilities have a financial interest in these programs--and will be motivated to make substantial investments for which they will seek a return, administrative fees and others perks that could make these programs inordinately expensive for ratepayers. We note that PSE&G has proposed more than $2.5 billion in spending for its proposed programs and seeks multiple layers of financial rewards including rate decoupling. There is clearly a significant role for the Board to play here if the Straw's "core objectives" regarding ratepayer protection are to be achieved, particularly given the likelihood that more favorable alternative financing vehicles are available in the marketplace.

It is also important that measurement and verification of all programs be comprehensive and ongoing, using consistent protocols and verifiable data, and should include an evaluation of the performance of program managers, administrators and implementers. Performance metrics should be consistent, particularly where there is overlap between OCE and utility-administered programs, and all evaluations should be performed by independent third parties who do not have a financial or other interest in the development or delivery of the programs they review. Under no circumstance should evaluations be conducted by the entities whose performance is being evaluated. There should also be meaningful opportunity for customer input to foster an exchange of current market data, information and comment, particularly by customers who are the intended beneficiaries of the programs. Such feedback could be valuable in determining, among other

things, whether incentive levels are properly established and whether program requirements are responsive to customer needs or require modification.

The argument favoring more active utility participation in the promulgation, administration and implementation of energy efficiency programs is based on (i) the utilities' existing relationships with their customers, (ii) access to their customers' energy usage data, (iii) the knowledge gained by utility representatives regarding their customers' businesses and patterns of energy usage, and (iv) the utilities' ability to offer innovative financing arrangements such as on-bill financing. The combination of the utilities' access to customer energy usage information and their ongoing customer interactions is said to afford the utilities unique knowledge and insights regarding their customers, and qualifies utility customer representatives to make informed recommendations to customers regarding the energy efficiency and conservation measures they should implement.

There is no question that utility-sourced financing options such as on-bill payments have value to many customers and that access to customer data provides a utility with insights regarding their customers' energy consumption. However, the suggestion that utility customer representatives are sufficiently familiar with their customers' operations to qualify them to assist customers in implementing energy efficiency and conservation measures overstates the case, at least from the perspective of large commercial and industrial customers.

We note that for many years, the utilities have largely been removed from the energy efficiency business. The Standard Offer program, which was implemented in response to the 1990s energy crisis, was the first program to involve the utilities in the State's energy conservation efforts. The program compensated the utilities and their customers for reducing their energy consumption through the introduction of efficient lighting and other measures. The utilities

maintained staff and administrative infrastructure to fulfill their role in the implementation of the program. However, Standard Offer was discontinued prior to the restructuring of the electric and gas industries in 1999 due to conflicts of interest, excessive program costs and other issues that plagued the program. Until the passage of the RGGI Law in 2008, the utilities were removed from the energy efficiency business and the administrative structures and personnel they had maintained for this purpose were disbanded or repurposed. RGGI Section 13 reopened the door to utility participation in regulated energy efficiency and conservation programs and the Board has approved various programs proposed by some, but not all utilities. In these programs, the utilities have relied in large measure on the use of subcontractors and third party vendors to perform most program-related tasks.

The passage of the CEA therefore comes at a time when the utilities lack significant in-house resources and capabilities to implement and administer energy efficiency and conservation programs. This is understandable given the history of the utilities' on-again/off-again involvement with these programs, but the current reality must be taken into account as determinations are made regarding the utilities' level of preparedness to the implement and manage certain OCE programs and what can reasonably be expected of them. It is evident that the Straw's assumptions regarding the utilities' capabilities should not be accepted at face value, and that an accurate assessment should be made regarding the true nature and extent of the utilities' current capabilities to provide an accurate benchmark for the Board's determinations.

There is reason to be concerned. PSE&G is one of the more active utilities in the energy efficiency space, and recently petitioned the Board for the exclusive right to provide regulated energy efficiency products and services in its service territory to enable it to comply with the CEA. However, the testimony of Karen Reif in the Clean Energy Future-Energy Efficiency Program

("CEF") proceeding, calls into question the extent to which Ms. Reif and PSE&G are informed regarding the OCE programs and their customers' operational and energy requirements.

The cross-examination of Ms. Reif, who is in charge of the company's energy efficiency program, was revealing in a number of respects. Ms. Reif was appointed to her position only two months after the CEA was enacted. Prior to her appointment, for about twenty years most of her time was spent in a number of unrelated information technology-based positions. It was therefore not surprising that when asked by staff about the details of certain OCE programs, Ms. Reif was unable to respond, stating several times that she was "not familiar with all of the details of all of their (OCE's) programs" (CEF Hearing Transcript at 81-82, regarding the Pay For Performance and Residential New Construction programs). Ms. Reif testified that, at least at the time of the hearing, the company has not engaged in a detailed analysis of the OCE programs because "New Jersey OCE is not looked on as a leader in this space". (Transcript at 109). Nor was she familiar with the Energy Savings Improvement Programs (ESIP) law, a significant energy efficiency program that enables government entities to fund energy efficiency projects through the savings generated by the projects. (Transcript at 128).

With regard to the Large Energy Users Program, here again, Ms. Reif was unaware of the details of the program or the benefits customers derive from it, and was unaware whether anyone within the company had discussed with large customers their thoughts regarding the viability of the program and whether it should be continued. (Transcript at 112-116). Nor was Ms. Reif aware of whether the company has performed independent New Jersey-based market research or convened focus groups to determine what programs would be attractive to the utility's customers and trade partners. (Transcript at 126).

In a word, Ms. Reif's testimony does not inspire confidence in the company's ability to manage OCE programs, programs that PSE&G has described as substandard and requiring wholesale replacement. The same can be said regarding the abilities of customer representatives generally (all utilities) to assist customers, particularly large commercial and industrial customers, in the implementation of energy efficiency and conservation measures.

The members of NJLEUC are uniquely qualified to address the relationship of the utilities and their customers. Therefore, an informal poll was conducted of the members to obtain their input regarding their individual experiences with the utilities and their customer representatives. The following is a summary of the responses provided by some of the utilities' largest customers.

The utilities that serve NJLEUC members received good grades regarding issues that occur up to the utility meter. Most members indicated that their representatives were helpful in resolving a variety of billing and service-related issues that arose with the utility, and that some "went to bat for them" with the utility. The members' generally agreed that their customer representatives tended to be helpful in resolving actual issues that arose with the utilities regarding billing-related matters and some involving adequacy of service. One company indicated that utility representatives were helpful assisting with the replacement of the company's main transformers and switchgear.

However, others noted that their customer representatives tended to be defensive when presented with service-related issues, and reflexively took the position that the utility was not at fault in those circumstances. In these situations, the issues tended not to be resolved to the customers' satisfaction, which prompted some not to bring subsequent issues to their representatives. A common complaint was that the companies rarely heard from their customer

representatives unless the representatives were advancing their utility's "agenda" before the Board, soliciting support for the utility's regulatory filings.

No members indicated that their customer representatives had ever proposed an energy efficiency program to the companies. No members expressed confidence that the customer representatives understood the members' businesses or processes. Several members indicated that they would be skeptical of anything that their customer representative proposed due to suspicions whether the program was being offered primarily to benefit the utility or the member. It is noteworthy that all responding members indicated that they did not believe that their customer representatives were sufficiently knowledgeable about their businesses to make informed recommendations regarding potential energy efficiency and conservation initiatives, with one member analogizing an attempt by its customer representative to offer such advice to "the proverbial fish out of water".

The member who expressed this skepticism provided the following informative summary of his company's experiences with utility ownership and control of data over the past two decades. At the time of deregulation in 1999, utilities held firm control over customer data. Third party suppliers that were duly authorized in writing by prospective customers could request certain types of data through EDI protocols for the purpose of preparing competitive pricing proposals. Customers that directly requested data were limited to printed bill data summaries and hourly usage patterns that made it difficult for customers to easily understand their usage patterns. Since deregulation, PSE&G has replaced its C&I customers' standard meters with interval data-capable meters that are interconnected through mesh communication systems, and gradually made internet-based web portals available to customers which enable them to see load data and load distribution curves and to download the data in excel format. In 2019, PSE&G introduced a more

comprehensive online load management tool that permits easy visualization of hourly peaks and tracks usage and weather data together with other user-defined parameters. The tool can also incorporate building-specific information such as schedules, power densities and architectural features that enable the customer to meaningfully compare the usage of buildings on an apples-to-apples basis. The member described the tool as one that "meets or exceeds the capabilities of other utility presentment and analytical tools now available on the market".

However, the member concluded its analysis with the observation that "translating the data into specific efficiency improvement projects requires more sophisticated statistical analytical tools and/or an onsite review of the customers' existing systems and operating practices. PSE&G representatives are highly trained and capable in power systems transmission, distribution and operations but do not have the experience and, in my opinion, the depth to function much beyond the utility meter. PSE&G's efforts in improving energy efficiency and leveraging data and analytical systems is best left to those specifically trained in these venues."

It is important for the Board to keep these actual customer perspectives in mind as the Board assesses the ability of utility customer representatives to provide meaningful counsel and guidance to their customers regarding potential energy efficiency initiatives. Based on this survey of NJLEUC members, it is evident that the Board overstates the ability of utility customer representatives to provide the type of guidance contemplated by the Straw Proposal, as least for the utilities' large customers. This is understandable, as the fact that utilities have largely been removed from the energy efficiency business for many years means their customer representatives likely have received little training regarding the assessment of energy efficiency and conservation opportunities and making recommendations regarding the appropriate measures to implement in given circumstances.

The Board should consider requiring the utilities to provide additional training to their representatives who should, in turn, be required to demonstrate a designated level of knowledge and proficiency with energy conservation measures and energy audit procedures and guidelines that would be sufficient to enable the representatives to provide meaningful guidance to customers. In the alternative, the utilities should be required to retain third parties to perform these tasks, although this approach would add additional administrative costs that could be unattractive to ratepayers.

NJLEUC offers the following additional comments regarding certain OCE programs:

As a general matter, we urge the Board and OCE to require each of the OCE and utility programs to adopt, whenever possible, a holistic approach to energy efficiency and conservation projects. It is important to keep in mind that an approach that focuses solely on "low hanging fruit" such as lighting fixtures and chiller replacement may be tempting as it would produce impressive short-term results, but in the longer term would undermine follow-up efforts to "go deeper" and address additional measures such as building control systems, motors and HVAC systems. It is often the case that if lighting and chiller retrofits are done in isolation and not in combination with other such measures in a single project, this adversely affects the economics of attempted "second round" projects, as the absence of lighting and chillers from the savings calculation results in prolonged payback periods that are unattractive to customers. Therefore, to the greatest extent possible, energy efficiency and conservation projects should be approached in a comprehensive, holistic manner, incorporating the full suite of available measures into a single, economically viable project. In all instances, the focus should be on the long term benefits to a facility, as opposed to short term quick spending opportunities. Otherwise, it is likely that the low hanging

fruit approach would prevent customers from doing a second round of projects, as the economics would no longer be sufficiently attractive to justify further action. This situation should be avoided as it would leave considerable potential energy savings on the table.

Large Energy Users Program:

NJLEUC takes issue with the Straw's assumption that "large energy users are one of the customer bases with the most significant potential for energy savings in New Jersey" and that "it is integral that utilities leverage their strengths as PAs in order to maximize energy savings in this sector". As previously noted, many of the State's large energy users—certainly the members of NJLEUC—were early adopters of energy efficiency as part of the companies' continuing efforts to reduce their energy costs to remain viable and competitive in New Jersey. As such, the mere fact that a significant amount of electric and gas is consumed behind C&I meters does not necessarily mean that there remains a significant potential for energy savings with these customers. As earlier noted, because of their long history of investments in energy efficiency measures, NJLEUC members were unable to take advantage of the Pay for Performance program, which requires participants to achieve a 15% energy reduction. In fact, NJLEUC members are often content to pursue projects that reduce usage by 2% or less. This is the current reality for many of the State's large energy users, a situation that should be expected following years of targeted investments in the companies' energy infrastructure that were designed to reduce their costs of operation in a high energy cost environment.

Nevertheless, continuing investment in the C&I sector is justified because, additional projects remain and, as the Board has repeatedly recognized, large users consistently produce the largest returns on investment for energy efficiency and conservation measures. At this juncture,

further efficiencies become increasingly difficult for C&I customers to achieve. Therefore, one of the reasons underlying the adoption of the Large Energy Users program was the recognition that large customers needed a freer hand to locate additional savings opportunities for themselves, including increasing use of custom measures and subject to "light-handed" regulation by the OCE and TRC to afford the needed flexibility. NJLEUC does not believe that the utilities add value here. We lack confidence in the utilities' ability to analyze and understand members' businesses and to make the type of creative energy conservation recommendations that are now required. No members believe the utilities are capable of providing this type of guidance.

We therefore encourage the OCE, assisted by a third party advisor with appropriate engineering and other expertise, to retain oversight of the LEU program and remain receptive to new approaches that will facilitate additional savings from this sector. While on-bill and other financing options from the utilities may be useful to some, and all would welcome additional data options that enhance the companies' ability to more accurately measure and assess their usage, these options do not outweigh the need for the OCE to retain control of the program. Utility management of the LEU program would be expected to increase the costs associated with the program without corresponding benefit. Ms. Reif's testimony also underscores that PSE&G has little understanding of the LEU program or the preferences of its C&I customers and, in fact, did not propose a comparable replacement program in its CEF filing.

Curtailment Load Programs

NJLEUC strongly supports demand response, but questions why, given the existing and expanding competitive market for these services it is necessary for ratepayers, rather than the companies that actually participate in these programs, to be responsible for the costs associated

with them. In a word, there are already a number of curtailment service provider and PJM-sponsored programs in this space, which should obviate the need for ratepayer-funded utility involvement. There is simply no need for the utilities to play this role, or worse, to be authorized to compete with PJM programs that are not supported by ratepayers.

Combined Heat and Power/Fuel Cells Program

NJLEUC supports the expanded use of CHP and fuel cells and strongly agrees that the program should be administered by the State. The utilities have not been proponents of CHP or other forms of distributed generation such as microgrids because they view CHP as a competitive form of generation that reduces customer reliance on utility distribution systems and threatens utility profits. Because the purpose of the CHP program is to expand CHP penetration in New Jersey, it would be an obvious mistake to assign the utilities responsibility for this program given their obvious conflict of interest.

CHP and fuel cells are worthy of the Board's support because they have the potential to produce significant customer cost savings, enhance the reliability and resiliency of our energy infrastructure, and reduce greenhouse gas emissions. The State is also in the best position--and is properly motivated--to coordinate the desired expanded use of CHP and fuel cells with other programs, including the Board's Town Center Microgrid Program and ESIP.

We encourage the Board to continue to make adequate financial incentives available for CHP and fuel cell projects. Further, given the technical complexities associated with distributed generation, we recommend that the Board continue to retain the services of qualified technical advisors to oversee the program and assist the Board's review of CHP and fuel cell-related project

applications. Technical expertise is required for the program to produce viable projects. The utilities do not have this expertise.

NJLEUC appreciates the opportunity to provide these comments and to participate in this stakeholder process.

Respectfully submitted,

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Attorneys for the New Jersey
Large Energy Users Coalition

January 17, 2020

Docs #4134804-v1

January 17, 2020

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3 Floor, Suite 314, CN 350
Trenton, New Jersey 08625

Subject: Lime Energy Commends the New Jersey Board of Public Utilities for its Energy Efficiency Program Administration Straw Proposal

Dear Ms. Camacho-Welch,

This transmittal is in response your December 20, 2019 Public Notice calling for written comments regarding the Energy Efficiency Transition – Program Administration Straw Proposal.

Lime Energy is known here in New Jersey, and nationally, as leader in commercial energy efficiency delivery; we specialize in serving small and midsized customers, which are often overlooked by market actors and struggle to take advantage of energy saving opportunities. Lime operates out of Newark, New Jersey. Our company employs 110 people in New Jersey and our business creates thousands more subcontractor and other supply chain jobs in the State.

Lime Energy sincerely appreciates the opportunity to have actively participated in BPU-led stakeholder conversations over the last year. The stakeholder meetings held from September through December 2019 have been particularly well designed and administered, with more than adequate opportunity for companies like Lime and others to weigh in on key aspects of the critical issues around the advancement of energy efficiency in New Jersey.

Furthermore, the Straw Proposal illustrates that the BPU has heard, and has put to good use the input of the energy efficiency products and services industry. The Straw Proposal contains thoughtful policy design elements and reflects the central role utilities must play in the delivery of energy efficiency programs. Particularly, underserved commercial customers like those to which Lime attends are best supported at scale through utility-administered programs.

Congratulations on a well-crafted Straw Proposal. Beyond the brief feedback above, I refer you to the Energy Efficiency Alliance of New Jersey's written comments with more specific input on discrete program administration matters.

Lastly, we urge you to advance the process of directing utilities to launch programs as quickly as possible. As we wait unnecessarily to ramp up programs, New Jersey's residents and businesses, our economy, and our environment endure undue hardship that can be avoided.

Sincerely,

Lloyd Kass
Senior Vice President, Utility Strategy

MaGrann ASSOCIATES
Building Science for a Better Environment
701 East Gate Drive ● Mount Laurel, NJ 08054 ● 1-888-MAGRANN ● www.magrann.com
New Jersey ● New York ● Pennsylvania ● Maryland ● Washington DC ● Virginia ● Ohio

January 17, 2020

NJ Board of Public Utilities
Attn: Aida Camacho-Welch, Secretary of the Board
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Via email: EnergyEfficiency@bpu.nj.gov

Re: Program Administration Straw Proposal

Dear Secretary Camacho-Welch,

Thank you for this opportunity to provide comments on the recently circulated Program Administration Straw Proposal.

MaGrann Associates is a for-profit energy engineering and consulting firm established in 1982 and based in Mt. Laurel, New Jersey. Throughout the life of New Jersey's Clean Energy Program, as well as preceding and current programs operated by New Jersey's electric and gas utilities, MaGrann Associates has provided energy rating and modeling, engineering design, verification, certification, commissioning, monitoring, training and program implementation services for New Jersey's residential builders, developers, contractors, design professionals, building owners and managers.

The following comments relate specifically to the programs with which we have the most direct, day-to-day experience: "Residential New Construction" and "Multifamily" (for new and existing buildings). Our higher level policy perspectives have been shared with the industry advocacy group EEA-NJ, and will be reflected in the consensus positions presented in their comments.

Residential New Construction (RNC)

We strongly believe that keeping the RNC program under the State's direct administration would be an inappropriate outcome and that this program (and C&I new construction) should be transitioned to a "utility administered core program" or "co-managed" utility implementation model in the same way as proposed for the Home Performance with ENERGY STAR and Multifamily programs respectively.

Our reasons for taking this position include the following:

1. The relationship with codes & standards does not have the relevance claimed in the Straw as a basis for keeping the program under State jurisdiction. This is an *above-code* program that aims to support the construction industry in preparing for and driving toward Net Zero Energy *ahead* of code mandates. Engagement in moving baseline codes & standards forward on a meaningful and accelerated path rightfully belongs in the "Energy Codes & Standards Initiative" under

"Additional State-Led Initiatives". In fact, attempting to house such an effort within the RNC program itself would establish an irreconcilable conflict that is likely to significantly reduce participation rather than encourage it. These two important initiatives require very different market approaches.

2. The fact that builders and developers work across the state irrespective of utility territory is absolutely valid but also lacks relevance to the argument for state administration since the same considerations could be applied to the programs proposed under the "co-managed" model (such as Multifamily) or the "utility administered" model (such as Home Performance).

   Additionally, the primary engagement mechanism for the RNC program is the network of Energy Rating Companies that act as a statewide conduit to participants for both recruitment and implementation. These companies, such as ourselves, act as a market based bridge between the program and a highly fragmented construction industry comprising builders, architects, developers, contractors, financing entities, compliance agents, realtors and homebuyers. There is no statewide support function that could be uniquely provided by the State for this program that is significantly different from any other program.

   The same conditions apply to the Multifamily program, which also serves builders, developers, property owners and managers (and all of the other constituents and trade allies) who function on a statewide basis, and is more appropriately being proposed by the Straw as a co-managed model which will be able to take advantage of utility relationships with key market actors.

3. There are significant issues associated with the current State administered program that are unlikely to be addressed by continuation of this model, but which could be addressed by transition to utility implementation. For example, our experience with utility administered RNC programs in other states is that builders should be able to realistically expect turnaround of incentive applications and payment within 4-6 weeks of submittal, including any clarifications requested through the applicable QA or review processes. Under the current NJ paradigm, the additional Treasury timeline appears to add 60 days beyond the already lengthy incentive application review and approval process, which drives a published expectation of up to 120 days for turnaround. Together with overly complex submittal requirements and an unnecessarily burdensome QA process (compared with similar programs in other states), incentive timelines frequently extend so many months that participation has suffered significantly as a consequence. If utilities were responsible for incentive payments, we would expect timelines to be substantially reduced, restoring some of the "attractiveness" of the program without impacting quality or performance.

4. The "utility administered" or utility implemented "co-managed" models would allow the program to take advantage of market relationships that utilities already have in place with key market actors such as builders, developers, and of course customers. Furthermore, utilities are likely to be more agile in responding to localized market or grid conditions.

   Utilities will be able to tie other initiatives in with the new construction program in a way that will reduce hurdles and increase benefits for participants. Examples could include demand response

and the introduction of new end use technologies that may or may not otherwise be integrated within the program's whole-building methodology.

5. A number of "core tenets" would still need to apply to a utility administered or co-managed model – and would apply equally to the Multifamily and other programs proposed under those paradigms. These include:
    a. A consistent and streamlined participation process facilitated by a single statewide administration vendor;
    b. A single statewide "portal" for submittal of applications and tracking of unit-level statuses;
    c. A shift or elimination of administrative burden from participants so as to remove significant hurdles to participation and improve timelines;
    d. Visibility into aggregate metrics that are useful for guiding market based engagement, including participation rates, market share, average per-unit savings, etc.;
    e. A robust stakeholder engagement process with flexibility for adjusting program parameters in response to market conditions, new technologies, and participation rates;
    f. A reconstituted awareness marketing effort at utility and/or statewide levels to help drive consumer demand for program homes and support market based recruitment of builders and developers.

Multifamily

The market has been waiting a long time for a program constituted specifically for multifamily buildings – one that recognizes their unique characteristics as an extension of the residential sector and not just a shoe-horned adaptation of commercial construction:

1. We need this sooner than mid-2021. As the bridge between the current program and new construction developers, we have been preparing participants for the changes already announced by NJCEP as "coming soon" (generally understood to be early 2020). Continued delay in the roll-out of the Multifamily program, particularly from a technical standpoint, will cause further market confusion and lack of confidence.
2. At the same time, PSE&G's current program for existing multifamily housing has demonstrated the viability and demand for a comprehensive, fuel neutral approach to large multifamily building retrofits. This initiative should serve as a model for expansion across utilities as soon as possible and should include key success elements such as on-bill financing, as well as multi-phased support from assessment through engineering design, contractor engagement, implementation, QA, commissioning and M&V.
3. For multifamily retrofit (existing building) projects, it is essential that the utilities provide a mechanism for implementers to access unit level usage data in order to properly assess, model

and recruit project opportunities, as well as to monitor post-retrofit performance. A NYSERDA type approach to making this information accessible should be considered.

4. All of the necessary "core tenets" expressed in #5 above under Residential New Construction also apply to the Multifamily program.

Finally, while we believe the "utility administered model" would be the most appropriate for the Multifamily program, the roles described in the Straw are the right ones for the State and utilities respectively under a "co-managed" scenario. As previously stated, we believe that the "utility administered" model should also be applied to the Residential and C&I New Construction programs currently identified as staying under the State's purview. We see no logical justification for any differential treatment of these programs and strongly request that they be reassigned for all the reasons noted above.

Thank you again for this opportunity to provide input. Our team at MaGrann would be happy to provide any additional information that would be helpful in evaluation of these comments.

Sincerely,

Ben Adams
Vice President, Program Development

NJACCA Program Administration Straw Proposal Comments

January 17, 2020

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

Re: Subject: Program Administration Straw Proposal

To Whom It May Concern,

The New Jersey Air Conditioning Contractors Association (NJACCA) has reviewed the above referenced document and wish to submit our observations, concerns and questions. NJACCA is a non-profit trade association representing the Licensed Master HVACR Contractors in the state of New Jersey and their employees. Our members install, service and repair air conditioning, heating, refrigeration, air purification and ventilating systems of all sizes and complexities. Supporting members includes major manufacturers of HVAC equipment and controls, wholesalers and distributors of equipment, vocational and technical schools.

After reading the proposed changes to Utility Administered Core Programs, we would again stress that consistency across utility territories is paramount to program success. Many of our Contractor Members serve across several gas/electric utilities, and differing programs from territory to territory can create administrative burden and confusion for contractors. Particularly in a program as complex as Home Performance with Energy Star, multiple rules, processes and software programs would be detrimental to contractor participation and program success. This would be equally true with C&I programs.

Additionally, marketing of programs to businesses and homeowners by our contractor members becomes extremely difficult because media markets cross multiple utility territories and even internet advertising is hard to pinpoint to that level. This creates confusion in the marketplace with ratepayers.

Another concern of separately administered utility programs could be funding levels, would budget funds be appropriated and budgeted at utility level? These smaller pools of $ and/or different budgeting practices could lead to a jumble of programs shut down due to lack of funds.

Finally, our biggest concern would be equitable and open access for our members to be able to offer programs to our clients who we interact with daily. Of major concern is certain utilities offering programs delivered directly by them and/or one vendor, leaving most contractors not able to offer it. If contractors at large cannot offer a program they will be much less likely to educate clients about it.

Sincerely,

Brian Bovio
Board Member
NJACCA

NewJersey Builders Association
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Kyle Holder
DIR. OF LEGISLATIVE AFFAIRS

January 17, 2020

VIA Electronic Mail
Honorable Aida Camacho-Welch, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue
9th Floor, Post Office Box 350
Trenton, New Jersey 08625-0350
EnergyEfficiency@bpu.nj.gov

Re: Energy Efficiency Transition Program Administration Straw Proposal

Dear Secretary Camacho-Welch,

The New Jersey Builders Association (NJBA) submits the following comments regarding the Energy Efficiency Transition Program Administration Straw Proposal Draft issued on December 20, 2019.

The Board of Public Utilities (BPU) held a Public Stakeholder Meeting to discuss the New Jersey Energy Efficiency Transition on Wednesday October 30, 2019. Per BPU request for comments, NJBA submitted comments on November 6, 2019 on specifics for program implementation. NJBA stands by its previous comments and appreciates the Board of Public Utility (BPU)'s efforts for continuity in current programs, consistency across various territories, and flexibility in choosing partner organizations.

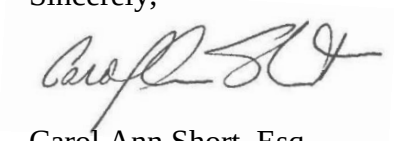
NJBA supports statewide incentives to encourage energy efficiency in homebuilding, and NJ Clean Energy Program (NJCEP) energy incentives should be attractive to developers and designed to reduce costs. Since changes in the utility industry continuously result in a state of uncertainty regarding the delivery of quality services by the various utilities, it is imperative that the building industry be served with consistent incentives, eligibility criteria and rules across all service territories.

A significant amount of planning goes into every development project, and BPU should recognize that existing NJCEP incentives contribute to the safe production and execution of many projects around the State. Future programs and changes to existing programs should contain a level of continuity to decrease any potential disruption. NJBA supports an efficient program design that promotes reliability, uninterrupted service and affordability to all New Jersey residents.

Developers currently have access to an open market of qualified partner organizations for energy efficiency programs in new construction; BPU must continue to offer developers the ability to access an open market to maintain relationships. These relationships stimulate business and ultimately encourage growth and participation in energy efficiency programs. The competition among the various partner organizations keeps costs down for builders resulting in an increased likelihood for participation.

NJBA recognizes that these comments have been considered in the straw proposal and respectfully requests that these measures remain throughout the process. NJBA looks forward to continuing work with BPU and various stakeholders to create statewide energy efficiency programs to reduce the State's energy consumption and address the harmful effects of climate change.

Sincerely,



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January 14, 2020

TRANSMITTED VIA EMAIL TO EnergyEfficiency@bpu.nj.gov

Aida Camacho-Welch, Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

RE: PSE&G Engineered Solutions Program, Colleges and Universities

Dear Ms.Camacho-Welch,

I am writing to applaud the BPU staff for their recognition of the role of utilities in delivering many Energy Efficiency (EE) programs. Utilities have inherent advantages in managing EE programs including (i) customer relationships, (ii) usage data, (iii) on-bill repayment and (iv) technical and managerial expertise. I am, however, concerned that the Straw Proposal does not establish a role for PSE&G's existing hospital and multifamily programs nor its proposed Engineered Solutions program, which proposes expanding this award winning and successful program design available to universities, non-profits and government facilities.

As the BPU staff is aware, the Engineered Solutions program provides audit, engineering, and construction of energy efficiency projects. The program provides much needed financial, technical and managerial resources, based on collective education, training and experience, to specific segments of customers who need this extra support to effectively participate in EE and execute projects.

In February 2019, the Governor and Secretary of Higher Education released "Where Opportunity Meets Innovation, A Student Centered Vision for New Jersey Higher Education." Included in the vision was the New Jersey Student Bill of Rights, which called for affordable and predictable education costs. The vision goes on to state "Increasing affordability is critical for increasing college access and success across the state. Over the past ten years, state financial support for higher education in New Jersey has declined in nominal dollars and decreased by 33% per student when

adjusted for inflation. In turn, colleges have increased prices—leaving students paying more." Energy Efficiency programs, like the Engineered Solutions Program, can help colleges and universities cost effectively manage the needed renewal of critical systems on our campuses, resulting in a direct impact on cost to the students.

NJIT alone has tens of millions of dollars of critical infrastructure that is beyond its useful life. Through conscientious stewardship, preventive maintenance, and life sustaining repairs, we have been able to keep these systems running in our aging buildings. Sixty percent of our academic and research facilities are older than 25 years with original systems. These older systems are inefficient and contribute to our overall carbon footprint by using more fossil fuels. Our limited capital renewal funding must be spent "in front" of the walls to maintain the necessary technology and pedagogical support, preventing us from upgrading this critical infrastructure in the near term. The proposed program could assist colleges and universities, like NJIT, in mitigating this deferred maintenance need by providing financial and technical support to perform these upgrades more effectively than we can alone.

The utilities, and particularly PSE&G, have a demonstrated a successful record of delivering and managing projects and results for the benefit of other institutions such as hospitals and rate-payers alike. The resources we seek in executing EE projects extend well beyond financial; the utilities, and particularly PSE&G, deliver those needed resources, guidance and support which has resulted in tremendous energy savings and recognition via 14 national, regional and local awards. By helping colleges and universities reduce their energy needs, the program will directly affect student tuition and affordability.

I understand that PSE&G has, in their CEF filing, proposed rolling the successful Hospital and Multifamily Program into Engineered Solutions, drawing on their experience, training and skills. We request that Engineered Solutions be recognized as a core utility program in the BPU's EE Straw Proposal, to make the energy saving opportunities available colleges and universities, and support achieving the State's clean energy goals and helping to keep college affordable for all New Jersey students.

Thank you for your kind attention and consideration of our input.

Regards,

Andrew P. Christ, PE
Senior Vice President

New Jersey Natural Gas

VIA ELECTRONIC MAIL (energyefficiency@bpu.nj.gov)

January 17, 2020

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: IN THE MATTER OF THE IMPLEMENTATION OF P.L. 2018, c. 17 REGARDING THE ESTABLISHMENT OF ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS BPU DOCKET No. QO19010040

Dear Secretary Camacho-Welch:

New Jersey Natural Gas Company ("NJNG") looks forward to working with the Board of Public Utilities' ("BPU") on the implementation of P.L. 2018, c. 17 regarding the establishment of energy efficiency and peak demand reduction programs ("Clean Energy Act"). NJNG has reviewed the Energy Efficiency and Peak Demand Program Administration Straw Proposal draft that was released for public comment on December 20, 2019. NJNG appreciates the work of Board Staff ("Staff") to develop the Straw Proposal to elicit stakeholder input and help refine their recommendations for an appropriate structure to support the implementation of the Clean Energy Act. In addition to these comments, NJNG also strongly supports the general comments filed today by the New Jersey Utilities Association ("NJUA"). In the interest of streamlining the public record, NJNG will not readdress the content covered within the NJUA response or other topics that are covered in a separate NJNG letter filed today in response to specific questions posed by Staff at a December 18, 2019 stakeholder meeting focused on Evaluation, Measurement, and Verification and Filing and Reporting.

General Comments

- NJNG recognizes that the Objectives section of the Straw Proposal is restating information contained within the 2019 draft Energy Master Plan but is hopeful that the Board will consider previously provided input that strongly recommended it would be

in the best interest of ratepayers to avoid locking into one decarbonization pathway. Instead, a strategy offering multiple solutions should be developed to provide a more cost-effective, long-term approach as technologies emerge and advance.

- There are several spots within the Straw Proposal that use strong statements that may not be accurate when the input of other stakeholders or supporting data is considered. One example would be the language on page 17 of the Straw Proposal- "State administered program can also minimize transaction costs for trade partners operating in multiple utility service territories". However as noted by multiple participants during the September 2019 Stakeholder meetings, state administered programs may continue to have issues with the timely payment of incentives that can result in increased transaction costs for trade partners. NJNG will not address other language that falls within this category but encourages Staff to be conscious of these types of broad statements as they continue to refine the Straw Proposal.

- The Straw Proposal doesn't reference engagement in national organizations like the Consortium for Energy Efficiency or the Association of Energy Service Professionals. Participation in these organizations and attendance at national and regional conferences, as well as conferences run by organizations like the American Council for an Energy Efficient Economy, is one the best ways to learn about industry trends, best practices, innovative program approaches, and emerging technologies. All entities administering programs should be encouraged to participate in efforts like this to ensure that programs are continuing to improve and evolve to meet changing customer needs and leverage new vendor solutions and approaches.

Programs and Initiatives Comments

- NJNG appreciates that the Straw Proposal includes several references to improving codes and standards, including code compliance and enforcement. From experience working directly with contractors as part of our SAVEGREEN program, NJNG recognizes that even though sizing calculations are a code requirement, some contractors still struggle to perform those calculations accurately. An outreach and education strategy ensuring sizing compliance with all installations can secure greater energy savings when customers pursue the installation of standard efficiency equipment.

- NJNG recognizes the importance of having a broad range of efficiency programs to service needs of municipalities, school districts and other public entities. Given our experience working with these entities directly through our own energy efficiency programs and in partnership with Environmental Defense Fund Climate Corp Fellows and Sustainable Jersey, NJNG encouraged continued efforts to develop guidance to help them consider the

best pathway given the needs at their current facilities. Some entities may be best served by starting with a Local Government Energy Audit ("LGEA") but other small entities may be better off proceeding directly into a Direct Install program. Efforts to encourage smaller entities to pursue an LGEA could result in a waste of ratepayer funded resources by financing an unnecessary audit or prolong the time before the entity takes action and begins to see the benefit of the energy saving upgrades. Similarly, the Energy Savings Improvement Program can be a strong solution for larger entities but may overwhelm smaller entities or not be the appropriate pathway for a customer that has a pressing equipment need (e.g. concerns about a boiler failure). This guidance issue is not new but will require increased coordination between the state and the utilities as some of the pathway solutions are managed by different entities. The primary focus should be on ensuring these public customers understand the range of options and can pick the solution that best meets their needs and is most likely to result in them pursuing more energy efficiency.

- NJNG appreciates the inclusion of Behavioral Programs as a Utility-Led initiative. NJNG has nearly a decade of experience offering this type of program. While many stakeholders may only think of home energy reports within this category, these types of programs have become much more sophisticated. They can offer a much greater level of message personalization to motivate each customer and can include other features like high usage alerts. Contracts with the vendors that provide this service can support sophisticated efforts to target customers for particular programs (e.g. likely eligibility for low or moderate-income programs).

- NJNG appreciates the inclusion of Strategic Energy Management as a Utility-Led initiative. NJNG is confident there is tremendous opportunity to help secure cost-effective energy savings for our commercial customers through this type of program.

- NJNG was also pleased to see the references to on-bill financing. As noted in other proceedings, NJNG is confident that on-bill repayment/financing programs are an effective tool in helping to make energy efficiency investments more accessible for residential and commercial customers. They can be structured in a way to avoid excluding customers that may not pass traditional credit screening criteria. NJNG's approach of considering utility payment history and lack of recent bankruptcies is also incredibly helpful from an outreach perspective because customers can easily sense whether they should pass the eligibility test and contractors can easily convey those requirements to customers. NJNG just reached a full year of experience offering enhanced incentives and an extended financing term for moderate income customers and customer response has been strong.

- Regarding research and development, NJNG supports the NJUA comments encouraging utility involvement and referencing the advantages offered through our involvement. NJNG urges the Board to review some of the proposed structure for the Emerging Technology and Approaches ("ETA") program that was included in energy efficiency filings of NJNG and South Jersey Gas in March 2018. Those proposals suggested the effort should be split into two distinct categories- ETA Develop and ETA Deploy. ETA Develop was intended to focus on building the understanding of products that are not yet ready for broad market deployment and explore new approaches to programs that have the potential to transform a market. It was not intended to be duplicative of national efforts, but complementary and deliberative in ensuring New Jersey is poised to leverage breakthroughs. ETA Deploy was intended to support new technologies and approaches that are ready for broader adoption, but need enhanced contractor training, customer incentives, or other key elements to help the marketplace understand the value proposition. Additionally, the original proposal envisioned significant coordination between the utilities offering the program, New Jersey's Clean Energy Program ("NJCEP") and Office of Clean Energy Staff, Rate Counsel, various state agencies and other interested stakeholders through the use of an independent facilitator and an ETA Stakeholder Advisory Committee ("ESAC"). A copy of that program description is included as Attachment A to help highlight what is envisioned as roles for the different entities. These concepts can easily be modified to accommodate the Board in the leadership role directing the ETA Program.

- NJNG strongly supports the idea of developing energy efficiency curriculum. Through our Conserve to Preserve Program, NJNG has more than a decade of experience working on energy efficiency outreach in schools using poster contest, video contests, classroom speakers, and school assemblies, including the popular Energy Hog program developed by the Alliance to Save Energy (ASE). That experience intensified in 2015 with the expansion of our partnership with ASE when NJNG began to sponsor the Powersave Schools programs. Working with dozens of schools since that was launched has given us unique insight into both the reaction to the Powersave School materials and a strong interest that teachers had in inspiring student to turn classroom lessons into action at home. NJNG strongly believes it would be wasted opportunity if there was not an intentional effort to help promote residential efforts through this educational initiative. There are models in place in other parts of the country that can help New Jersey consider options to incorporate the promotion of energy efficiency programs, especially the programs that are specially designed to meet the needs of low and moderate-income families. Enlightened students can be encouraged to talk to their families about resources/programs to make energy efficiency purchases/investments more affordable (e.g. home energy audits, marketplace purchases, conservation kits). The following is an excerpt from our Powersave School report, including images of our Building Performance Institute Auditor demonstrations.

RESIDENTIAL PATHWAY

Two schools are participating in the Residential Pathway pilot in the 2018-2019 school year: George L. Catrambone Elementary School in Long Branch and Osbornville Elementary School in Brick. This pathway was created to give students who have participated in the PSS program in previous years more in-depth information about how to save money and energy within their homes.

The activity began with a presentation from NJ Natural Gas home auditors, who explained exactly what they look for when they are in a home. The auditors share information about weather-proofing homes, wall insulation, duct cleaning, efficient lighting and water usage. Students had the opportunity to see a blower-door test and to experiment with manually powering light bulbs to demonstrate the amount of energy it takes to power an incandescent bulb and an LED bulb.

NJ Natural Gas auditor displaying a blower door.

NJ Natural Gas auditor displaying the importance of wall insulation.

Process Related Comments

- The Straw Proposal indicates that utilities "…will be required to notify the Board and Rate Counsel of any intended program change". It should be clarified that notification is only required for changes that meet certain parameters. Similar to the way that NJCEP currently has the ability to make operational changes, it will be critical to ensure that there isn't an expectation that "any change" means "every change". In the efforts of advancing energy efficiency, NJNG assumes the Board and all stakeholders want to avoid creating a structure with unnecessary administrative burdens.

- The Straw Proposal notes that direct marketing efforts currently in place will transition to individual utilities for implementation. NJNG is aware that the State has hired a new marketing firm to support NJCEP but has no knowledge of current plans. If the utilities are expected to inherit any marketing elements they should have the opportunity to understand and provide input on these current marketing efforts since they may impact program performance after the transition.

- It will be incredibly helpful for the State to share more information regarding the expected energy savings contributions for programs by administrator category (Utility Core, State Core, Co-Managed, Utility-Led, and State-Led) through a future stakeholder meeting. It is

challenging to not have any clarity regarding the share of the energy savings goal that NJNG will be expected to achieve when the schedule anticipates utility filings being submitted later this year. While NJNG appreciates the effort to provide some directional guidance through the pie charts included as Figures 1-4, the information reflected in those charts raised some questions. Two examples include:

- Many stakeholders are not familiar with a source for ESIP savings and don't expect to see savings for an LGEA so it is challenging to consider the reasonableness of that contribution.
- Figure 2 does not appear to show any savings for natural gas products but there are significant natural gas savings from smart thermostats and many water related products and NJCEP currently offers product rebates for some gas dryers.

NJNG appreciates the opportunity to provide comments on these topics and looks forward to working with the Board and other stakeholders as the State considers how to restructure the approach to energy efficiency as to enable the utilities to reach the aggressive clean energy goals established by Governor Murphy's administration. Please feel free to contact me if you need any additional information regarding these issues.

Respectfully submitted,

Anne-Marie Peracchio

Anne-Marie Peracchio
Director- Conservation and Clean Energy

3. Emerging Technologies and Approaches

Through this program, NJNG and other interested utilities would fund investments in Emerging Technologies and Approaches ("ETA") to develop critical insights that can help the State with longer term strategies for reaching climate goals. This program is a key step to gain technical and market understanding on installation, performance, reliability, and serviceability considerations for new customer energy-efficiency solutions. Funding will support new technologies and program solutions to enable utilities to meet tomorrow's energy-efficiency goals with less risk and more certainty.

The ETA program will have significant coordination between the utilities offering the program, New Jersey's Clean Energy Program ("NJCEP") staff, and other interested stakeholders through the use of an independent facilitator and an ETA Stakeholder Advisory Committee ("ESAC").

Subprograms

- **ETA Develop** will focus on building the understanding of products that are not yet ready for broad market deployment and explore new approaches to programs that have the potential to transform a market. This is not intended to be duplicative of national efforts, but complementary and deliberative in ensuring New Jersey is poised to leverage breakthroughs.

- **ETA Deploy** will support new technologies and approaches that are ready for broader adoption, but need enhanced contractor training, customer incentives, or other key elements to help the marketplace understand the value proposition.

3.1 ETA DEVELOP (MFR II.a.1)

The ETA Develop Subprogram will focus on building the understanding of products that are not yet ready for broad market deployment and exploring new approaches to programs that have the potential to transform a market, help New Jersey meet its environmental goals and foster the development of a clean energy economy. ETA Develop will identify, demonstrate, and deploy the next generation of technologies and customer engagement approaches that can improve energy-efficiency programs. ETA Develop is designed to capture other benefits and functionality for customers, promote economic development in New Jersey, identify workforce development needs and coordinate additional ETA activity and lessons learned with NJCEP, all utilities in New Jersey and interested stakeholders.

Due to the supporting role it will play in energy-efficiency efforts, the individual technologies and approaches tested will vary from year to year with a goal to support continuous innovation and increase energy savings.

By supporting the development and widespread adoption of advanced energy-efficiency technologies and customer engagement approaches, ETA Develop will support statewide goals for energy-efficiency and greenhouse gas ("GHG") reductions. ETA Develop accomplishes these tasks through a collaborative research, reporting, and review process with a committee of utility, government, trade allies and other stakeholders. Promising new technologies and approaches that have been vetted through this subprogram may graduate to the ETA Deploy Subprogram or potentially be directed into existing energy-efficiency programs offered by the utilities or NJCEP to support their cost-effective deployment in New Jersey markets.

Primary objectives of ETA Develop:

- Provide field-tested insights into new energy-efficiency programs and technologies that facilitate energy savings for residential, commercial and industrial customers
- Provide support to innovators, researchers, and product developers by evaluating, demonstrating, and promoting their energy-efficiency technologies
- Continually identify, evaluate and support promising technologies that can then be added to future energy-efficiency programs to better serve customers, increase energy savings and advance New Jersey's clean energy economy.
- Support the successful deployment of new technologies through case studies, marketing materials, contractor training events, contractor and customer recruitment and other activities

ETA Develop is designed to be an ongoing effort to identify and support emerging technologies and approaches that can provide large scale energy savings for New Jersey utility customers in future years. ETA Develop has measures and program approaches that meet some or all of the following criteria:

- Development phase
- Proof of concept
- Unproven in commercial setting
- Require business model innovation
- Need additional lab and/or field testing environments to prove viability

While there is significant energy-efficiency potential for New Jersey with current technologies, New Jersey must continue to develop and deploy new technologies, approaches, and subprogram offerings to meet long-term clean energy goals. This collaborative ETA Develop subprogram can help the state understand the potential for new technologies and emerging engagement strategies can be promoted on a large scale.

ETA Develop will involve numerous activities to identify and evaluate new energy-efficiency technologies and implementation approaches for NJNG's subprograms. These activities may include:

- Conducting measure scans to identify technologies under development by other utilities, national laboratories, R&D organizations, manufacturers, and others, and implementing a proof-of-concept with NJNG customers.
- Developing business cases for promising technologies that include information such as: unit energy savings, installed cost, incremental cost, lifetime, cost-effectiveness, applicable market sizes, available manufacturers, potential incentive levels, subprogram design strategies, etc.
- Providing support funding for laboratory testing or field demonstrations to collect energy savings and other data to validate performance

ETA Develop subprogram should be exempt from the requirements set forth in MFR Part V because it is novel and is testing approaches that are proposed for commercialization, thus the costs, benefits and other elements cannot be estimated (MFR I.e).

Market Segment/Efficiency Targeted (MFR II.a.2)

This subprogram will address promising efficiency technologies and delivery strategies that have the potential to benefit NJNG customers in all sectors across New Jersey. The list of technologies and delivery approaches to be tested through ETA Develop will evolve over time and react to changes in the marketplace, and to advances in new technologies and customer engagement strategies that are determined to be potentially commercially viable and ready for testing. It is anticipated that some technologies and approaches explored through ETA Develop will graduate to ETA Deploy, some may move directly into the traditional EE program categories and others may ultimately be determined to either need additional research/review or eliminated from consideration.

NJNG anticipates that more structure for an approach to support individual technologies or new program approaches will be reviewed with the ESAC. However, here are two strong examples for consideration within ETA Develop:

Gas Heat Pump Hot Water Heater (GHPWH): This equipment uses mature vapor absorption cycle technology to maximize energy savings from hot water in residential and light commercial applications. Currently, WARMAdvantage water heater incentives are available for equipment that meets a minimum of .64 Uniform Energy Factor ("UEF"). GHPWH technology can achieve UEFs of 1.3 or higher. Industry tests are expected to be concluding in the pre-commercial phases shortly.

Hybrid Heat Pump Hydronic Water Heater System: This technology is often referred to as a triple integrated system because it can address space heating, cooling and domestic hot water within a single system. It can provide heating efficiencies greater than 95% and cooling at a 15 SEER. The application is appropriate for single and multi-family residential homes and townhouses.

These are just two examples of the types of technologies that all stakeholders committed to enhancing energy-efficiency in New Jersey should understand. It is important to conduct field testing here in New Jersey to enhance stakeholder understanding of the potential energy savings from this technology and consider barriers to market deployment including training and workforce development needs.

Delivery Method (MFR II.a.3) (MFR II.e)

NJNG will retain staff to develop specific proposals for efforts to be funded under this subprogram, follow industry trends and research, assist in securing customers and contractors interested in exploring new technologies, and support the coordination efforts with the Facilitator and ESAC. More information on their responsibilities is shown in the table below.

To ensure strong statewide coordination and the opportunity for independent external input, NJNG proposes to engage a facilitator. This entity would facilitate discussions, publish results of particular studies and help identify and support training needs and resources. To leverage the infrastructure that NJCEP has developed in coordination with NJCEP to build New Jersey's Clean Energy Learning Center, NJNG proposes New Jersey Institute of Technology ("NJIT") as the ideal entity to serve as facilitator. More information on their specific role is shown in the table below.

An ESAC would also be formed to identify additional market opportunities and promising technologies, share market insights and provide feedback on ETA Quarterly and Final Progress reports. More information on the proposed composition of the Committee and their role is shown in the table below.

***Table** 10: Key ETA Collaborators and Responsibilities (Note: Due to the repetition of core content this chart covers assigned roles for both this ETA Develop Subprogram and the ETA Deploy Subprogram addressed in the next section. The description of ETA Deploy will cross reference back to this chart).*

Role	Member(s)	Key Responsibilities
ETA Facilitator	NJIT	• Convene quarterly status meetings to review all ETA initiatives with formal meeting agendas and supporting • Convene focused meetings for more in-depth review of particular subprograms or new technologies • Issue meeting agendas and supporting materials at least one week in advance • Invite participation of subject matter experts (SME) as necessary, including manufacturer representatives, industry associations, and potentially DOE/EPA representatives • Serve as a central online repository for all ETA reports and ESAC minutes • Help recruit additional ESAC members if gaps identified • Leverage Clean Energy Learning Center for training for broader market adoption • Secure graduate student assistance as needed for technical reviews and research • Leverage Clean Energy Learning Center for training for ETA Programs ready for broader market adoption
Participating Utilities	NJNG employees and other participating New Jersey utilities	• Provide the initial proposals for programs under both ETA Deploy and Develop through RGGI Filing. • Fund reviewed proposals, including the potential to secure external resources for technical and market research, engineering analysis, subprogram design and other activities • Recruit customers and contractors to participate • Execute broader customer and contractor outreach strategies for ETA Deploy • Work with ETA Facilitator to develop agendas for all ESAC meetings • Help recruit additional ESAC members if gaps identified • Share insights from participation in national/regional organizations • Prepare Quarterly Progress Reports for subprograms in process to be reviewed with ESAC

		• Prepare final ETA reports for technologies and approaches that have completed testing and review. Disposition options addressed further in this proposal • Draft annual budgets, subprogram activities and related milestones, in consultation with ETA Facilitator, for ESAC review and discussions • Fund independent ETA evaluation
ETA Stakeholder Advisory Committee (ESAC)	Stakeholders	• Members expected to be active participants in meetings and provide feedback if unable to participate • Member input is expected to ensure ETA initiatives have properly considered training needs, outreach plans, likely market acceptance, potential market barriers, etc. • Members encouraged to share additional research about technologies and subprogram approaches as identified ESAC members may include representatives from utilities, from New Jersey colleges and universities, NJCEP Program Administrator, Office of Clean Energy Staff, Rate Counsel, NJ Economic Development Authority, Heldrich Center, NJ Department of Community Affairs, Eastern Heating & Cooling Council, NJ focused business and trade associations, and researchers and other parties. Additional SMEs may be invited to participate for particular meetings, including contractors and customers participating in ETA projects

As noted in the above responsibilities chart, activities within this subprogram will establish a regular review of new technologies and approaches and review progress through quarterly and annual reports. The following section outlines the review and reporting process:

- Utilities propose new technologies and approaches for consideration in ETA Develop, including a characterization for its current status (e.g., early stage development, late stage testing, deployment support), and potential ETA activities
- Each utility will work closely with the ETA Facilitator to schedule overview sessions for the ESAC members to establish a baseline understanding of the initial subprograms
- Each participating utility shall prepare Quarterly Progress Reports for each subprogram. These reports are intended to serve as Executive Summaries of

subprogram status to facilitate discussion with the ESAC members. Each Quarterly Progress report will address:

- Recap of subprogram objectives
- Overview of relevant activities conducted in that quarter which may include the following based upon the status of the project, as appropriate:
  - Updates on collaborative research funding
  - Updates on customer/contractor recruitment
  - Results from testing
  - Identification of market barriers
  - Efforts to address market barriers
  - Identification of training needs
  - Training Metrics – participation and feedback
  - Participation and performance metrics
  - Unforeseen challenges
  - Additional research/testing needs identified
  - Refinements in subprogram approach
- Funds expended to date
- Status of milestones

Each participating utility shall prepare a Final Report for each technology and approach included in ETA. Final reports are intended to address whether the technology or approach should continue in ETA Develop, advance to ETA Deploy, move directly into an approved EE Programs, or might not be worth further pursuit at this time (e.g. more promising technologies or subprograms identified or overwhelming market barriers). Each Final Report will address:

- Recap of subprogram objectives
- Overview of relevant activities conducted during the entire project, which may include the following, as appropriate:
  - Outcomes of collaborative research funding
  - Customer and contractor feedback
  - Results from testing
  - Identification of market barriers/unforeseen challenges with proposed remedies
  - Identification of training needs with proposed workplan
  - Training metrics – participation and feedback
  - Updates on customer/contractor recruitment
  - Participation and performance metrics
  - Marketing and outreach plan
- Funds expended to date
- Rationale for disposition

Projected Participants and Energy Savings (MFR II.a.4) (MFR II.a.5)

Due the novel nature of the ETA Program, it is not possible to accurately estimate either projected participants or energy savings. The collaborative ETA program will include a robust Evaluation, Measurement and Verification ("EM&V") process and impact evaluation to assess customer satisfaction, lessons learned, energy savings, and financial efficiencies that are realized. This process may ultimately contribute to the development and design of full-scale subprogram offerings.

Relationship to Existing Programs (MFR II.a.6) (MFR II.b)

To our knowledge, no other New Jersey utility or state-run program is offering a collaborative ETA program as proposed in this plan, but these organizations may be planning similar activities for future years. The goal of the ETA Develop subprogram is to continually identify, evaluate and support promising technologies or innovative implementation approaches to contribute to New Jersey's energy-efficiency programs in future years. Lessons learned and summary reports from this subprogram will be made available to the public, such that all efficiency stakeholders (i.e. vendors, trade allies, other New Jersey utilities and ultimately customers) can benefit from these efforts. NJNG anticipates partnering with peer utilities in New Jersey on this effort will achieve state wide efficiencies and benefit all residents and businesses of New Jersey.

Comparison to Out of State Programs (MFR II.c)

Dozens of utilities including NICOR, SoCal, PG&E, ComEd, Efficiency VT and DTE Energy have a dedicated ETA program. The structure varies by utility but most have a collaborative intent. NJNG staff will seek to develop strong relationships with ETA staff at other utilities to have a strong understanding of the challenges and successes they have faced in their program and to look for opportunities to jointly fund technical research and testing to reduce the costs incurred by each utility.

Proposed Incentives (MFR II.a.8)

The ETA subprogram will target new technologies and approaches that offer energy savings for residential, commercial and industrial customers in New Jersey. The ETA Develop subprogram will not provide direct incentives to customers, with the possible exception for a technology demonstration at a customer site. In these situations, ETA Develop may provide financial or in-kind support to the customer and/or demonstration partners, including:

- Energy-efficiency rebate based on expected energy savings, similar to custom calculated measures
- Direct funding to a manufacturer, contractor, or host site to offset technology equipment or installation cost
- In-kind support, such as use of monitoring equipment, staff time for data collection and analysis, report preparation and promotion, etc.

Customers chosen from such demonstration projects will be required to share premise data and fully cooperate with evaluation and monitoring activities.

Marketing Approach (MFR II.a.12) (MFR II.g)

ETA Develop is not intended to be marketed to a broad base of customers, but rather to a targeted group based on the technology. Because each project is unique to the customer and technology, customers will be identified and approached in outreach efforts including:

- Coordination with NJNG technical staff to identify potential customers in targeted industries and/or demographics
- Coordination with industry associations
- Cooperation with trade allies who may already have a project in development at a customer site
- Targeted outreach to potential customers with a consultative approach

Contractor Role (MFR II.a.13)

NJNG will administer ETA Develop with a combination of dedicated NJNG staff and the ETA Facilitator. Roles for both entities are addressed in the Roles and Responsibilities Chart. See Table 10.

Contractors and other trades allies with an interest in cutting edge technologies and creative approaches will have the opportunity to learn from this effort with the potential to provide support with some demonstration projects.

Market Barriers (MFR II.a.14) (MFR II.h)

ETA Develop will provide highly targeted support to address the following market barriers:

- **High Upfront Costs/Long Customer Paybacks:** New technologies are generally significantly more expensive than traditional products when they are first introduced. Accordingly, that can create a significant financial burden for customers with a corresponding longer term for recovery of their investment through energy savings. Incentives for demonstration projects will address this barrier.
- **Lack of Third Party Validation:** Products that are early in the development stage may only have savings claims from the manufacturer. Funding for independent testing and verification of savings claims in a controlled environment and in the field can help validate claimed savings in order to properly address market potential. Funding for independent testing will address this barrier.
- **Lack of Market Awareness:** Many trade allies are unfamiliar with new technologies on the horizon. The publication of and efforts to share the ETA Final Reports for funded projects will address this barrier.

NJNG will seek to manage all barriers to subprogram success through a commitment to applying best practices in subprogram design, delivery, outreach, and marketing/advertising. NJNG's established customer communication channels, data, and brand in the marketplace will all be leveraged to deliver best-practice R&D initiatives that identify and confront market barriers on an ongoing basis.

3.2 EMERGING TECHNOLOGIES AND APPROACHES- DEPLOY (MFR II.a.1)

The ETA Deploy subprogram will focus on supporting new technologies and approaches that are ready for broader adoption but need enhanced contractor training, customer incentives, or other key elements to help the marketplace understand the value proposition. ETA Deploy will build upon the results of many of the projects pursued in ETA Develop[1]. Since the technologies and approaches will have proven potential, this companion effort will focus on the extra support needed to get those proven technologies into the marketplace to help New Jersey reach its environmental goals, introduce new solutions for customers, and support the development of a clean energy economy.

The efforts under ETA Deploy will also be conducted in a collaborative manner under the same structure identified in ETA Develop. The roles and responsibilities chart shown in Table 10 will also apply to projects pursued under ETA Deploy and all results will be shared publicly to ensure all stakeholders can benefit from the knowledge developed by this subprogram.

Primary objectives of ETA Deploy:

- Identify and engage customers interested in being early adopters of new technologies
- Provide support, including training and potential incentives, to trade allies willing to start promoting the technology and approaches
- Continue to identify and address other potential market barriers
- Share results with ESAC members so knowledge can benefit all stakeholders

ETA Develop activities for particular projects will have been specified in the Final Report on the project in ETA Deploy.

ETA Deploy activities may include:

- Implementing significant outreach to trade allies through dedicated workshops on the technologies, including installation requirements and operations and maintenance procedures; participation in industry conferences; close work with trade ally association
- Developing curriculum and training courses for use in technical schools or higher education
- Providing incentives for trade allies that may need special software or diagnostics tools to support the installation and/or maintenance of these new technologies

[1] For the initial year of the program, NJNG anticipates supporting some activities within ETA Deploy that have not been subject to the ETA Develop process.

- Conducting market research including surveys, focus groups, interviews, and due diligence reviews to understand the attractiveness and suitability of the new technology or service for customers, trade allies, and other New Jersey stakeholders
- Conducting subprogram pilots where the technologies or service delivery innovations are offered to select groups of customers to measure performance on a wider scale, in preparation for a full offering in other EE programs
- Offering strong incentives for customers who are early adopters
- Educating contractors and other stakeholders by conducting on-line or in-person training events, and preparing marketing materials such as case studies, subprogram brochures and frequently-asked-question ("FAQ") documents
- Initiating other efforts to increase market acceptance of proven technologies and approaches

ETA Deploy should be exempt from the requirements set forth in MFR Part V. Due to the intensive level of support contemplated for initiating broader market adoption and uncertainty regarding market participation, it is not feasible to accurately estimate the costs and benefits at this time. As technologies and approaches are ready to graduate from the ETA Deploy category they will be subject to a review of their costs and benefits prior to adoption with traditional EE programs. (MFR I.e)

Market Segment/Efficiency Targeted (MFR II.a.2)

The subprogram will support new technologies and approaches that are ready for broader adoption but need enhanced contractor training, customer incentives, or other key elements to help the marketplace understand the value proposition.

NJNG anticipates that more structure for an approach to support individual technologies or new program approaches will be reviewed with the ESAC. However, here are two strong examples for consideration within ETA Deploy:

ENERGY STAR Verified Installation (ESVI): Under traditional approaches, many high-efficiency equipment installations may not yield the expected energy savings due to important considerations at the time of the installation. ESVI is an ENERGY STAR program that uses third party verification to confirm the quality of the installation. Contractors must document efforts to assess proper system airflow, equipment sizing, refrigerant charge, duct performance and installation of ENERGY STAR equipment. ESVI installations can provide greater certainty regarding energy savings with the potential to improve both heating and cooling loads when addressing duct performance issues, and it can also improve comfort for the homeowner.

High Efficiency Rooftop Heating Units: Condensing rooftop HVAC units can significantly reduce building energy use without reducing HVAC effectiveness. High-efficiency systems with efficiencies between 90 and 95% that supply fresh air to commercial locations can yield significant gas savings over conventional packaged rooftop units with low thermal efficiencies ranging from 78 to 82%. The

following variables most impact gas savings and improved paybacks: outdoor air percentage, building operating hours and heating degree days ("HDD").

These are just two examples of the types of technologies that all stakeholders committed to enhancing energy efficiency in New Jersey should understand. These projects don't necessarily require further testing to prove their technical energy savings potential, but they do need considerable work to identify and address barriers to adoption in the marketplace. ETA Deploy enhance stakeholder understanding of these barriers to market deployment including training and workforce development needs and develop strategies to address them.

Delivery Method (MFR II.a.3) (MFR II.e)

NJNG will be identical to the structure described in ETA Develop Subprogram.

Projected Participants (MFR II.a.4) and Energy Savings (MFR II.a.5)

Due to the uncertainty regarding customer participation and contractor interest, NJNG is not able to estimate projected participants or energy savings. Such metrics shall be shared on an on-going basis with the ESAC.

Relationship to Existing Programs (MFR II.a.6) (MFR II.b)

To our knowledge, no other New Jersey utility or state-run program is offering a collaborative ETA program as proposed in this plan, but these organizations may be planning similar activities for future years. The goal of the ETA Develop Subprogram is to continually identify, evaluate, and support promising technologies or innovative implementation approaches to contribute to New Jersey's energy-efficiency programs in future years. Lessons learned and summary reports from this subprogram will be made available to the public, such that all efficiency stakeholders (i.e. vendors, trade allies, other New Jersey utilities, and ultimately customers) can benefit from these efforts. NJNG anticipates partnering with peer utilities in New Jersey on this effort to achieve state wide efficiencies and benefit all residents and businesses of New Jersey.

Comparison to Out of State Programs (MFR II.c)

Dozens of utilities including NICOR, SoCal, PG&E, ComEd, Efficiency VT and DTE Energy have dedicated ETA programs. The structure varies by utility, but most have a collaborative intent. NJNG staff will seek to develop strong relationships with ETA staff at other utilities to have a strong understanding of the challenges and successes they have faced in their program and to look for opportunities to jointly fund technical research and testing to reduce the costs incurred by each utility.

Proposed Incentives (MFR II.a.6)

Incentives may be developed for customers who are early adopters or may be provided at a mid-stream or upstream level. Supply Chain incentives at distributors may be an important strategy for some technologies.

Incentives are also anticipated to help support contractor commitment to the technologies and approaches within ETA Deploy.

Contractors and customers who are the beneficiaries of incentives under this subprogram will be required to share energy data, complete required surveys and support independent evaluation efforts.

Marketing Approach (MFR II.a.12) (MFR II.g)

ETA Deploy will begin to develop and implement customer outreach approaches but this will not take on a traditional marketing approach. Rather there will be targeted marketing efforts for customers, niche markets, identified through the ETA Develop process and may include:

- Work with identified contractors to develop relevant collateral
- Collaborate with technical and marketing staff to develop and syndicate white papers
- Develop tailored proposal and presentation kits
- Analyze and remarket to leads received from on-line audit and NJNG customer base as well as previous SAVEGREEN campaigns/leads
- Business and trade organizations
- Identify potential customer demographics for targeted outreach campaigns
- Work with NJNG business development staff to identify existing customers with needs

Contractor Roles (MFR II.a.13)

NJNG will administer ETA Deploy with a combination of dedicated NJNG staff and the ETA Facilitator. Roles for both entities are addressed in the Roles and Responsibilities Chart presented in ETA Develop.

Contractors and other trades allies, with an interest in expanding their knowledge and broadening the range of solutions they can offer customers, will benefit from this subprogram. They will have the opportunity for training, potential incentives for software and diagnostic tools, potential special incentives to offer customers who are early adopters, supporting marketing materials and other resources to help address market barriers.

Market Barriers (MFR II.a.14) (MFR II.h)

The primary market barriers that are addressed by this subprogram include:

- **Trade Allies Not Trained on Installation and Operations and Maintenance:** Many contractors and trade allies may not be familiar with emerging technologies or new approaches and have limited resources for travel to industry courses. Lack of knowledge limits the range of solutions they can offer to customers and may also lead to the potential to dissuade a customer from trying new technologies. ETA Develop will address this barrier through extensive training offerings, outreach to industry associations, incentives for certain software, equipment or tools and supporting customer materials.

- **Integration with state and local building codes:** New technologies can often be introduced to the market before code officials have considered how to review the proper installation practices and/or have not been given accurate guidance. ETA Develop intends to address this barrier through coordination with the N.J. Department of Community Affairs at the ESAC level and outreach to local code officials.
- **Supply Chain Challenges:** Emerging technologies are often unavailable, due to retailer/distributor failure to stock and service the new products. ETA Develop will raise awareness and engage the New Jersey marketplace with information and case studies about the new technologies that are proven, by deployment test studies, to be high value additions to the efficiency program. ETA Develop will invest resources to familiarize trade ally partners of all types with the advantages of embracing and promoting new technologies to customers, and they may consider supply chain incentives.
- **Customer Acceptance of New Technologies:** Due to the unique nature of these technologies and because NJNG will not market to a broad-base of customers, we do not anticipate traditional marketing channels or campaigns. Potential customers will consist of knowledgeable buyers (often teams) who will analyze products in terms of user benefits. NJNG will develop specific customized materials for deployed technologies including:

    - Technical specifications
    - Benefits
    - Best practices
    - Industry case studies

NJUA
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January 17, 2020

VIA ELECTRONIC MAIL
Aida Camacho-Welch
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625
energyefficiency@bpu.nj.gov

Comments: Energy Efficiency and Peak Demand Program Administration Straw Proposal

Dear Secretary Camacho-Welch,

The New Jersey Utilities Association ("NJUA") represents investor-owned utilities that provide electric, natural gas, telecommunications, water and wastewater services to residential and business customers throughout the State. I am writing on behalf of the electric and natural gas companies ("the utilities") that are members of the NJUA to present a high-level response to the Energy Efficiency and Peak Demand Program Administration Straw Proposal ("Straw Proposal") released on December 20, 2019. NJUA's member companies also reserve the right to submit comments on an individual basis and intend to continue to be active participants in all the companion technical and stakeholder meetings related to this proceeding.

As noted in earlier comments within this proceeding, within public comments on the Energy Master Plan ("EMP") and in various public comments on New Jersey's Clean Energy Program ("NJCEP") proposals, the utilities had expressed significant concerns about their ability to meet the legislative mandate of the Clean Energy Act given the lack of clarity regarding the role of NJCEP. The utilities appreciate the New Jersey Board of Public Utilities ("Board") release of this Straw Proposal for the recognition of the utilities' unique ability to leverage customer and contractor relationships as well as utility data and systems. However, concerns remain regarding specific elements of the Straw Proposal that could inhibit the ability to achieve the target reductions required under the Clean Energy Act. It is critical for the Board and all stakeholders to recognize the magnitude of the increase in energy efficiency that these targets represent in comparison to recent savings levels.

Comparison of Reported Energy Savings for New Jersey Relative to CEA Targets		
Clean Energy Act Target	EE Savings % of Retail Sales per 2019 ACEEE State Scorecard	Approx. Magnitude of Increase in Energy Savings required
Electric- 2.00%	0.35%	5.7X
Gas- 0.75%	0.29%	2.6X

Given the magnitude of this increase and our desire to meet our statutory obligations, as well as the needs of our customers, that the utilities believe it is necessary to share the following concerns:

- The Straw Proposal primarily focuses on sorting out the existing suite of NJCEP programs. As noted in the prior table, these programs, as currently structured, are not achieving anywhere near the CEA target for energy savings. The utilities are ready to serve the markets represented by Utility Administrated Core Programs captured in the Straw Proposal. However, they cannot be expected to inherit and maintain the programs as they are currently structured given the disparity in energy savings to be achieved. The utilities believe it is critical that they are allowed to modify and improve the program designs recognizing best practices and lessons learned, and that they also have the implementation flexibility necessary to improve their overall performance which will be to the benefit of customers, trade allies, and the State. This flexibility would include the ability to select individual implementation contractors and adjust incentives within a range to be able to quickly respond to market conditions and program performance. The utilities are confident that this can be accomplished in a manner that advances the programs by bringing new approaches and features to the market as soon as possible and minimizes any potential disruption on trade allies.

- The utilities appreciate that the Straw Proposal provided a path for and examples of Additional Utility Led Initiatives. This should enable utilities to bring forward program designs, offerings, and implementation practices to maximize program adoption and performance in their individual service territories. However, it was puzzling that existing utility run programs were not referenced here or considered as Core Programs. Examples include:
    - PSE&G's award-winning Hospital program has been in place for more than a decade. It is successfully securing energy savings and navigating incredibly complex multi-year projects. Over the past year, this program has been expanded to New Jersey Natural Gas ("NJNG") and South Jersey Gas ("SJG") as a broader Engineered Solutions program. NJNG has testified that this model has served as a proof of utility collaboration – providing consistency in approach and allowing a much faster program launch. Given the overwhelming positive feedback from participating customers and trade allies both within this proceeding and as part of the EMP hearings, there must be consideration of a clear path for this program to be part of the portfolio to be offered in Year 1.
    - Atlantic City Electric, NJNG, SJG and Elizabethtown Gas ("Etown") have been running entry level audit programs for homeowners for more than a year. All of the multi-state

utilities run similar programs in other jurisdictions. These programs are a critical way to engage customers, educate them about the best opportunities for their particular home and to secure some energy savings by incorporating lower cost energy efficiency measures (e.g. lightbulbs, powerstrips) into the program. NJUA's comments in this proceeding last February noted agreement amongst the utilities that this was a key program. The utilities believe this program should be run by the utilities.

- While the Straw Proposal addresses serving low income customers by the continuation of the Comfort Partners program, it does not reference any separate treatment for customers that fall in the moderate-income segment. NJNG, SJG and Etown are all currently running programs/offering modified incentives to ensure this market has a fair opportunity to participate in programs. A need for a distinct approach to serve this market segment was also included in the NJUA comments from February 2019.

- The utilities are confident that the state's interests will be better served if Retail Products (currently proposed to be a State Administered Core Program), Energy Efficiency Marketplace and Appliance Recycling (both currently proposed as Co-Managed Programs) are administered by the utilities. Having the utilities control these programs is critical to allow participation to be directly linked to utility accounts to improve the personalization of recommendations under behavioral programs and maintain information for future targeting based on the life cycle of the equipment. Shifting these programs to utilities also makes sense to maximize marketing across the other utility programs as well as with demand reduction programs that are the responsibility of the utilities. This also allows the utilities to enhance program performance through targeted local community-based initiatives in their service territories (e.g. collection/trade in/turn in events, seasonal events, etc.) Furthermore, energy efficiency programs across the country recognize that dramatic evolution of connected products that will be heading toward consumers over the next decade. These connected products can achieve energy efficiency savings but will also provide tremendous new opportunities in demand response. Accordingly, it makes sense for the utilities to retain responsibilities for all these product-related programs.

- Assuming that the product-related programs are moved for the reasons noted in the prior bullet, the Low-Income Program and the Multi-Family Program would be the sole remaining programs in the Co-Managed category of programs under the Straw Proposal. The utilities do not have a clear understanding of the proposed distribution of responsibilities. More detailed discussions between the utilities and Board staff as soon as possible will allow the utilities to provide more comprehensive feedback prior to the release of the next Straw Proposal, especially since it is proposed that these programs fall under Quantitative Performance Indicators ("QPIs"). The utilities have significant concerns about the potential for any co-managed structure to slow down decision-making, limit flexibility, delay the release of payments to customers and trade allies or inadvertently transfer some of the structural barriers that have presented challenges for NJCEP over to the utilities. Given the magnitude of the energy saving targets, it is critical to ensure that

we eliminate all structural impediments that could inhibit our ability to get new programs launched efficiently and effectively and meet the expectations of our customers. Unless there is a clear commitment to ensuring that all the challenges noted within this paragraph are eliminated, the utilities recommend that the Co-Managed programs be excluded from the QPIs.

- The utilities recognize the interest in consistency for Core Programs and believe there is strong precedent showing that the utilities can work in a coordinated and collaborative fashion. The utilities commit to work together to provide contractors, building raters, and other trade allies with a clear set of standards for participation in the programs and to ensure that they meet the specified requirements of the quality control process. However, the utilities strongly caution that joint contracting is not appropriate in most scenarios, and can cause inefficiencies or limit the ability to leverage capabilities that a particular utility may be able to provide (e.g. On-Bill Repayment Programs). Separate contracting by each utility brings diversity of thought and creates more opportunities for private market businesses. It can allow utilities to work with different vendors, evaluate that experience and share their insights with the other utilities to highlight best practices. This would effectively test different program designs and approaches, leverage unique experiences and expertise of multiple vendors and support utility efforts to maximize the performance of their program portfolios, a benefit that would be lost with a single statewide approach. This could lead to utilities migrating to other vendors if evidence shows that another vendor can deliver stronger energy savings or a better customer experience. It is also critical to remember that the Clean Energy Act assigns responsibility to the utilities. Forcing the utilities to rely upon a single entity for a contracted function could result in increased tensions between a utility and a vendor or even between utilities if there was a dispute regarding how the vendor was distributing their efforts across utility service territories. Given that each utility is being judged on savings achieved within their own territory, it is critical to allow each utility to retain sufficient control of the administration of the programs within their territory.

- The Additional State-Led Initiatives category is incredibly important. These companion efforts are critical to ensuring that other government policies and programs help grow the clean energy economy, support the next generation of energy efficiency programs, and even increase demand for the programs. While the utilities agree that the initiatives described in the Straw Proposal should be led by the State, there should be a clear description of the importance of stakeholder input in those efforts with a specific role for utilities, including the potential for utility led initiatives supporting the State. A few key examples of why utilities should be key partners in these efforts include:
    - Insights from the programs we administer, especially from quality control efforts, can provide key insights relative to Codes and Standards.
    - Utilities must have a strong understanding of what the State is exploring for all Research and Development efforts to understand what new technologies may be able to transition into our energy efficiency and peak demand programs and would be able to help the State

identify target customers with the right characteristics for demonstration projects. Utilities also have unique access to joint utility sponsored research and development organizations that can be leveraged to undertake certain research and development projects to help drive the deployment of new technologies.

- Our relationships with trade allies can help raise awareness of workforce development programs and encourage hiring of participants of those programs.

- Further, the utilities believe that this Additional State-Led Initiatives category is missing other key efforts.
  - The State is committed to ensuring equitable participation in energy-efficiency programs and with that we urge you to help identify a solution for funding for remediating health and safety conditions that are a barrier to participation for low-income customers. Through our experience in the Comfort Partners program, the utilities know that a significant portion of interested low income customers have health and safety conditions (e.g. asbestos, lead paint, mold, roof leaks, moisture in basement or crawlspaces, open sewer or drain lines, leaky plumbing, insect infestations) that are beyond the means of energy efficiency budgets. While Comfort Partners allows for the improvement of minor health and safety issues to ensure the completion of weatherization measures, program rules do not provide sufficient funding to tackle these more challenging and expensive conditions. The Board can lead the exploration of other funding sources in coordination with other state agencies like the Department of Health, the Department of Community Affairs, and the Department of Human Services.
  - Nationally, there is emerging interest in documenting the strong connection between energy efficiency investments and the health and wellness of the occupants of the treated homes and building (e.g. improvements for asthmas and other respiratory related illnesses). The Board should lead efforts to partner with the Department of Health to explore this connection and analyze how it impacts healthcare utilization to consider the ability to leverage other funding sources and drive interest in energy efficiency programs. Plus, new certifications like the Building Performance Institute's Healthy Home Evaluator can be considered within the State's Workforce Development initiatives.

- The utilities appreciate that the Straw Proposal recognizes the fact that flexibility is a critical component of successful energy efficiency program administration. However, the proposed parameters for what utilities could adjust without prior Board approval is far too narrow to allow utilities to be nimble and responsive to dynamic market conditions and ensure that the energy savings targets are met in an efficient manner. All parties should recognize that it is challenging to run energy efficiency programs and nearly impossible to predict both market conditions and exactly how customers will respond even in periods when the programs are relatively stable. Demand for programs can be effected by weather (e.g. extreme heat or cold prompting more equipment failure and greater customer interest as a result of higher bills), higher or lower energy bills as a result of price changes, general economic conditions, the success of marketing efforts, and a host of other factors. Other adjustments may be appropriate to capitalize on changes in

measure costs (E.g. falling cost of LED products). In the new structure, where the primary objective is to ensure the mandated energy savings targets are met, it is critical to allow utilities sufficient flexibility to adjust incentives and redirect budgets as necessary. This can ensure savings targets can be achieved and avoid disruptions to successful programs (e.g. program with strong demand might have to shut down mid-cycle if funds could not be transferred). The utilities note that other jurisdictions have considered this need for flexibility and several have learned from their initial experience and provided more flexibility as they have gained experience understanding the sensitivities of the marketplace. The utilities note that in 2013 New York modified their approach to allow utilities significantly more flexibility. Prior to that point, the utilities had to secure approval for changes in measure incentives and budget and target reallocations by program. Beginning with the program year for 2014, that requirement was eliminated based upon a New York commission staff recommendation that noted "removing these requirements will reduce unnecessary administrative steps without affecting sector budget or targets or weakening oversight of the programs". Confident in the success of this more flexible approach, further actions in New York have provided even more flexibility that allows adjustments within the electric and gas portfolios.

- The utilities believe this broad authority to make program adjustments is appropriate given the magnitude of the increase in energy savings required by the Clean Energy Act. However, the utilities recognize that as part of their oversight role, Board staff would be interested in understanding what program changes are being made and why. Accordingly, the utilities suggest that Utility Working Group discussions continue to develop a broad structure for flexibility with some notice provisions and safeguards to ensure underserved markets are not negatively impacted by any proposed changes.

- The utilities are interested in meeting with the Board to gain a better understanding of their vision for coordinated marketing and branding as well as current marketing efforts underway since the Straw proposes direct marketing efforts underway will transition to individual utilities. Given that the utilities are ultimately responsible for reaching the energy reduction targets, it is critical that they retain the flexibility to market individual programs. The utilities believe our discussion should review the approach that Maryland uses for utility run programs with shared branding as a starting point and explore adopting a similar approach here.

- Since the Clean Energy Act calls for the energy savings targets to be met within five years of the implementation of the energy efficiency programs, the utilities believe it is appropriate for the filings to include program plans for a five-year period. The utilities recognize that this is a long period of time, but believe the Straw Proposal's concept of an Annual Portfolio Report with assessments of performance, flexibility afforded to the utilities to adjust incentives and budgets and the ability to propose more significant adjustments for Board approval can strike the appropriate balance of long term signals to the marketplace and still allow for program adjustments to be presented and vetted to refine the portfolio of programs throughout the five-year cycle. The utilities would be interested in continuing discussions to consider the appropriate elements to

include in the Annual Portfolio Report and to establish a recommendation for the timing of when these reports would be due and the timeframe for Board action on proposed changes.

Further, the utilities believe that the Straw Proposal's call for a secondary filing to address Years 4-5 could be a drain on the resources of the utilities at a time when all utilities are ramping up programs. A significant amount of time would be required to prepare such a filing and work through regulatory proceedings at a time when our focus should be on the execution and improvement of the new portfolio of programs approved to begin in July of 2021. Likewise, this would also require a significant amount of attention from Board staff and other stakeholders that could be better focused on understanding current challenges in the programs and investing collaborative efforts in refinements to existing approved programs or layering in new programs through the Annual Portfolio Report process.

- The utilities recognize that the list of QPIs contained within the Straw Proposal was taken directly from the May 2019 Market Potential Study ("MPS") performed by Optimal Energy. During the stakeholder sessions for that MPS effort and through the formal comments submitted in response to the draft MPS, several utilities expressed concern that the proposed structure was too complicated. A review of the posted comments on that draft study illustrate that other independent entities share similar concerns.

    - DNV-GL's written comments noted "*Especially as the state market is building and evolving, few and simple QPIs may be best. We have experienced that multiple QPIs can create unintended consequences."*

    - Joint Comments filed by the Natural Resources Defense Council, Environmental Defense Fund, New Jersey Conservation Foundation, New Jersey League of Conservation Voters and Sierra Club noted "*We are concerned that, as currently contemplated, the complexity of the QPI structure creates uncertainty and would lead to an emphasis on short-term savings rather than long-term measures that maximize savings. Such an approach may be well suited for other states attempting to achieve more modest goals or that are further along in their program development. However, New Jersey needs to quickly ramp up its efficiency program. Any source or uncertainty or bureaucratic confusion that could delay this acceleration should be avoided".*

    - The utilities agree that the current proposal for the QPIs is too complicated, especially for these initial years under the new structure. While the utilities recognize that some of the elements proposed within the QPIs may have merit, using tools like focused evaluations and actual program results will provide richer insights to inform future program refinements and potential Board directives than prematurely establishing QPIs. The primary focus of the QPIs for the early years of the program should be energy savings, cost effectiveness and equity.

The utilities look forward to continued participation in the refinement of the Straw Proposal, as well as continued discussion with Board staff and members of the Energy Efficiency Advisory Group. Thank you for the opportunity to comment on this very important matter.

Sincerely,

Thomas R. Churchelow
President

Submitted via E-Mail

January 17, 2020

State of New Jersey, Board of Public Utilities
44 S. Clinton Ave., 3rd Floor, Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

RE: New Jersey's Energy Efficiency Transition, Program Administration Straw Proposal

Secretary Camacho-Welch:

The Natural Resources Defense Council ("NRDC") is pleased to submit these comments on New Jersey's Energy Efficiency Transition, Program Administration Straw Proposal, noticed by the Board of Public Utilities ("BPU") on December 23, 2019.

Respectfully Submitted,

Eric Miller
NJ Energy Policy Director
The Natural Resources Defense Council
Emiller@NRDC.org

I. INTRODUCTION

The Natural Resources Defense Council ("NRDC") is pleased to offer these comments to the Board of Public Utilities ("BPU") on its Energy Efficiency and Peak Demand Program Administration Straw Proposal ("Straw Proposal")[1] that proposes an administrative framework for the implementation of programs required by P.L. 2018, c. 16 (C.48:3-87.3-87.7) ("Clean Energy Act, or CEA"), signed into law in May of 2018.

NRDC has previously offered comments on program administration and incorporates those comments by reference. In those comments, NRDC recommended that utilities, not the Office of Clean Energy ("OCE"), administer the bulk of energy efficiency programs in the state. NRDC's rationale for that recommendation stems from observations on successful program administration models in other states, the OCE's own program performance to date, and the important roll of the BPU as a regulator and overseer of programs. Finally, NRDC recommended that the Energy Efficiency Advisory Group ("EEAG") be provided with additional resources and membership and be elevated to have a more prominent roll in program design and oversight moving forward. NRDC stands by its recommendations made in its earlier comments and provides additional information related to the Straw Proposal below.

II. COMMENTS

The Straw Proposal provided by the BPU is a great starting point for stakeholders and Board Staff to have more robust conversations around which entity or entities should administer energy efficiency programs. In particular, NRDC commends the Board for identifying energy efficiency the "most effective, easiest, and least expensive strategies" to battle climate change.[2] Similarly NRDC supports the Boards recognition that no matter the administrative model, New Jersey's current energy efficiency programs need to be enhanced to meet the CEA ambitious targets.[3]

a. State Assumption on Administration Models

Broadly speaking, NRDC is supportive of the BPU's characterization of the relative strengths of utility administration, state administration, co-managed administration, as well as the principle of statewide consistency. In particular, NRDC supports the characterization that "utilities are best suited to deliver programs that are based on existing customer relationships," and that "the [State] is well poised to provide programs delivered in coordination without other statewide or

[1] NJ BPU, ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAM ADMINISTRATION STRAW PROPOSAL, DRAFT FOR PUBLIC COMMENT, (Dec. 20, 2019) (*hereinafter* "Straw Proposal").
[2] Straw Proposal at 5.
[3] *Id.*

state policy-led efforts."[4] With regard to state programs, NRDC believes the state is extremely well suited to administer programs that depend on inter-agency cooperation—such as codes and standards—as well as market transformation and emerging policy programs that focus on a longer time horizon.

However, the Straw Proposal's characterization of "co-managed" programs should be re-examined. In its section on co-managed administration, the staff recommends that some programs be administered with close oversight and day-to-day collaboration between both the state and utilities to ensure that all customers are served most effectively. However, the relationship described would exist in utility administered programs where the BPU serves in its capacity as a regulator of programs. The filing, reporting, and evaluation process for utility administered programs provides ample opportunities for close oversight by the BPU and interested stakeholders. Moreover, it is unclear whether state involvement in those programs would create better outcome than simply setting minimum standards for utility-run programs to ensure statewide consistency.

Most importantly, the Straw Proposal's description of co-managed administration, statewide consistency, and equitable distribution of energy efficiency benefits is missing one its most crucial parts—The Energy Efficiency Advisory Council ("EEAG").

b. Roll of the Energy Efficiency Advisory Group

NRDC is seriously concerned by the Straw Proposal's wholesale omission of the EEAG except for a brief mention of the EEAG in the Background section of the Straw Proposal. Section f(1) of the CEA States:

> As part of the stakeholder process, the board shall establish an independent advisory group to study the evaluation, measurement, and verification process for energy efficiency and peak demand reduction programs, which shall include representatives from the public utilities, the Division of Rate Counsel, and environmental and consumer organizations, *to provide recommendations to the board for improvements to the programs*.

(Emphasis added)

Throughout the Straw Proposal, Staff identifies that there are many successful states that have state energy office involvement in energy efficiency programs, close coordination between utilities on program design and measures, and commonalities in marketing to ensure statewide consistency. However, the states that accomplish those objectives well all have an empowered

[4] Straw Proposal at 4.

central stakeholder body focused on energy efficiency policy and planning. New Jersey does not.

States such as Rhode Island, Massachusetts, and Connecticut all have collaborative, multi-stakeholder councils that are supported by the ability to acquire and retain quality expert consultants to assist in the planning and implementation of energy efficiency programs. For example, the Massachusetts Energy Efficiency Advisory Council has 11 members responsible for developing state energy efficiency plans through a consensus-based process for approval of energy efficiency plans and budgets. Further, the state energy office, DOER, sits as a non-voting member, and the Council employs technical consultants offer impartial advice and review of plans and budgets.

By contrast, the EEAG is composed of only 5 members, does not have the resources for technical consultants, and has a future that is entirely unclear. If Staff wants to foster an environment of innovation, statewide consistency, and marketing, it must expand the number of representatives on the EEAG, give it meaningful voting power, and provide it with the resources it needs to adequately work on cutting edge energy efficiency issues. Absent that, NRDC is skeptical New Jersey can accomplish both its goals of statewide consistency while meeting the ambitious targets set by the CEA. NRDC believes New Jersey would benefit from a specific stakeholder meeting and comment period on how to structure the EEAG beyond the minimum requirements of the CEA.

c. Core Programs vs. Additional Incentives

NRDC agrees with NJ BPU that there are those "core programs" that are critical to meeting the energy efficiency targets and should be provided in some form to all ratepayers regardless of geographical location, income, or rate class.[5] That being said, NRDC has two recommendations on this section as the BPU moves forward.

First, NRDC cautions against viewing the current NJCEP programs as analogous to the "core" programs required to meet the targets for the CEA. To meet the goals of the CEA, the programs currently offered under the NJCEP would have to scale by an order of magnitude. As stated in previous comments, while NJCEP programs have delivered energy savings, they have done so in a cost-inefficient manner and have been unresponsive to process evaluations. Instead, it is likely that in addition to scaling existing programs, new and innovate "core" programs will have to be developed that currently go beyond what is offered by NJCEP.

[5] *See* Straw Proposal at 13

Second, NRDC recommends against narrowly prescribing the types of programs that should make up different "core" and "additional" programs. This categorization of programs may exclude existing or planned programs that will deliver substantial energy savings. For example, hospital programs or other business-specific programs that may deliver substantial energy savings. Furthermore, following the pilot of demand response programs, it is likely many of those programs would deliver significant peak load reduction and would be considered "core" programs.

d. Low-Income Program Design

Absent radical program redesign, the Comfort Partners program alone is insufficient to meet the needs of New Jersey's Low-to-Moderate Income ("LMI") population, particularly renters, those in master-metered building, and those residing in multi-family housing. A stated objective of the Straw Proposal is to "provide equitable access to energy efficiency. . . with a special focus on equity for low-income residents."[6] However, the only low-income program identified by the Straw Proposal, Comfort Partners, is expected to result in only 1% of annual electric savings.[7]

When examining the Comfort Partners program more closely, it is clear it will be unable to deliver on the BPU's stated goal of providing equitable access to programs across the state because there are several significant qualification limitations that prevent Comfort Partners from serving the entire LMI community. First, the program requires that customers be individually metered to qualify for the program. This prevents an entire swath of LMI customers from participating in the program. Next, the program does not permit participation for those LMI customers who live in buildings with more than 14 units, and it is unclear whether the Multifamily Program will adequately fill the gap for those ratepayers.

These types of issues are those that could be discussed and remedied by an empowered EEAG. In particular, the activities of the planned multifamily working groups could be rolled-up into the EEAG during the program design phase.

e. Allocation of Programs Across Administrative Models

The Straw Proposal roughly allocates energy efficiency programs across three administrative models: Utility Administration, State Administration, and Co-Managed Administration. For electric programs, the Straw Proposal anticipates that 54% of savings will come from utility administered programs, 24% from state administered programs, and 23% from co-managed programs. For gas programs, even more of anticipated savings are from utility administered

[6] *Id.* at 7.
[7] *Id.* at 34.

programs. NRDC supports the decision to anticipate the majority of savings from utility-administrated programs, as utilities are best situated to design, market, and implement programs.

Building from this starting point, NRDC would appreciate an additional stakeholder meeting to identify which program types should be allocated to which administrator. Importantly, NRDC believes a bi-directional meeting where stakeholders could hear directly from Staff on the rationale for certain program administration decisions. Importantly, the state will have to ensure programs across the three administration models roll out at the same time and with the same quality to ensure energy efficiency programs are delivered in an equitable manner, and scale at a fast-enough rate to meet the targets set by the Clean Energy Act. This is particularly important with regard to the attribution of savings, which permits utilities to count state administered programs in meeting their energy efficiency targets. In particular, the state should aim to avoid a scenario where utility administered programs reach their targets, but co-managed or state-run programs do not, resulting in savings less than those required by the CEA.

f. Peak Demand Reduction Programs & Rate Design

NRDC agrees with NJ BPU that energy efficiency and demand response programs should be leveraged together to maximize savings. It also agrees that utilities are well positioned to propose peak demand reduction programs and should do so in their filings.

NRDC has one recommendation—the BPU, stakeholders, and utilities need have a venue and proceeding to discuss alternative rate designs that support the use of energy efficiency as well as peak demand reduction, load curtailment, peak-shifting, and electric vehicle deployment. In particular there are a number of well know policies that support both residential and commercial demand side management including bi-seasonal time-of-use rates, critical peak pricing, peak-time rebates, and off-peak vehicle charging.

Additionally, smart thermostats and controllable appliances will allow more and more customers to shift load when called on by utilities. NRDC believes rate design goes hand-in-hand with cost recovery and energy efficiency, and therefore should be included in the ongoing stakeholder discussions before utility plans are filed. Stated more simply, rate design alone can have a significant impact on the value proposition of energy efficiency investments and should be discussed concurrently with the energy efficiency proceedings, not in utility rate filings.

g. Multi-Year Filings

NRDC strongly supports the staff's recommendation for a three-year filing. Multi-year filings provide certainty to all program participants—utilities, contractors, and most importantly, ratepayers. Program consistency over time is critical for ensuring that energy efficiency employees keep their jobs, and that customers are not turned-off of energy efficiency by being

denied participation in a program because it has not yet ramped up, or it has expended all of its available funds.

h. Flexibility

NRDC supports the Straw Proposals emphasis on flexibility. Specifically, the proposal that utilities be permitted to make minor modifications to program designs, shift budgets, and adjust incentives without prior Board approval. The ability to adjust mid program is a critical for programs to be successful and responsive to changing customer needs. Similar to multi-year filings, the flexibility to modify programs on an ongoing basis is critical to ensure consistency for ratepayers and providers.

i. Reporting

Robust reporting is a critical element of energy efficiency programs. NRDC has provided its position on reporting in oral testimony and in written comments. While reporting is important to evaluate performance there are two areas where the straw proposal should be modified to be more explicit regarding its reporting requirements. First, any state administered programs should be reported with the same granularity, timeline, and frequency as utility reporting. Identical reporting requirements are necessary for the accurate evaluation of *both* state and utility programs. This requires that the current process for NJCEP programs design, proposal, reporting, and evaluation be overhauled. Specifically, the Comprehensive Resource Analysis ("CRA") and subsequent true-ups for spending of clean energy funds should be modified to resemble utility plan filings more closely, which face a greater degree of scrutiny than the CRA process.

Second, robust reporting allows interested stakeholders and members of the public to access information more easily and understand how well programs are performing. Essential to this is an e-filing system that allows interested parties to see all non-confidential information associated with state and utility programs, as well as a modern, publicly accessible repository for plan and program filings, as well as evaluations. As stated previously, NRDC believes that New Jersey should examine the reporting systems in Pennsylvania, New York, and Massachusetts to see where it can make improvements to its own system.

III. CONCLUSION

NRDC appreciates the opportunity to submit these comments. The Draft Straw Proposal is an important step in the stakeholder process where interested parties can respond to specific staff proposals. Overall, NRDC is supportive of the direction of the straw proposal and believes it serves as a good starting point for further bi-directional discussion between the BPU and

interested stakeholders. Further, NRDC is hopeful that the BPU will release similar straw proposal for other important issues such as cost recovery.

PIMA
POLYISOCYANURATE INSULATION MANUFACTURERS ASSOCIATION

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Sent via Electronic Mail

January 9, 2020

New Jersey Board of Public Utilities
44 South Clinton Ave.
Trenton, NJ 08625
Attn: Aida Camacho-Welch
EnergyEfficiency@bpu.nj.gov

Re: New Jersey's Energy Efficiency and Peak Demand Program Administration Straw Proposal

Dear Aida Camacho-Welch,

The Polyisocyanurate Insulation Manufacturers Association[1] would like to take this opportunity to comment on the Energy Efficiency and Peak Demand Program Administration Straw Proposal developed by the Board of Public Utilities. Energy efficiency programs and policies have a direct impact not only on New Jersey's environment, but also on its employment and economy. According to the most recent U.S. Energy and Employment Report, there were 36,206 workers directly employed in energy-efficiency jobs in New Jersey in 2018. This is a 7.1% increase over 2017, the largest increase among all of the State's energy related job sectors.[2] With the right policies, New Jersey can grow this segment of its economy and energy-efficiency can become a key contributor to the Governor's goal of achieving 100% clean energy by mid-century.

While we applaud the recent adoption of the 2018 International Energy Conservation Code (IECC) and the ASHRAE Standard 90.1-2016 by the Department of Community Affairs (as noted in the Straw Proposal), we would also like to point out that provisions related alterations in existing buildings have been modified under the State's adoption of these codes and are significantly weaker compared to model code provisions. New Jersey could do much more to extend the energy conservation requirements to alterations in existing buildings and, we believe, the Board could help facilitate this effort. **We recommend that the Board work with the Department of Community Affairs to evaluate the potential energy-efficiency benefits of strengthening the State's Energy Subcode and Rehabilitation Subcode to be more in-line with the model codes adopted in neighboring states and determine what changes are necessary to achieve these benefits.**

[1] PIMA is the voice of the rigid polyiso industry and a proactive advocate for safe, cost-effective, sustainable, and energy-efficient construction. PIMA's membership includes the manufactures of polyiso insulation and suppliers to the industry. The products of PIMA's members comprise the majority of the polyiso produced in North America. More information is available at: www.polyiso.org.

[2] Energy Employment by State--2019, National Association of State Energy Officials (NASEO) and Energy Futures Initiative (available at: https://www.usenergyjobs.org/).

The purpose of including existing buildings under the energy code is to leverage the natural cycle of building upgrades and component replacement in order to improve energy efficiency. In particular, commercial buildings offer a significant opportunity to reduce overall energy use and peak demand energy use. More than half of existing commercial buildings were built before state and local governments started to adopt building energy codes, so these older buildings offer a huge opportunity for energy savings and the most cost-effective time to improve a building's energy performance is when it is renovated and/or when components and systems are replaced. This process is particularly important for envelope improvements, which reduce building heating and cooling loads, thus creating the potential for even greater improvement in HVAC equipment efficiencies in the future. As one example, more than 2.5 billion square feet of commercial, low-slope roofs are replaced or re-covered each year on existing buildings in the United States. Replacing a typical existing roof with an energy code-compliant roof reduces whole building energy use by an average of 5.7% and could result in a ten-year cumulative energy cost savings of more than $12 billion and a cumulative CO2 emission reduction of more than 100 million metric tons[3] (equal to the annual emissions of 24.8 coal-fired power plants or 21.4 million cars).[4]

This connection between building energy codes and potential energy savings in existing buildings was recently noted in the New Jersey draft 2019 Energy Master Plan. This draft plan explains the large energy efficiency potential presented by existing buildings and recommended that "the state must consider mechanisms and opportunities to address building and energy codes in existing buildings when they are being rehabilitated or retrofitted with the aim of promoting increased energy efficiency and thermal comfort, in addition to health and safety."[5]

Thank you for the opportunity to submit these comments. Please contact myself (jkoscher@pima.org) and Jeff Mang (jeff.mang@hoganlovells.com) should additional information be necessary.

Sincerely,

Justin Koscher
President

[3] Jerry Phelan et al., Energy and Environmental Impact Reduction Opportunities for Existing Buildings with Low-Slope Roofs, Bayer Materials Science, April 2009. Available at: https://cdn.ymaws.com/www.polyiso.org/resource/resmgr/report/bayer_report.pdf.

[4] From U.S. EPA's Greenhouse Gas Equivalencies Calculator (available at https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator).

[5] New Jersey Board of Public Utilities, Draft 2019 New Jersey Energy Master Plan: Policy Vision to 2050, pg. 65, June 10, 2019, https://nj.gov/emp/pdf/Draft%202019%20EMP%20Final.pdf.

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January 17, 2020

Via E-mail (EnergyEfficiency@bpu.nj.gov)

Aida Camacho-Welch, Secretary of the Board
Board of Public Utilities
44 S. Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: Energy Efficiency and Peak Demand Program Administration Straw Proposal

Dear Secretary Camacho-Welch:

Please accept these comments on behalf of Public Service Electric and Gas Company ("PSE&G" or the "Company") in connection with the above-referenced matter.

PSE&G recognizes the New Jersey Board of Public Utilities ("BPU" or the "Board") and its Staff's initiation of an extensive stakeholder process on the energy efficiency transition, and the Company appreciates the opportunity to submit the comments on the issue of Energy Efficiency program administration. PSE&G also thanks the Board for its consideration of stakeholder feedback, much of which is reflected in the comprehensive straw proposal that the BPU has released on program administration.

In particular, the straw proposal appropriately recognizes and accepts stakeholder feedback that: (1) utilities are best suited to run a comprehensive suite of energy efficiency and peak demand programs given their unique advantages; (2) certain New Jersey utilities, such as PSE&G, are "ready to implement a wide variety of programs;"[1] and (3) utilities "will have to significantly expand the scope of their respective energy efficiency and demand response portfolios" to meet the Clean Energy Act's ("Act") aggressive energy savings targets.[2] In this regard, the straw proposal aligns very closely with PSE&G's Clean Energy Future – Energy Efficiency ("CEF-EE") proposal, which by design reducers customers' energy usage and bills, reduces greenhouse gas emissions, and creates thousands of clean energy jobs in New Jersey.

In other instances the straw proposal carves out initiatives for the State to lead, and proposes that other initiatives be jointly administered. As described in this submission, in most instances the utilities are best-suited to administer these initiatives. Moreover, utilities need the flexibility to design the programs allotted to them, an objective that the straw proposal does not

[1] Straw Proposal, page 13.

[2] *Id.*

satisfy. In the discussion below, PSE&G also identifies modifications to the straw proposal that are designed to bring the vast and cost-effective benefits of energy efficiency to all New Jersey residents. This will be achieved most cost-effectively if the State's resources are devoted to the important regulatory functions required to implement the CEA's requirements (e.g., establishing goals, proposing and enacting rules, developing amended building codes, reviewing/approving utility programs, measuring program performance), and utilities are incented to leverage their experience in program design, implementation, execution and management.

I. To Meet The State's Energy Goals, Utilities Will Need Flexibility To Design And Implement Innovative Programs.

For the utilities to achieve the Act's aggressive targets -- and the State to meet its energy goals -- the Board must afford the utilities the flexibility to be innovative, creative, and nimble in their program implementation practices. A flexible approach towards utility program implementation, subject to Board review and regulation as described above, will facilitate the most cost-effective programs and drive savings potential upward.

While the straw proposal accurately notes that "Staff clearly heard from stakeholders that flexibility is required to ensure that New Jersey meets the CEA's ambitious energy savings targets," the straw proposal takes a somewhat prescriptive approach to program administration, including limiting the "Utility Administered Core Programs" to existing New Jersey Clean Energy Program ("NJCEP") offerings rather than by market segments.[3] Utilities should not be so restricted in their program design and implementation. PSE&G's CEF-EE proposal currently pending before the Board is derived from the leading energy efficiency program designs in the country. Utility customers will miss out on significant, cost-effective energy savings if the utilities cannot design and implement innovative programs such as those included in the CEF-EE filing, and are instead forced to inherit State programs that were designed without the utilities' input. Rather than dictating specific program design, the Board should carve out market segments that utility energy efficiency initiatives will target. The utilities' program filings should then propose how the utilities intend to deliver energy savings to those market segments, subject to BPU review, approval, and on-going regulatory review.

Innovative program design will also be suppressed if the Board rigidly opts for complete "statewide consistency" over utility program flexibility. The Board should clarify the straw proposal's recommendation that "regardless of administrator, core programs are recommended to be administered on a statewide, consistent basis. . . ."[4] While the example that the straw proposal provides of statewide consistency, *i.e*., "effective branding of the portfolio instead of many individually branded programs," is appropriate, the Board should not require utilities to utilize, for example, joint contracting.[5] Separate contracting by each utility brings diversity and creates more

[3] Id.

[4] *Id*. at page 12.

[5] *Id*.

opportunities for private market businesses and green jobs. Unyielding "consistency" would also ignore the fact that the State's utilities have different service territories. This would be a mistake, as a customer in Cape May County may be reached, and have different energy efficiency needs, than a customer in Bergen County, for example.

Rather than implementing a less flexible "one size fits all" approach to energy efficiency, New Jersey should encourage utilities to work collaboratively and share best practices regarding program implementation. For example, PSE&G and New Jersey Natural Gas have shared information related to Hospital and Engineered Solutions programs, to the benefit of New Jersey customers across the State. Inter-utility collaboration will be key to the State meeting its energy goals, and PSE&G looks forward to continuing the energy efficiency dialogue with its fellow New Jersey utilities.

The State's utilities, if provided the flexibility needed to implement a successful energy efficiency program, can deliver the energy savings that the Act requires, as well as a myriad of benefits to the State and its residents.

II. The Straw Proposal Appropriately Recognizes The Inherent Value Of Utility-Led Programs.

PSE&G commends the Board for recognizing, as many stakeholders noted, that utilities can leverage their "knowledge of energy consumption, customer demographics, workforce infrastructure, and existing customer relationships within their service territories" to deliver successful energy efficiency programs.[6] The straw proposal also notes that utilities can use their energy usage data to "enable the design of more personalized services and programs, targeted outreach, and individualized solutions for customers."[7] Furthermore, the straw proposal recognizes that utilities "can offer flexible financing options, such as on-bill repayment", and customers may also have "'brand awareness and direct communication with their utility, which can facilitate adoption of energy efficiency measures."[8] All of these statements are accurate and key to understanding how the State can achieve its aggressive energy savings targets.

Given these advantages, the straw proposal (at pages 14-17) thoughtfully identifies a variety of "utility administered core programs" that are best suited for the utilities to deliver. Furthermore, pages 21 to 25 of the straw proposal detail "additional utility-led initiatives" that the Board properly determined should reside with the utilities. For example, the straw proposal wisely recognizes the leading role that the utilities should play in providing behavioral programs, which must be connected to customer data and utility-managed residential offerings to drive meaningful energy reductions. The straw proposal also properly recognizes the importance of utility-implemented pilot programs, from which utilities can share their experiences across the industry

[6] *Id*. at page 14.

[7] *Id*.

[8] *Id*.

so that other utilities can develop their own pilot programs and informed, full-scale programs can launch benefiting New Jersey customers across the State.

PSE&G further agrees with the Board that electric vehicles are a critical component of the State's clean energy goals, and they should be included in utility demand response programs. As set forth in PSE&G's Clean Energy Future – Electric Vehicle and Energy Storage filing, the Company supports broad adoption of electric vehicles, with the utilities taking a leading role in incentivizing and building the associated infrastructure. Lastly, with respect to the utility-administered, peak demand reduction programs referenced in the straw proposal, PSE&G's proposed Non-Wires Alternatives and Non-Pipes Solutions pilot programs, included in the CEF-EE proposal, are designed to reduce peak demand. Curtailable load and direct load control are also means to achieve peak demand reductions, and would be best served through a single, utility-led program.

In sum, the straw proposal's recognition that the utilities are best suited to implement these programs and initiatives represents meaningful progress for the State's energy efficiency landscape, and puts New Jersey on the right path to achieving the Act's savings targets.

III. The Straw Proposal Carves Out Several Initiatives For The State to Exclusively Manage, But In Many Instances Utilities Are Better Suited To Administer These Programs.

While appropriately identifying certain programs to be best carried out by the utilities, the straw proposal then also suggests that other initiatives be carved out for the state to exclusively manage. Certain of these initiatives are well suited for the state to administer, given the State's responsibility for Market Transformation. In particular:

- *Energy Codes & Standards Initiatives* (page 25); however, PSE&G recommends that the OCE should focus on code and standards enforcement, and not just setting those codes and standards;

- *Community Energy Grants* (page 26).

Other initiatives identified in the straw proposal as being appropriate for the state to manage, however, should be allocated to the utilities to manage. In particular:

- *Residential New Construction* (page 18) and *Pay for Performance – New Construction* (page 19) - Each utility has strong relationships with the building development and construction community as virtually every new construction project must interface directly with its local utilities early in the development cycle to assess interconnection costs and related issues. For example, PSE&G has a dedicated team to work with the development community that can be leveraged and supplemented to maximize participation in the new construction programs.

- *Retail Products* (page 18) - Customer-facing programs, such as Retail Products, are best left to the utilities given their advantages, which the straw proposal acknowledges. Customers know and trust the utility brand, and they trust the utility's recommendations on retail products. Furthermore, utilities can leverage the experience that contractors have with retailers, and they have, or can develop, the information technology systems necessary to integrate retail sales with utility customer data for reporting and evaluation, measurement, and verification. Integrating all mass market residential energy efficiency programs under a single administrator, namely the utilities, will allow for cost efficiency, promote co-marketing opportunities, and improve the customer experience. Incentives need to be considered and coordinated with other programs and cannot be approached in an isolated manner. The level of incentives, the products to be incentivized, all need to be approached comprehensively as part of the residential program suite.

- *Combined Heat & Power – Fuel Cells Power* (page 19) - Combined Heat & Power ("CHP") projects should be administered by the utilities, whether as part of an Engineered Solutions program described below or as a standalone initiative. Utilities are best able to administer CHP projects due to their ownership of and operating responsibility for the utility grid.

- *Research and Development* (page 25) – While R&D does require coordination and collaboration across the state, the utilities are best suited to direct investment in these projects, which involve not only research but also commercialization of efficiency technologies. Utilities' customer relationships and ownership of most EE programs, as well as their knowledge of customer demographics, service territories, and utility infrastructure best position them to lead R&D programs and ensure they lead to viable customer offerings coming to market.

Lastly, some initiatives identified by the straw proposal as being appropriate for the State should be shared responsibilities between the State, the utilities, and in some cases, other entities. In particular:

- *State Facilities* (page 20) - The State will maintain a critical role in coordinating activities across many State facilities, and self-funding participant costs of that work through the State budget. In addition, integrating efficiency projects for State facilities into the larger C&I portfolio, and leveraging rebates and other incentives available to C&I customers, will allow for economies of scale, as well as promote consistency in incentives, process, evaluation, and reporting in State facility projects.

- *Local Government Energy Audit (LGEA) and Energy Savings Improvement Program (ESIP)* (page 20) - Through the LGEA program, eligible entities receive a free audit; however, customers may not follow through on the recommended energy savings measures because of the current disconnect between program offerings. The utilities will have the systems, processes and skillset to manage energy audits and provide local governments with the needed guidance to encourage the adoption of recommendations. With the Energy

Savings Improvement Program, the Company has observed that the lead time for projects is extremely long, and only certain entities are able to bond to fund participation in this program. Given these challenges, customers should have the choice to participate in utility programs, such as Engineered Solutions or Direct Install.

- *Workforce Development* (page 25), which should be a primary focus of the OCE, in coordination with the New Jersey Department of Labor and Workforce Development. The utilities also have a lead role in development of the workforce as the primary administrator of energy efficiency programs. It is critical for utilities to leverage their expertise and business relationships to create and support workforce development opportunities.

- *Public Education* (page 25) – The State will maintain a critical role in this area; however, the utilities should be included in these efforts to create pathways to customer program participation and ultimately create energy savings.

With regard to State-implemented programs listed in the straw proposal, certain proffered advantages tenuous and unsupported. For example, the straw proposal states that "State administered programs can . . . minimize transaction costs for trade partners operating in multiple utility service territories."[9] However, given the well-documented lag in the State's ability to compensate trade partners, NJCEP programs very well may be more costly for trade partners than utility programs that do not face the same constraints. Also, to support its recommendation that the NJCEP administer an audit program, the straw proposal notes that the State is "in the best position to effectively market this program due to its relationships with various public entities, universities, and non-profits."[10] It is the utilities, however, that have preexisting, strong relationships with these customers, including multiple touchpoints for marketing energy efficiency programs to them. The utilities have also successfully implemented energy efficiency programs that have served these customers. Given these relationships, the State's utilities should design and implement all of the programs listed in the straw proposal (and others) to meet the needs of mass market customers. This would create an environment where one known and trusted implementer is working with the customer from the beginning of the energy efficiency provider-customer relationship to the end.

IV. The Utilities Should Exclusively Administer The Programs That The Straw Proposal Recommends Be Co-Managed.

For the reasons set forth below, as well as the unique utility advantages described above, the utilities should exclusively administer the following programs that the straw proposal recommends be co-managed:

[9] *Id*. at pages 17-18.

[10] *Id*. at page 20.

- *Low-Income Customer Programs* (page 27) - Programs designed to serve the State's low-income customers should be managed individually by the utilities, integrated with their overall residential portfolio of energy efficiency programs. Given the unique utility advantages that the Board recognizes, the State's most vulnerable citizens should not be deprived access to the utility programs that are built on these advantages. This would hamper equal access to energy efficiency in the State, contrary to public policy and the overwhelming input from stakeholders. A strong quantitative performance indicator ("QPI") surrounding low income customers will ensure that utilities are fully vested in maximizing the energy efficiency opportunities for this vulnerable customer population. PSE&G's plan to bring meaningful energy savings and bill reductions to the State's low income customers is encapsulated in its CEF-EE Residential Low-Income Sub-program. This Sub-program would provide free, direct installation of energy efficient technologies and weatherization services to qualifying customers with limited income. The Board should authorize the utilities to implement low-income customer programs, working collaboratively with key stakeholders and using their experiences from the Comfort Partners program.

- *Energy Efficiency Products Marketplaces* (page 27) - Key to an effective marketplace is integration with utility customer systems, as well as utility behavioral programs and other utility-administered programs for residential customers. Separating a customer-facing, marketplace program from other residential portfolios that the utilities administer, as the straw proposal recommends the Board do, will create a fragmented customer experience, confusion, and ultimately lost savings opportunities.

  Moreover, the straw proposal's position on a Marketplace program reflects a misunderstanding of how customers engage with energy efficiency programs. More specifically, customers will not seek to purchase products through a statewide website. Rather, they will learn of these opportunities through preexisting utility online accounts, behavioral reports, and residential audit programs that link them seamlessly to a utility-operated marketplace.

  For example, PSE&G's Energy Efficiency 2017 program contained a widely successfully online marketplace under the PSE&G brand name and directly connected to the PSE&G website, where customers could purchase rebated smart thermostats. In November 2019, the Company relaunched the marketplace, and is experiencing the same success as its initial launch. An integrated multi-pronged approach was utilized, and about 40% of the transactions came from PSE&G channels (*e.g.*, PSEG.com website, PSE&G newsletter). The success of PSE&G's Smart Thermostat program demonstrates that leveraging the utility brand is an essential element of a successful marketplace.

- *Appliance Recycling* (page 28) - Like other customer-facing initiatives, the Appliance Recycling program should be utility-administered, not co-managed as the straw proposal suggests. Treating the administration of this program differently than other customer-

facing initiatives would hamper integration with other utility-run programs, as well as other residential rebate programs that utilities will offer.

- *Multi-Family* (page 28) - Multi-family, another customer-facing program, is best served through an Engineered Solutions program described below that provides full-facility upgrades, as well as tenant-occupied area initiatives. PSE&G has experience implementing an award-winning Multi-Family Program, demonstrating that this type of program is better suited for the utilities to administer.

In the event the Board does ultimately decide to have the State and the utilities co-manage certain programs, however, it should provide greater clarity on this arrangement. For example, the straw proposal does not address the cost recovery mechanisms that will be in place for co-managed programs. Any program that is co-managed should be funded through the same cost recovery mechanisms that are in place for utility-led programs. The Board should also provide more guidance to the utilities regarding how program design will be addressed with co-managed programs. Utilities, which are the only entities subject to the Act's incentive and penalty structure, should be responsible for the design, incentives, and implementation of co-managed programs. Utilities should also have the flexibility to make utility-specific modifications to co-managed programs.

Lastly, the straw proposal notes that, unlike with the State-led initiatives, the savings co-managed programs generate will be factored into the utilities' QPIs, potentially impacting utilities' incentives and penalties.[11] The Board should provide specificity demonstrating how these savings (or lack thereof) can impact the utilities QPIs, as well as incentives and penalties. There should be no penalties assessed against utilities because of the performance of a co-managed program, unless the Board permits the utilities to have the final determination in the program's design, incentives, and implementation, and the utilities have flexibility to modify those programs based on changing market conditions.

V. Additional Programs, Not Described In The Straw Proposal, Should Be Implemented In New Jersey And Exclusively Administered By The Utilities.

The following programs that PSE&G proposes in its CEF-EE filing, but that are not covered in the straw proposal, should be approved and administered solely by the utilities:

- *Engineered Solutions* - The Company's Engineered Solutions program is designed to provide whole-building engineered energy savings solutions to hospitals, school districts, universities, municipalities, apartment buildings, and other non-profit and public entities. PSE&G has a proven track record of implementing successful, cost-efficient programs to these customer classifications, with its award-winning Hospital and (as noted above) Multi-Family energy efficiency programs. Indeed, the Board has received significant stakeholder

[11] *Id.*

support for these programs over the past 18 months, including during the public and evidentiary hearings for the CEF-EE filing, the Energy Master Plan stakeholder process, and this energy efficiency transition stakeholder process. For example, at the September 25, 2019 energy efficiency stakeholder transition meeting, panelist Robert Mulcahy of Hackensack Meridian Health was extremely complimentary of PSE&G's, as well as New Jersey Natural Gas's, hospital programs.

The Board should also authorize the utilities to administer energy efficiency programs for tenant-occupied spaces in multi-family buildings. Such a utility-led initiative, combined with an Engineered Solutions program, can provide a "full building" approach that will produce savings in an efficient manner for a customer group that faces significant market barriers.

The Straw Proposal very appropriately recognizes the role of utilities in serving these types of large, non-residential customers with comprehensive projects, through its proposal of utility-administration for programs such as Pay for Performance, Customer Tailored Energy Efficiency Pilot, and the Large Energy Users Program. In addition to these programs, it is important to recognize the Engineered Solutions program design as an important tool for utilities to serve its hospitals, school districts, universities, municipalities, apartment buildings, and other non-profit and public entities.

- *Street-lighting* - PSE&G's proposed streetlight program is designed to upgrade all existing, Company-owned high-pressure sodium ("HPS") cobra head streetlight luminaires, provided to municipal customers under the Body Politic Lighting ("BPL") rate schedule, to light emitting diode ("LED") streetlight technologies of equivalent luminance. Replacing utility-owned BPL HPS streetlights with LED streetlights provides a meaningful opportunity for the State to achieve energy savings quickly, while lowering municipalities' electric bills. This program enjoys widespread support from the State's municipalities and should be approved. There are other lighting fixtures offered under the BPL rate schedule, in addition to HPS cobra head fixtures (e.g., floodlights), and fixtures offered under the Private Street Area Lighting rate schedule, that also have practicable LED replacements. PSE&G would like to discuss how the approval and expansion of this program could support achievement of the CEA's energy efficiency requirements.

- *Pilots* – PSE&G proposed eight pilots under its CEF-EE filing intended to provide New Jersey with insight into the future of the energy efficiency space and assure that PSE&G customers are able to attain cutting edge measures and subprogram designs that will support growth and modernization. These pilots will both contribute toward the CEA energy savings targets, and provide real-world data to support development of the next phase of energy efficiency programs that will continue to provide New Jersey residents and businesses with cost-effective energy savings, while reducing emissions and creating jobs.

  In Particular, PSE&G has proposed five pilot subprogram that are not specifically referenced in the Straw Proposal that should be considered for inclusion as *Additional*

Utility-Led Initiatives: Business Energy Reports, Energy Efficiency as a Service, Smart Homes, Volt Var Optimization, and Building Operator Certification.

The **Business Energy Reports** Pilot provides data analytics, home energy reports and online energy audits for businesses, and can be included either as a standalone pilot or under the Behavioral programs section.

The **Energy Efficiency as a Service** Pilot offers monthly service contracts, incentives, and extensive guidance on energy efficient building equipment and software.

The **Smart Homes** Pilot provides automated and personalized savings measures using an ecosystem of energy efficient devices and technologies working in coordination.

The **Volt Var Optimization** Pilot implements Smart-grid technology to automate control of the electric power distribution grid to reduce energy consumption, peak demand, system losses and enable more solar.

The **Building Operator Certification** Pilot provides training program for building operations staff responsible for energy-using equipment.

Adding the above-referenced offerings to the utilities' suite of energy efficiency programs will generate significant cost savings, consistent with the Act.

VI. The Process For Program Implementation Set Forth In The Straw Proposal Requires Modifications So That The Utilities Can More Efficiently Deliver Energy Savings.

The "Process" section of the straw proposal requires several modifications to ensure that utilities can generate cost-effective energy reductions for customers. First, the straw proposal recommends that utilities initially file for three-year programs, followed by a second filing to extend the programs by an additional two years.[12] This two-step filing process for every gas and electric utility in the State would be costly for stakeholders and administratively burdensome, to say the least, particularly when the utilities' focus should be on the execution and improvement of the new portfolio of programs in order to ramp up to the energy savings goals of the CEA in the required time period. Several stakeholders, including environmental advocates, expressed concern at the public meetings regarding additional regulatory filings. The two-step filing process would also be unnecessary, as utility program reporting would update the Board and other stakeholders on program achievements and areas for improvement.

Rather than the costly and unnecessary two-step filing approach that the straw proposal contemplates, utility energy efficiency programs should be designed in way that allows them to scale over time, without disruptive shifts in funding. These programs should run for five years (as

[12] *Id*. at page 29.

proposed in PSE&G's CEF-EE filing) for greater certainty, and with the opportunity for on-going review and modification, depending on marketplace results and other appropriate factors. In sum, extended programs allow the utilities and other market participants to invest in the long-term solutions for energy efficiency in New Jersey that the Act envisions, while creating and maintaining green jobs.

Second, the statewide database that the straw proposal envisions should be limited to summary data at the program level.[13] It should not contain any customer information, as that would create concerns regarding the safeguarding of customer information, both in transit and at rest. Rather than a statewide database, the Board should permit program administrators to utilize their respective databases, but develop standard reporting templates for meaningful consistency. A statewide reporting system could be developed that would collect summary reported data from the utilities to provide statewide results.

Third, the process "flexibility" that the straw proposal envisions does not go far enough to ensure that utilities will be able to react quickly to changing market conditions. More specifically, a 3% threshold for budget modifications does not provide meaningful flexibility. As noted in PSE&G's CEF-EE filing, the Board should permit utilities complete flexibility to move dollars between programs and across program years to further maximize program savings and resources, as seen in New York. Flexibility to shift dollars between programs allows utilities to adjust to market conditions that may cause higher or lower than expected levels of participation. For example, if program A is near selling out, and achieving cost-effecting energy savings, the utility may be able to maximize savings and cost-effectiveness by shifting budget from a program that is underselling, or is not delivering savings as cost effectively. Consideration can and should be taken during these shifts to ensure that underserved customers are not disadvantaged by the shift in budgets. PSE&G would support fixing, at a minimum, the budget for the low-income program so that money cannot be taken from this sector.

Fourth, as noted above, statewide branding of energy efficiency programs is appropriate, and PSE&G agrees with the straw proposal that "a collaborative approach between the State and the utilities" is best.[14] Nevertheless, the Board should clarify that program-level marketing be the sole responsibility of the utilities, subject to Board review after a reasonable interval. Moreover, while the straw proposal notes that "direct marketing efforts currently in place will transition to individual utilities for implementation," the utilities should not inherit marketing plans on which they had no input, and that likely were designed without consideration for utility-specific program offerings, customer demographics, and service territories.[15] The utilities should also be permitted to conduct additional awareness advertising to support the achievement of program participation goals.

[13] *Id*.

[14] *Id*. at page 31.

[15] *Id*. at page 32.

VII. The Board Should Provide Clarification Regarding The Straw Proposal's Recommendations On Energy Savings.

The straw proposal correctly notes that the Act permits utilities to apply energy savings from, *e.g.*, non-utility programs to achieve the savings targets and, therefore, the utilities "will be able to count the savings achieved by the State, through State-led initiatives, in meeting the CEA's overall goals."[16] The Board should clarify the amount of energy savings that the State initiatives will generate, after the modifications recommended above, so that the utilities have an understanding of the amount for which they will be held accountable.

PSE&G agrees with the Board that the savings the State initiatives generate should not be factored into the utilities' QPIs, and that the utilities will not receive incentives or penalties based on the NJCEP's performance.[17] Where applicable, the NJCEP should have targets against the same QPIs as those that the Board will use to assess the utilities' performance.

Lastly, the Board should provide the data underlying Figures 1-4 on pages 34-35 of the straw proposal. Figures 1 and 2 purportedly represent the potential energy savings on a sector and program basis if the straw proposal's recommendations are accepted. Figures 3 and 4 claim to represent anticipated program savings if the current program administration structure were kept.

VIII. The Number Of Metrics Should Be Reduced During The Utility Programs' Initial Years.

The straw proposal lists seven recommended metrics that the Board would use to assess the utilities' performance. This number should be reduced to three during the initial years of the utility programs that focus on energy savings, cost-effectiveness, and universal access to programs. Creating a more narrow set of targets creates clear and understandable objectives in the near-term, and minimizes distractions for the Board, utilities, and other stakeholders resulting from the need to define and measure success on a long list of metrics. In later years, after utilities ramp up their programs, the Board can add additional QPIs to further other policy objectives. Finally, all QPIs and metrics should be based on gross savings.

In prior comments submitted to the BPU on Optimal Energy's market potential study, DNV GL stated persuasively:

> Especially as the state market is building and evolving, few and simple QPIs may be best. We have experienced that multiple QPIs can create unintended consequences, with program administrators re-allocating budget and resources to struggling initiatives to meet goals at the expense of activities

[16] Straw Proposal, page 33; N.J.S.A. 48:3-87.8.

[17] Straw Proposal, page 33.

that are working better in the market. Cost-effectiveness and total savings typically suffer when program administrators are forced to hit more QPIs.[18]

Conclusion

Board Staff's straw proposal on energy efficiency program administration provides a good start toward putting New Jersey on the path to successful energy efficiency transition and meeting its energy goals. With the modifications described above, and through the continued collaborative efforts of the State, the utilities, and other stakeholders, New Jersey can become a national leader in energy efficiency.

PSE&G appreciates the opportunity to provide these comments, and looks forward to continuing to engage with the Board and other stakeholders on the energy efficiency transition.

Respectfully submitted,

Joseph F. Accardo Jr.

[18] Available at https://www.njcleanenergy.com/files/file/public_comments/FY19/CombinedCommentsRev2.pdf, last accessed on January 10, 2020.

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PHIL MURPHY
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Lt. Governor

STEFANIE A. BRAND
Director

January 17, 2020

By Hand Delivery and Electronic Mail
Honorable Aida Camacho-Welch, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: New Jersey Energy Efficiency Transition
Stakeholder Comments – Program Administration Straw Proposal

Dear Secretary Camacho-Welch:

Please accept for filing the enclosed original and ten (10) copies of comments being submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in connection with the above-referenced matter. Copies of Rate Counsel's comments are being provided to all parties on the service list 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 to our courier.**

Thank you for our consideration and attention to this matter.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

By: _____
Kurt S. Lewandowski, Esq.
Assistant Deputy Rate Counsel

Enclosure

cc: EnergyEfficiency@bpu.nj.gov
Paul E. Flanagan, BPU
Sara Bluhm, BPU
Kelly Mooij, BPU
Sherri Jones, BPU
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Abe Silverman, BPU
Rachel Boylan, BPU
Pamela Owen, DAG, ASC

Clean Energy Act
New Jersey Energy Efficiency Transition
Stakeholder Process

Energy Efficiency Stakeholder Meeting – Program Administration
BPU Docket No.: Undocketed Matter

Comments of the Division of Rate Counsel

January 17, 2020

Introduction

As part of the process to implement the Clean Energy Act,[1] the Staff ("Staff") of the Board of Public Utilities ("Board", "BPU") convened stakeholder meetings on September 25 and October 30, 2019 to address the administration of energy efficiency ("EE") and demand response ("DR") programs under the CEA. On December 20, 2019, Staff released a straw proposal ("Straw", "Straw Proposal") for program administration. The within comments are being submitted by the New Jersey Division of Rate Counsel ("Rate Counsel") pursuant to the Notice circulated by Staff ("Notice") seeking comments on the Straw Proposal. Rate Counsel reserves its right to further amend and augment these comments based on any future proposals and other developments in the stakeholder process.

I. General Comments - Reaching Low and Moderate Income Participants

These comments summarize Rate Counsel's review of the Straw Proposal and recommendations. At a high level, Rate Counsel Notes that absent from the Straw Proposal is clear guidance on how the state and the utilities will achieve greater saturation of these energy

[1] P.L. 2018, c. 16 (C.48:3-87.3-87.7) ("Clean Energy Act" or "CEA").

efficiency programs in low income communities. One of the main objectives stated in the Straw is to "provide equitable access to energy efficiency and peak demand opportunities....with a special focus on low income residents." Straw, p. 7. In a preliminary sense, two major ways to achieve this objective is to strengthen community partnerships and develop a deeper understanding of the obstacles that stand between low income customers and energy efficiency. In subsequent proposals, the Board should outline how it and the utilities will gain a better understanding of these barriers and utilize partnerships or other means to implement new processes to reach more low and moderate income participants in each program. Further, more needs to be done to measure and address Low and Moderate Income participation in EE and DR programs.

The remainder of Rate Counsel's comments are structured in the following sections, which mirror the sections in the Straw Proposal:

- Program administration frameworks
- Process
- Energy Savings
- Metrics

II. Program Administration Frameworks

A. General

In the Straw Proposal, Board Staff proposes to divide energy efficiency and peak reduction programs into two categories: Core Programs and Additional Initiatives. The Board Staff defines the Core Programs as "base programs which Staff believes will be critical to meeting the energy efficiency targets and which, in large part, currently comprise a majority of CEP offerings." Straw, p. 13. This proposal appears reasonable. Further, Rate Counsel agrees that a majority of Clean Energy Program ("CEP") offerings should be designated Core Programs and offered throughout the state. Additional Initiatives are defined by Staff as "auxiliary

programs and program features that will enhance the Core Programs' success and/or focus on policy goals not solely related to energy efficiency." Straw, p. 13. As discussed below, some of the Additional Initiatives proposed by Staff are problematic, extending far beyond EE measures for which cost recovery is reasonably sought from ratepayers, such as Electric Vehicles ("EVs") and Research and Development ("R&D").

B. State-Administered Core Programs and Utility-Administered Core Programs

Overall, the proposed assignment between the utilities and the CEP in the Straw Proposal is different from Rate Counsel's recommendation in its earlier (November 2, 2019) comments, in which Rate Counsel noted "[p]referably, the CEP would lead energy efficiency programs that need consistency across the state, with the CEP and the utilities sharing some responsibilities." November 2, 2019 comments, p. 2. In contrast, the Straw Proposal proposes that the majority of the CEP programs (except new construction, retail products, and state and municipal buildings-related programs) be administered by the utilities or co-managed by the utilities and the CEP. Rate Counsel does not object to most of the proposed allocation of programs in the Straw Proposal, provided the utilities can streamline their programs and maintain consistency among them throughout the state for the programs that need consistency. Additionally, Rate Counsel's comments on the statewide consistency are discussed further in Section C below.

The existing CEP programs that are assigned to the utilities under the Straw Proposal are mostly retrofit programs for which the utility's access to customer energy data and ability to offer on-bill financing are advantageous. Examples of such programs are Home Performance with EnergyStar and WARMAdvantage and COOLAdvantage programs for residential customers, as well as Pay for Performance - Existing Buildings, Direct Install, and Large Energy Users Programs for commercial and industrial customers. While energy data can be transferred

to the State or even a third-party administrator, the initial process to transfer data is a significant undertaking.

Further, on-bill financing can be only offered by the utilities. While the Straw Proposal expresses some views with which Rate Counsel does not necessarily agree (e.g., the utilities can offer more flexibility), Rate Counsel agrees with the view that the utilities currently have an advantage over the State in terms of access to customer energy data and the ability to offer on-bill financing.

The existing CEP programs that the Straw Proposal proposes to stay with the CEP focus on new construction, retail products, local and state government buildings, and combined-heat and power ("CHP") Fuel Cells Program. Rate Counsel concurs with the Straw Proposal with respect to recognizing the State's advantages in implementing these programs. Such advantages are:

- New Construction programs: The state agency can effectively work with code officials and other agencies to support advances in codes and standards and is best positioned to work with trade allies across the state who are rarely bounded by utility territories. Straw, p. 18.
- Retail Products program: The State is better positioned to negotiate for statewide deployment of products and can continue to leverage the existing partnerships to ensure increased savings.

Rate Counsel disagrees with the Straw Proposal's suggestion to include a program called Energy Efficiency Products Marketplace ("EEPM") as a co-managed program by the CEP and the utilities. The EEPM program appears to be an integral part of the Retail Products program, which the Straw Proposal recommends assigning to the State. Straw, p. 18. The EEPM program is essentially a single online platform for the Retail Products program. On the EEPM platform, "customers across all service territories have equal and adequate access to energy efficient products." Straw, p. 27. While the Program Recommendations section of the Straw Proposal assigns these programs to different administrators, in another section entitled "Energy Savings,"

there is no distinction between the two programs. Where the Straw Proposal presents an illustrative breakdown of potential energy savings by program, it categorizes "Consumer Products & Lighting Programs" as co-managed programs. Straw, pp. 34-35. Further clarification is needed in this area.

The Straw Proposal mentions several benefits of utility involvement in the EEPM program such as (a) the utilities can collaborate to make the platform accessible to consumers; and (b) utility access to customer data can enable targeted marketing to customers. Given these benefits and the close link between the EEPM and the Retail Products program, Rate Counsel believes it makes sense to combine both the Retail Products and the Energy Efficiency Products Marketplace as one co-managed program.

Lastly, Rate Counsel notes that the Straw Proposal is unclear on the advantages of the State implementing the CHP - Fuel Cells Program. The Straw Proposal claims that the State is best positioned to establish access to and provide comprehensive planning and coordination for customers. It is not clear whether the State has this advantage. While Rate Counsel agrees that the State could limit administrative costs if it offers this program across the State, Rate Counsel also sees a clear advantage of involving the utilities in this program. Rate Counsel considers access to energy usage and customer data as crucial for CHP development because it can inform optimal CHP design and sizing. On-bill financing offered by a utility would also help develop CHP. Rate Counsel recommends that Staff provide a more detailed explanation of the advantage of the State implementation of this program, as compared to the advantages that the utilities confer.

C. Co-Managed Programs

The Straw Proposal includes four programs co-managed by the CEP and the utilities: Low-Income Program (Comfort Partners), Multifamily Program, Appliance Recycling Program, and Energy Efficiency Products Marketplace. Rate Counsel's comments on the Energy Efficiency Products Marketplace are provided in the previous section, in which Rate Counsel recommends this program be combined with the Retail Products program as a single co-managed program.

Rate Counsel has no objection to the inclusion of the other three programs as co-managed programs and agrees with the advantages of the State and utility involvement in these programs, as follows:

- Low-income program (Comfort Partners): This program has been managed by both the utilities and the State. The State has a role in setting program objectives, oversight, and participating in program management. The utilities manage and support the program operations and implementation. The State involvement can increase accessibility for all qualified customers across different utility service territories. In order to improve the program and achieve the Board's objectives to reach more low income residents the, the utilities can take advantage of their direct customer relationships for implementing this program on a larger scale and reach more participants. Straw, p. 28. The Board can set benchmarking for utility outreach programs specifically focused on Comfort Partners and in order to reach more participants. Additionally, the Board should establish coordination within state government to address underlying health and safety concerns when they arise as barriers for implementation of Comfort Partners' EE and DR measures.
- Multifamily program: This program has similar advantages of co-management by the State and the utilities to those for the Low-income program. It takes advantage of "both the statewide and cross-customer-class purview of State administration, as well as the customer relationships and data access benefits of utility program administration." Straw, p. 28.
- Appliance recycling program: The State's involvement will allow the program to achieve economies of scale and reduce duplicative administration costs for this program across the state. The utilities can encourage customer participation by offering incentives to replace existing products. Straw, p. 28.

Lastly, Rate Counsel recommends that the Straw Proposal clarify whether co-managed programs must be offered by every entity, or whether offering the co-managed programs should

be optional. For example, Rockland Electric Company ("RECO") opted out of the current low-income Comfort Partners program. Rate Counsel recommends that these co-managed programs should be mandatory programs, with some exceptions. Utilities should be able to opt out by petitioning the Board if they have ample evidence that customer demand for a program is lacking or for other good cause. Rate Counsel recommends that the Board establish a process to examine in detail any requests from the utilities to opt out any of the co-managed programs. This process should apply to RECO, which has already opted out the Comfort Partners program.

D. Additional Initiatives

Staff proposes a number of other programs within the category of Additional Initiatives. Rate Counsel has serious concerns about programs which go beyond EE and DR for which cost recovery is sought from ratepayers. The focus of the CEA is reductions in energy use and peak demand through EE and DR measures. Any Additional Initiatives implemented under the CEA should adhere to these goals. Two Additional Initiatives proposed by Staff are of particular concern: Electric Vehicle ("EV") Related Programs and Initiatives, and Research and Development ("R&D"). Straw, pp. 23 and 25.

Staff's proposal for utility-led EV Programs supports the promulgation of EVs which increases – rather than reduces - energy use, albeit with the aim of reducing peak usage attributable to EVs. Straw, p. 25. While the CEA provides that the Quantitative Performance Indicators ("QPIs") adopted by the Board take into account EVs, the CEA does not explicitly incent EVs. N.J.S.A. 48:3-87.9(c). EVs add to electric usage, countering any reductions gained through EE measures. Further, but for this additional usage, additional DR measures to address peak usage by EVs would not be necessary. Additionally, a recently enacted law in New Jersey specifically addresses the role of electric utilities and the Board in EV matters.

Rate Counsel does not support rate recovery of R&D programs. Straw, p. 25. In essence, ratepayers should not be viewed as a source of "venture capital" to finance R&D. Under the CEA, rate recovery should only be permitted for reasonable and prudent expenditures for EE and DR measures, including used and useful utility property. See N.J.S.A. 48:3-87.9(e). R&D expenditures do not fall into this category.

Another Additional Initiative also presents concerns: Non-Wires and Non-Pipes Solutions. Straw, p. 21. Here, Staff's proposal appears not to address EE and DR measures but, rather, it addresses avoided capital expenditures. It is not clear how Staff intends to recover the cost of such programs.

III. Process

A. Program cycles: Years 1-3 and Years 4-5

Rate Counsel agrees with the proposal to require both three-year plan filings and annual portfolio reports. However, Rate Counsel notes that these should be components of a process in which the utilities file petitions with testimony and other evidence, for both the three-year plan and the annual portfolio reports. Annual portfolio reports should be in each utility's annual filing petitions, wherein the utility requests performance incentives based on its achievements in the pre-determined QPIs and savings targets described in the CEA.

Regarding the Straw Proposal's proposed program cycle for Years 4-5, it is not clear as to why the Board staff recommends a minimum two-year duration for the next multi-year plan filing while it recommends a three-year duration for the initial multi-year plan filing. The Straw Proposal should clarify this point. The CEA requires annual utility filings, as well as triennial reviews of the QPIs and targets.[2]

[2] N.J.S.A. 48:3-87.9(b), (e).

B. Utility coordination – consistency

There are many commercial and industrial utility customers and EE/DR contractors who operate across different utility jurisdictions. Residential utility customers might shop around for energy-consuming appliances and equipment across utility jurisdiction lines. Thus, it is imperative for the utilities to have identical program structure and offerings as much as possible for their core programs across service territories. The Straw Proposal acknowledges the importance of coordination in several places and mentions "maintaining statewide consistency of programs to ensure equitable access for all customers is of paramount importance, particularly for the Core Programs." Straw, p. 29.

There are a number of ways to achieve consistency across multiple utility service territories and avoid consumer and contractor confusion. One important approach missing in the Straw Proposal is the process to develop the Core programs for the utilities. Rate Counsel believes that prior to individual utility filings, Staff should first convene stakeholder meetings and establish the key structure and program offerings for the Core programs. Rate Counsel does not anticipate any significant challenges in this effort because it is anticipated that most of the Core programs are currently offered by the CEP, which will serve as templates for program design. As part of the stakeholder meeting process utilities could propose, for comment by stakeholders, any additional features or modifications to the key structure of the Core programs together with sufficient material to support such modifications. This process will ensure that the utilities will have consistent Core programs across jurisdictions.

Once the basic Core program designs and incentive levels are set, the utilities should jointly propose approaches to implement their Core programs and subsequently petition the Board for approval, with the opportunity for review and comment by parties. This is similar to the current

administration approach of the Comfort Partners program whereby a group of utilities manages and implements the program. The exception here is that in this program the Office of Clean Energy ("OCE") has a role of program oversight and goal setting. As an alternative approach, the utilities could also propose to hire a single contractor that either manages or coordinates each Core program for all the utilities. This is similar to the proposal in the Straw for the Multifamily Program where it states "[t]he utilities would procure a joint program administrator to perform high-level program coordination." Straw, p. 28.

C. Utility coordination – flexibility

The Straw Proposal discusses the importance of balancing flexibility and consistency. More specifically, the Straw Proposal mentions that "[a]llowing utilities to react quickly to changing market conditions, within reasonable limits, will ensure that programs remain effective and work toward achieving the aggressive savings goals set forth in the CEA." Straw, p. 30. In the Straw Proposal, Board Staff also proposes conditions that would permit the utilities to make modifications during program cycles without Board approval but with Board and Rate Counsel notification. Such conditions are as follows:

- Make minor modifications to *program* design;
- Shift budgets between programs up to 3 percent of approved program budgets without altering the utility's overall energy efficiency program budget and while remaining cost-effective; and
- Adjust incentives and rebates up to 15 percent of approved levels (Straw Proposal, p. 30).

At the outset, the thresholds and procedural requirements posited by Staff are vague and unsupported by any analysis. Rate Counsel concurs with Board Staff regarding the importance of keeping the balance between flexibility and consistency. However, Rate Counsel maintains that it is premature to establish thresholds and procedural requirements at this point. In any case,

any modifications proposed by utilities to existing programs and budgets must be supported by adequate information and evidence, with opportunity for review and comment.

D. Utility coordination – reporting

The Straw Proposal proposes that "[a]ll entities responsible for program delivery, including the OCE, will be required to report savings, costs, and evaluation data following a consistent set of requirements to ensure that all savings and expenditures are accurately tracked, accounted for, and attributed to the proper entity." Rate Counsel agrees that consistent reporting structures are vital for evaluating program performance across service areas and ensuring the utility savings targets are met.

E. Marketing

The Straw Proposal acknowledges the serious impact on participation in energy efficiency programs due to the lack of marketing over the past several years in New Jersey. The Straw Proposal also acknowledges the importance of effective marketing to increase both program participation and energy savings. Straw, p. 31. To establish effective statewide marketing, the Straw Proposal makes a number of important recommendations as follows:

- "Staff recommends a collaborative approach between the State and the utilities to ensure that program offerings are marketed and communicated clearly, have maximum reach to all customers, and are implemented at the least cost to the ratepayer." Straw, p. 31.
- "[T]he State will hold an ongoing working group with the utilities to discuss marketing research, campaign plans, implementation, and results." Straw, p. 31.
- "Overall brand awareness will be conducted at the state level. The State will work closely with the utilities to ensure that mass marketing efforts are conducted in each territory and promote "New Jersey's Clean Energy Program." Messaging and creatives will include the NJCEP logo and the utilities' logo (when applicable)." (Straw, p. 31.
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In general, Rate Counsel supports these approaches to create effective program marketing in the State.

IV. Energy Savings

As referenced in the Straw Proposal, the CEA states that "[a] public utility may apply all energy savings attributable to programs available to its customers, including demand side management programs, other measures implemented by the public utility, non-utility programs, including those available under energy efficiency programs in existence on the date of enactment of P.L.2018, c.17 (C.48:3-87.8 et al.,), building codes, and other efficiency standards in effect, to achieve the targets established in this section." Straw, p. 33.

The Straw Proposal further states that "Staff anticipates that energy savings achieved through programs administered by the State will count towards utility savings and that the utilities will be able to count the savings achieved by the State, through State-led initiatives, in meeting the CEA's overall goals." Straw, p. 33. Rate Counsel agrees that, to mitigate costs, savings achieved by the utility-run, co-managed, and State-run programs should count toward the CEA's electric and gas utility savings targets.

The Straw Proposal also states that "[s]avings anticipated to come from New Jersey's Clean Energy Program will not be included in each utility's quantitative performance indicators, and therefore the utilities will not receive performance incentives or penalties based on NJCEP's savings.[3] However, energy savings anticipated to be achieved through the co-managed programs will be included in each utilities' QPIs, and the utilities will be assessed incentives or penalties based on achievements in the co-managed programs."[4] Rate Counsel agrees that utilities should be subject to incentives and penalties for the programs that are clearly in their charge, i.e. the utility-led programs. Whether utilities should receive incentives and penalties for co-managed programs is less clear.

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[3] N.J.S.A. 48:3-87.9(c).
[4] N.J.S.A. 48:3-87.9(c).

Incentives and penalties are effective if the utility has a degree of control over the outcome. If the utilities have a large role in the success or failure of the co-managed programs, these programs should be counted toward the QPIs. However, the Straw Proposal is unclear about the extent of the utilities' role in the co-managed programs. For example, the utilities' role in the Appliance Recycling program is described as "managing the recycling needs and opportunities in their territories and encouraging customer participation by offering incentives to replace existing products with more efficient products" Straw, p. 28. There may be a clear opportunity for the utilities to offer incentives for more efficient products within the Appliance Recycling program. However, it is unclear what is meant by "managing the recycling needs and opportunities" and how large of an effort this requires, since the administration of the program would fall on the State. Straw, p. 28.

In sum, the method for determining whether programs count towards QPIs needs to be discussed in more detail than has been provided in Straw Proposal. Rate Counsel also recommends the Board establish a formal process to determine the level of energy savings and QPIs for the programs for which the utilities are responsible. This process should be discussed in subsequent Straw Proposals on this issue. Rate Counsel reserves the right to comment on any proposed methods for attributing program achievements to the QPIs.

V. Metrics

The Straw Proposal recommends the following metrics:

- annual energy savings
- annual demand savings
- lifetime energy savings
- lifetime of persisting demand savings
- utility cost test net present value of net benefits
- low-income lifetime savings
- small business lifetime savings (Straw Proposal, p. 37-38)

The Straw Proposal's set of metrics mirror those identified by the Optimal Study, with one exception: the Optimal study also included a metric called "Optional additional metric for key policy objective and relevant to utility specific plans."[5] Optimal Study, p. 97. The Optimal study also provided weights for the metrics that it proposed, including 6 percent for the optional additional metric. Optimal Study, pp. 96-97.

In the Straw Proposal, Staff states it envisions that the metrics and the associated weights "will be consistent among all utilities...." Straw, p. 39. However, the Straw Proposal does not propose weights. Notably, the Straw Proposal does not provide enough information to assess the metrics, either individually or as a group. Significantly, the Straw Proposal provides no units, formulae, data sources, or timeframe for calculating the proposed metrics. Further, the Straw Proposal does not discuss whether there are other policy objectives that are not represented in its the proposed set.

Rate Counsel also notes that the Straw Proposal has not provided any discussion or assessment of interactions between its proposed metrics. There appear to be many overlaps between these metrics. Just to name a few, there are likely overlaps between total annual and lifetime energy savings, between annual and lifetime demand savings, between total annual energy and demand savings, between low-income lifetime energy and total lifetime energy savings, and between small business lifetime and total lifetime energy savings. Some of the overlaps may be substantial. While these overlaps may or may not be a problem, interactions between the incentives should be considered carefully. If there are overlaps, incentives for a particular activity that touches on more than one QPI could be very rich. Further, if there are problems with the design of metrics, the overlap could magnify these problems.

[5] Optimal Energy (May 9, 2019). Draft Document: "Energy Efficiency Potential in New Jersey."

For the entire section of the Straw Proposal on Metrics, there has not been sufficient opportunity or information to enable an assessment of the set of metrics, their weights, and how they interact. There should be opportunity for comment on all of these within the QPI process.

For Staff's consideration as it formulates its thoughts on metrics, Rate Counsel notes that the process and definition of metrics should include the following:

- Formulae for the metric should be clearly defined.
- Data sources, methodologies, and assumptions should be specified.
- A clear assignment of responsibility for calculating metrics and a timeline for doing so should be specified.

Rockland Electric Company Comments

Energy Efficiency and Peak Demand Program Administration NJBPU Straw Proposal
December 20, 2019

EXECUTIVE SUMARY

As Rockland Electric Company ("Rockland" or "the Company") explained in its November 6, 2019 Comments on Program Design ("November 6 Comments"), the New Jersey Energy Efficiency ("EE") programs should be designed to support and facilitate the achievement of New Jersey's energy reduction goals. The Company also described the evolution of the EE regulatory framework in states that have had several years of experience developing EE programs and successfully achieving state energy reduction goals.

In addition, over the past year Rockland, individual New Jersey utilities, and the New Jersey Utilities Association ("NJUA"), have stressed in various comments that because the Clean Energy Act[1] ("CEA") requires that the utilities, and not the State or the Office of Clean Energy ("OCE"), must achieve mandatory energy reductions, the utilities must be afforded the flexibility to design their own EE programs. Rockland and the other New Jersey utilities have submitted dozens of comments responding to Staff requests for information about EE programs generally and in other states, and participated in multiple stakeholder meetings on the same topics. The New Jersey utilities have also shared their experience administering successful EE programs in other states and submitted recommendations based on that experience in order to develop a successful New Jersey EE program.

In light of the above-described process, the Company is both concerned and disappointed that this information was not considered in the preparation of the December 20, 2019 Straw Proposal for Program Administration ("Straw Proposal"). The Straw Proposal states that there was a lengthy stakeholder process where stakeholder meetings "allowed Staff to better understand stakeholder priorities and perspectives"[2] and that written stakeholder comments "helped to shape this Straw Proposal."[3] In reality, however, the Straw Proposal does not include the input and comments of Rockland and the other utilities about the flexibility and the tools the utilities need to develop programs that achieve energy savings. Moreover, it is difficult for stakeholders to determine what stakeholder input was incorporated because, with the exception of May 2018 comments on the Optimal Energy Draft Market Potential study, none of the referenced comments were posted on the Clean Energy or BPU websites. The Straw Proposal does not identify which stakeholder comments were incorporated into the Straw Proposal. Rather, the Straw Proposal merely refers generally to "stakeholder comments".[4]

[1] P.L. 2018, Chapter 17. The EE portion of the CEA is codified at N.J.S.A. 48:3-87.9.
[2] Straw Proposal, p. 10.
[3] Straw Proposal, p. 10.
[4] See, Straw Proposal, pp. 8, 9, 10, 12,

At the January 9, 2020 Utility Working Group meeting the utilities noted their objections to the Straw Proposal and offered additional recommendations. Among the utility objections to the Straw Proposal was the requirement that the utilities continue OCE's "Core" programs. Requiring the utilities to continue OCE's "CORE" programs removes the flexibility the utilities must have to develop EE programs that achieve energy savings. The utilities also objected to "co-managed" programs, which improperly assign the utilities 100 percent of the responsibility for energy reductions, but give actual management and goal of the programs to OCE. According to the Straw Proposal, in the proposed "co-managed" programs, the utilities will simply "manage and support the program's day-to-day operations" while the State actually manages the program and program objectives.[5] Like the "CORE" programs proposal, the "co-managed" programs proposal removes the flexibility that utilities must have to achieve energy savings. Also among the utilities' objections to the Straw Proposal was the limitation on the ability of utilities to move program moneys from less to more effective programs within the utility's portfolio, and the number of Quantitative Performance Indicators ("QPI"), which the utilities advised will unnecessarily increase the costs of EE programs.

According to Staff, the Straw Proposal was based on the recommendations of unidentified "stakeholders and experts" and four assumptions about what types of programs are "best handled" by either the utilities or OCE.[6] Rockland notes that during the September 25, 2019 Program Administration stakeholder meeting presentation, the American Council for an Energy Efficient Economy ("ACEEE") made a power point presentation entitled "Proposed Principles for Energy Efficiency Administration."[7] The ACEEE presentation recommended that the EE programs avoid confusion and that the EE program include "coordination" when programs cross service territories. Nothing in the presentation, however, recommended that OCE should administer these programs. Finally, there is no support in industry best practices for OCE to assign "CORE" programs to utilities, for example, or that certain programs should be co-administered. In fact, best practices in utility EE programs afford utilities the flexibility to design and administer their EE programs.[8]

Finally, the Straw Proposal suffers from a fundamental flaw: the components of the Program Administration are selected to address multiple policy goals and not for the purpose of achieving energy savings targets. A critical best practice for EE programs is having clear energy savings targets,[9] and during its presentation at the October 30, 2019 BPU EE stakeholder meeting,

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[5] Straw Proposal, p. 27.

[6] Straw Proposal, pp 10-11. 12.

[7] "Proposed Principles for Energy Efficiency Administration," ACEEE (BPU Stakeholder Meeting Program Administration September 25, 2019), Available at https://www.njcleanenergy.com/files/file/Committee%20Meeting%20Postings/ee/Energy%20Efficiency%20Stakeholder%20Presentation%2009%2025%2019%20FINAL.pdf

[8] *Best Practices in Promoting Utility-based Public Utility Energy Efficiency and Renewable Energy: Policy Options for Ukraine*, page iv, U.S. Department of Energy (October 2018) (in the U.S. a common scheme is to structure utility EE programs so as to provide utilities with the flexibility to achieve their energy savings targets by pursuing the best available energy efficiency opportunities.)

[9] *See, e.g., The 2019 State Energy Efficiency Scorecard*, American Council for an Energy Efficient Economy

the ACEEE warned stakeholders that states that do not have clear energy savings targets do not achieve energy savings.[10] In subordinating energy savings targets to multiple policy goals, the Straw Proposal has shifted the focus of the New Jersey EE programs away from the CEA's targeted savings goals.

Below, the Company sets out in more detail its Straw Proposal Comments. The Company also has joined the NJUA Joint Utilities Comments, which supplement these Comments.

Assumptions Used in the Straw Proposal

As noted in the Executive Summary, Staff included four assumptions about the types of EE programs that were better handled by the utilities or OCE. Rockland's comments regarding these four assumptions are set forth below.

Assumption #1:

Programs that have important structural elements that cross jurisdictions are best handled at the state level, either by the State, through joint and close coordination of the utilities, or co-managed between the State and the utilities.

Rockland's experience with cross jurisdictional programs, specifically its Audit and Direct Install Low Income Program, is that utilities can administer cross jurisdictional programs successfully. For example, the implementation contractor for Rockland's Audit and Direct Install Low Income Program, Honeywell, also manages the installation of gas and electric measures for OCE's Comfort Partners program. As a result, Honeywell installs in homes electric measures for Rockland's Direct Install Low Income Program and gas measures for the Comfort Partners program, and allocates the costs and energy savings between the two programs accordingly. This provides an enhanced customer experience as only one contractor visits the home and installs all measures. Rockland believes that this type of collaboration will continue and this program can be used as a model for collaboration with the New Jersey utilities in the future.

There is no justification for OCE administration, simply because a program is cross-jurisdictional. Instead, these programs should be administered by the utilities, where there is strong precedent that the utilities can work in a coordinated and collaborative fashion. The utilities commit to work together to provide contractors, building raters, and other trade allies with a clear set of standards for participation in the programs and so that they meet the specified requirements of the quality control process. The utilities are confident that this can be accomplished in a manner that advances the programs by bringing new approaches and features to the market as soon as possible and

("ACEEE") (October 2019) ("ACEE 2019 Scorecard"). (For example, the ACEEE Scorecard includes a list of the state EE programs with the highest reductions in energy usage, which includes Massachusetts, California, Rhode Island, Vermont, and New York.). Available at https://aceee.org/research-report/u1908. American Council for an Energy Efficient Economy ("ACEEE") considers having an energy target critical to achieving energy.[9] In fact, at its September 25, 2019 presentation at the Program Administration stakeholder

[10]

minimizes any potential disruption with trade allies.

Assumption #2

Programs that rely heavily on the use of contractors are generally best handled at the utility level where the utility can build stronger relationships and take on co-branded advertising and marketing efforts.

Rockland supports this best practice and has first-hand experience with its New York Small Business Direct Install ("SBDI") Program. By co-branding with the implementation contractor, customers recognize the utility brand and are more willing to participate in a utility sponsored program. This experience has proven the effectiveness of the co-branding process.

Assumption #3

Programs that rely on customer data or advance metering infrastructure (AMI) are best handled by utilities because of data access issues.

Rockland supports this best practice primarily because of the complexity of the data systems needed to manage this information. The storage, maintenance and security of customer data are best handled by the utility for the purposes of program design and implementation.

Assumption #4

Programs for which there are important equity considerations are best handled at the State level or co-managed so that differences in demographics among utilities do not impact equitable access to service.

Rockland believes that all customers should be served by energy efficiency programs and disagrees that this is necessarily best handled at the State level. If programs are designed to address these harder to reach customers with sufficient funding, utilities are better suited to implement these programs due to the differences in demographics. Rockland has experienced this first-hand through the success of its Rockland Low Income Direct Install Program I, II and II.

Program Administration Framework

Utility Administration: Staff believes that the utilities are best suited to deliver certain energy efficiency and peak demand reduction programs. In particular, utilities are best suited to deliver programs that are based on existing customer relationships and that rely on utility data and systems. As discussed further below, certain utility administered programs are best delivered on a consistent statewide basis, whereas others may be still effective when modified for each specific utility territory.

Rockland agrees that utilities are best suited to deliver programs based on customer relationships

and those that rely on utility data and systems.

State Administration: As demonstrated by panelists at stakeholder meetings and through research into program best practices, the Division of Clean Energy, the state Administrator of energy efficiency programs (State), is well poised to provide programs delivered in coordination with other statewide or state policy-led efforts. The State is also ideally suited to deliver those programs serving certain customer categories, such as governmental entities, or including certain market transformation activities, such as new construction standards, which are best coordinated by a single entity with jurisdiction across New Jersey.

While the State is best positioned to manage programs including certain market transformation and new construction activities, Rockland does not agree that government agencies should be excluded from participating in utility-run programs. Government entities' end-uses are no different than those of the business sector; they should not be excluded from participating in utility-run programs. For example, a SBDI Program would be applicable to most government buildings. For those above the SBDI threshold, a C&I Program would be applicable to meet their needs.

Co-managed Administration: As demonstrated by the successful administration of the state's Comfort Partners program, Staff recommends that some programs be administered with close oversight and day-to-day collaboration between both the State and utilities, in order to leverage the strengths of both program administrators and ensure that all customers are served most effectively.

Rockland does not agree with this recommendation as the co-managed approach often leads to customer confusion and frustration. In New York's early implementation experience, NYSERDA's participation in the commercial and residential lighting arena resulted in significant customer confusion; ultimately NYSERDA discontinued all its commercial and residential lighting efforts. Customers raised concerns regarding program participation and expressed displeasure with the complexity of the program. After NYSERDA's departure, the utilities became the administrator of lighting programs and program achievement increased. The Straw Proposal recognizes the success of the State's Comfort Partner Program. Rockland would note, however, that the Comfort Partners Program did not meet the needs of Rockland's low income customers. Rockland's Direct Install Low Income Program has reached more customers and it has proven more cost-effective than the Comfort Partners Program. Rockland's program operates at a lower $/MWh, a higher MWh reduction per participant, resulting in a higher benefit cost ratio, and has served the majority of its USF customer population.

Statewide Consistency: Staff agrees with many of the stakeholder comments that in most cases program delivery is most effective on a statewide basis in order to eliminate market barriers to participation, particularly informational barriers caused by customer or service

provider confusion, and increased administrative burdens. Therefore, Staff seeks to emphasize that, regardless of administrator, core programs are recommended to be administered on a statewide, consistent basis in order to increase customer access and participation. A key consideration for statewide consistency will be effective branding of the portfolio instead of many individually branded programs. Effective branding has been key to success in other states.

Consistency does not require that only one program is offered statewide. Branding can remain consistent among the State's utilities while programs are administered by each utility taking into account their unique demographics. This process will enable statewide consistency of branding while affording the utilities the flexibility to meet their specific individual needs. Utilities are in a better position to identify market barriers and address them through program design and targeted communication to overcome these barriers.

Core Program vs Additional Initiatives

Rockland agrees with Staff's vision of core programs versus additional initiatives. Utilities should have the flexibility to learn from experience and develop specific core programs that meet the needs of their customers, drive energy efficiency savings, and introduce new technologies as they become available in the market. Furthermore, utility pilot programs will inform future program design to achieve energy savings while transforming the market to heighten customer awareness and broaden the benefit of these technologies.

Utility Administered Core Programs

Rockland supports the Straw Proposal's designation of residential, small business, prescriptive and custom commercial programs, and pay for performance programs, as Utility Administered Core Programs. Utilities should, however, have the flexibility to incorporate these initiatives into a single program. For example, offering a prescriptive and custom rebate program for C&I customers as a single program reduces customer confusion, advertising costs and program administration expense. In New York, O&R offers two C&I electric programs: a direct install, and a C&I rebate program. To eliminate customer confusion, O&R markets these programs jointly so that customers can easily identify which program they are eligible for. Marketing and administration budgets are shared across the entire portfolio, minimizing customer confusion and overall program costs. Similarly, residential programs are offered by commodity under one program umbrella. O&R's branded marketplace supports the delivery of both residential electric and gas programs by providing instant rebates on energy efficient products. This approach also allows for budgets to be targeted toward over-performing initiatives, thereby helping to quickly react to market conditions and maximize program achievement.

Large Energy Users Program

New York utilities offered a similar "self-direct" program in the second phase of the Energy Efficiency Portfolio Standard programs. Large customers were provided with the ability to direct their System Benefits Charge ("SBC") collections into an energy savings account. They could then draw from these accounts to self-fund energy efficiency upgrades. Large customers in O&R's service territory declined to participate in this program because most were benefitting from the custom program rebates at higher levels than their SBC collections.

State Administered Core Programs

Residential New Construction

Rockland agrees that these types of programs (*e.g.*, establishment of building codes for new construction, verification of compliance with such codes) should be administered by the State. Because the State has already incurred startup costs to implement these programs, utilities should not duplicate these startup efforts. The State is in the best position to drive these code changes.

Retail Products

Rockland disagrees with a state-wide approach to a retail products program. While retail product programs are common in many states, it is the utilities who should work with vendors to implement this program. Savings achieved through this program should be part of the utility portfolio to supplement the Home Performance programs, for example, developing a program if customers want to address a single appliance rather than the whole home. Utility marketplaces are also critical to the distribution of retail products and serve as a common platform for all residential customers to engage in the education and purchase of energy efficient products and services.

As noted in the NJUA Joint Utilities Comments, allowing the utilities to control these programs is critical to allow participation to be directly linked to utility accounts to improve the personalization of recommendations under behavioral programs. Such control also will serve to maintain information for future targeting based on the life-cycle of the equipment. Shifting these programs to the utilities also will maximize coordination with demand reduction programs that are the responsibility of the utilities. Energy efficiency programs across the country recognize the dramatic evolution of connected products that will be available to consumers over the next decade. These connected products can achieve energy efficiency savings but will also provide significant new opportunities in demand response. Accordingly, it is advisable for the utilities to retain responsibilities for all these product-related programs.

P4P – New Construction

Rockland agrees that the C&I New Construction Program should remain with the State for the same reason outlined in the Residential New Construction Program above.

CHP

Rockland believes that CHP and Fuel Cell Programs should be administered by the utility because the utility's interconnection process is integral to facilitating participation in these end-uses. The utility should be responsible for integrating these resources directly into the grid and providing for increased incentives in areas of system need. For example, this would include integration with Non-Wire Solution areas, demand response programs, battery storage, EVs and other DER integration.

Local Government Energy Audit ("LGEA") Program

Rockland agrees that the proposed LGEA Program should remain with the State. However, results of the audit should be coordinated with each utility's C&I rebate program staff. This coordination will enable the utility to work with customers to develop a holistic energy plan which incorporates all available utility incentives. Customers and the utility can develop an installation timeline so that measures with the highest paybacks are installed first, with the corresponding energy savings funding future longer payback projects.

Energy Savings Improvement Program

Rockland believes that this program, which encompasses education, local boards of education and county and municipal government sectors, represents a significant portion of its potential energy savings. Therefore, precluding Rockland from participating in this program will seriously jeopardize the Company's ability to achieve its energy reduction targets. A more holistic approach would authorize utilities to work in conjunction with the State and local government to provide rebates and incentives to further minimize customer costs, improve the customer experience, and increase the adoption of energy efficient measures within those sectors. This approach also will provide added expertise to guide and support the achievement of maximum benefits. In addition, the utility administered proposed programs will address the energy savings needs in these sectors so that a duplicative offering is not needed.

Additional Utility-Led Initiatives

Additional utility-led initiatives provide utilities with the flexibility to customize program offerings

which meet the State's energy goals and allow utilities to target offerings based on customer geographic location and demographic profiles. Behavioral, peak demand, demand response, strategic energy management and EV programs[11] should be administered by the utilities because they understand the customer's usage profiles and building characteristics and their impact on the grid. Utilities are well positioned to design programs for these sectors which can be integrated to address the holistic needs of the facility and simplify the customer's participation in the utility portfolio of programs.

Non-Wires Solutions ("NWS")

Rockland supports the deployment of NWS and pilot projects as they are initiatives that can play a significant role in transforming the energy landscape. Given the importance of these initiatives Rockland strongly recommends that any frameworks and rules be developed in a separate proceeding dedicated to NWS and other pilot projects. This EE proceeding is not the appropriate forum for various reasons. NWS offer an opportunity to potentially defer traditional "wires" investments, resulting in benefits for customers, while maintaining system reliability and resiliency. NWS may leverage many types of DER, including energy storage, fuel cells; demand response; energy efficiency ("EE"); or a portfolio thereof to provide beneficial non-traditional solutions when applicable and appropriate from both a technical and cost beneficial perspective.

While, EE can play a crucial role in reducing system peak and deferring infrastructure investments through utility run programs, such as NWS, EE and demand response are but two of the potential solutions that can be part of a cost-effective solution to defer infrastructure investment. An effective approach requires the consideration and evaluation of all potential solutions. Therefore, a separate proceeding and stakeholder process should be used to develop the frameworks and parameters for successful NWS and pilot projects as discussed in RECO's Energy Master Plan comments further and below.

Prior to undertaking a NWS or pilot project, utilities should identify approaches, best practices and opportunities for making NWS standard practice in electric delivery infrastructure planning, investment and operations. Examples of the areas that would benefit from the development of frameworks and rules include the utilities' planning process, including the length of the planning period; the proper funding and cost recovery, including an appropriate rate of return; and the cost-benefit framework to be used. Since NWS offer an opportunity to defer traditional "wires" investments, which can result in benefits for customers, while maintaining system reliability and resiliency, Rockland stresses the importance of recognizing the wide range of utility processes that need to be considered.

Electric Vehicle ("EV") Related Programs and Initiatives

[11] Both Utility-led and State-led EV programs should be permitted to meet the State's clean energy goals.

The development of EV related programs and initiatives should be addressed in a separate EV proceeding. Time of use rates for charging EVs is but one component of the drive towards the State's electrification of transportation goals. Appropriate rate design can play a role in the management of peak demand and must be viewed in the context of the entirety of programs and incentives being rolled out by the State and the utilities.

Additional State-Led Initiatives

Rockland agrees that energy codes and standards, workforce development, public education, and community energy grants are best suited to the States' administration. Research and development ("R&D") should allow for utility participation in this sector because many utilities maintain relationships and participate in R&D projects with industry experts, to develop new innovative solutions. Utility participation in these types of projects is critical to meet customer needs in addition to enhancing the efficiency of the energy grid. For example, O&R has partnered with NYSERDA on a number of R&D projects, including EV battery charging and controlling charging based on price and time of the day. Rockland believes that the utilities in New Jersey should have a similar partnership with the State in the R&D arena. In addition, O&R has partnered with Electric Power Research Institute ("EPRI") to guide data center energy efficiency upgrades based on their research in data center cooling technologies.

Co-Managed Programs

Rockland is concerned with the co-managed structure as it will impede the utilities' ability to achieve that State's energy reduction goals and negatively impact the customer experience. When multiple parties are involved in a process, it minimizes efficiencies, and results in delays and confusion. O&R's experience with NYSERDA's implementation resulted in duplicative marketing costs, delays in project completions, and hampered the utilities ability to achieve energy savings. If utilities are ultimately responsible to achieve these energy savings targets, then they must be afforded the ability to manage these programs. As mentioned in the Straw Proposal, Comfort Partners, Energy Efficiency Products Marketplace, Appliance Recycling, and Multi-Family would be managed more efficiently and cost effectively in the utility administered programs. As demonstrated by Rockland's Direct Install Low Income I, II and II programs, the Comfort Partner's Program failed to recognize the specific needs of low income customers in Rockland's service territory. Furthermore, O&R has demonstrated that the effectiveness of integrating an energy efficiency products marketplace into its residential program portfolio. The marketplace supports the energy efficiency goals of the entire residential portfolio while serving as a mechanism to promote demand response offerings in conjunction with energy efficiency offerings resulting in a positive customer experience. Allowing rebates to be applied at the point of sale with auto-enrollment in demand response produces a seamless customer experience and increases the

adoption of energy efficient technologies. Marketplaces have evolved to become a central hub for customers to interact with the utility for their energy needs including enrollment for home energy surveys, energy calculators, learning about and enrolling in energy efficient products and services that are customized to support individual utility's service territories and program offerings. Through the success of our marketplace, Rockland has achieved advancements in the residential sector engaging customers in energy management and increasing their awareness of energy efficient technologies, demonstrated by the continued increase in customer visits and purchases on the marketplace. Appliance recycling should be integrated into the utilities' residential portfolios of programs as utilities should have the option to select the vendor that will best suit their needs at the best price and have the flexibility modify the program or vendor based on market conditions and customer needs. If implemented at the State level, utility equity is not guaranteed as demonstrated by Rockland's Direct Install Low Income Program where minimal participation occurred in Rockland's service territory.

Utility Coordination, Data, and Contracting

To achieve "statewide consistency and equitable access of all ratepayers" and enable utilities to achieve savings targets, utilities will coordinate on best practices program designs and pilot programs, implementation of programs in a similar manner where appropriate, development of consistent standards and forms, and more. This will be especially important in locations where gas and electric service territories overlap. In addition, utilities will coordinate with each other and with the Board to establish and implement a statewide database to report and store aggregated data, subject to appropriate privacy standards. Utilities must establish a means for all interested parties to participate in their programs as developers, implementers, contractors, or other such roles as necessary to minimize market confusion. As the Straw Proposal notes,[12] the utilities and the Board should establish statewide standards for contractors across service territories, coordinate trade ally support, and standardize contractor training materials wherever possible.

Marketing

The Straw Proposal states that there has been a "lack of marketing" in New Jersey that "has had a serious impact on participation in energy efficiency programs."[13] The Straw Proposal further highlights the need for effective marketing by noting that "past marketing campaigns of both brand awareness and direct marketing efforts have demonstrated the ability to increase customer engagement."[14] The Straw Proposal also observes that "each sector or customer class requires differentiated marketing approaches in order to have the most successful outcome."[15] The Straw Proposal includes a number of marketing proposals to cross brand, market under the NJCEP logo, working groups and collaborative on marketing.

[12] Straw Proposal, p. 30.
[13] Straw Proposal, p. 31
[14] Straw Proposal, p. 31.
[15] Straw Proposal, p. 31.

Rockland Comment: The Straw Proposal is unclear whether the complaint that marketing has been insufficient is directed at the utilities, OCE, or OCE vendors, or some combination of them. Rockland's experience in its RGGI Low Income Audit and Direct Install programs is that, when these cases are inevitably settled, the Company's marketing budget is reduced in negotiations with BPU Staff and Rate Counsel.

In any event, Rockland does not agree that the solution is necessarily a "collaborative approach between the State and the utilities."[16] If their EE budgets are adequate, given their experience and expertise, utilities are more than capable of marketing their own brand.

Rockland does not agree there should be further processes or working groups to develop marketing of Rockland's EE programs. When Rockland's EE programs are approved, Rockland will need to begin its marketing efforts immediately. Marketing of its EE programs should not be delayed by additional processes or collaborative.

Further, the Straw Proposal suggests that there should be collaboration to "foster consistent messaging and marketing efforts, provide cost savings, and provide a platform to share market barriers and best practices."[17] As a fundamental matter, it is unclear to the Company what "consistent" means. Is the Straw Proposal suggesting that all utility and OCE programs should be marketed as the same brand? That is not consistent with the justification for utility programs, which is the relationship of the utility with its customers, and will cause customer confusion.

According to the Straw Proposal, the BPU will be able to achieve "operational efficiencies through coordination with other state agencies."[18] Also, the Straw Proposal states that utilities' marketing programs should be "targeting specific customers with customized messaging, which results in less expensive participant acquisitions." There is no support for the assumption that these collaborative efforts will increase energy savings. Instead, they appear to be aimed at minimizing the utility's marketing budgets. The utilities have mandatory energy reduction goals. The goal should be to market the utility programs efficiently and effectively, thereby increasing customer participation, as well as energy savings.

Rockland also notes that the Straw Proposal suggests the utilities should collaborate on marketing, education, cross-marketing, and other marketing related functions. Again, although EE programs must be cost effective, they must be effective. There is no support for requiring collaboration just to collaborate. If in the future the utilities see a value in collaborating on these issues, they will.

Rockland strongly objects to the Straw Proposal's recommendations that "overall brand awareness will be conducted at the state level,"[19] that the utilities will be responsible for marketing OCE programs,[20] and that "marketing will include the NJCEP logo and the utilities' logo (when

[16] Straw Proposal, p. 31.
[17] Straw Proposal, p. 31.
[18] Straw Proposal, p. 32.
[19] Straw Proposal, p. 32.
[20] Straw Proposal, p. 32.

applicable)." Plainly, these recommendations will increase the costs of utility EE programs. The Straw Proposal, however, fails to address the impact on utility EE programs of these marketing proposals (particularly as to program cost effectiveness and customer participation).

The Straw Proposal also proposes that the BPU lead efforts in "cross-marketing to ensure consistency and maximize marketing dollars,"[21] and each utility will be responsible for "directly marketing its program offerings and incentives but will ensure brand awareness by incorporating the State where possible."[22] Again, the Straw Proposal provides no justification for the utilities' marketing OCE programs. Nor is there any investigation of the impact on the utility EE programs of these marketing proposals.

If the BPU continues to focus on cutting costs of essential ingredients like marketing, the utilities will not achieve their goals. Marketing, as the Straw Proposal recognizes, is critical. The BPU needs to recognize that moving the focus away from achieving energy savings will result in an EE regulatory framework that will frustrate achievement of both the State's targets and the utilities' mandatory goals. Ultimately, utility customers will be negatively impacted by a BPU regulatory framework that does not focus on achieving energy savings.

Energy Savings

At the presentation, BPU Staff stated that the OCE savings and utility savings will be separate. However, the Straw Proposal states that "energy savings achieved through programs administered by the State will count towards utility savings and that the utilities will be able to count the savings achieved by the State, through State-led initiatives, in meeting the CEA's overall goals."[23] The Straw Proposal explains that OCE savings will not be included in the utility Performance Indicators, so utilities will not receive performance incentives or penalties based on OCE performance.[24] Energy savings achieved through the co-managed programs will be included in each utility's QPIs, and the utilities will be assessed incentives or penalties based on achievements in the co-managed programs.[25]

Rockland Comment: This statement about OCE savings counting toward utility energy savings conflicts with the Staff presentation of January 9, 2020 where Staff indicated that OCE savings will not impact utility savings. It also contradicts the rest of the proposal, which says that OCE "savings" will not impact utility incentives or penalties. If the OCE performance will be attributed to the utility, how can OCE savings be counted toward utility savings without impacting utility incentives? Also, how OCE savings will be measured and awarded to individual utility territories is not explained. The next Straw Proposal should address these conflicting statements. Furthermore, any targets that are the responsibility of the utility should

[21] Straw Proposal, p. 32.
[22] Straw Proposal, p. 32.
[23] Straw Proposal, p. 33.
[24] *Id.*
[25] *Id.*

be under direct utility administration.

Anticipated Attributable Savings

The Straw Proposal states that the above-described program administration structure will result in "minimum savings of two percent (2%) of electric retail sales and three-quarters of a percent (.75%) of gas retail sales.[26]

Staff included the pie charts in Figures 1 and 2 which have data regarding the sector-specific potential for energy efficiency from the Optimal study. Figures 1 and 2 "represent preliminary anticipated 5-year savings based on sector-specific breakdowns of energy savings potential" According to the Straw Proposal, the data in Figures 1 and 2 are not binding, but are included "to assist stakeholders in reviewing and providing comments related to the administration structure in the Straw Proposal."[27]

Figures 3 and 4 represent a high-level view of anticipated future program savings if the current program administration structure, with OCE administering most programs, were to continue into the future. The Straw Proposal notes that "due to variations among utility program offerings, these charts represent estimates of savings potential and are not reflective of each utility's current energy efficiency programming."[28]

Rockland Comment: As Rockland and the other utilities stated in their comments on the Optimal study, the utilities were not provided with sufficient time and with the appendices to the Optimal study to evaluate the study. The Straw Proposal does not explain where in the Optimal report the pie charts were located, or how the pie charts were derived. Further, the Straw Proposal does not explain the purpose of having stakeholders comment on data that "will not be used." At this time, Rockland comments that the Optimal Study, by Optimal's own admission, did not have sufficient granular data for the study.

Metrics

The Straw Proposal has based the metrics on recommendations in the Optimal study, and from "stakeholders and industry experts." Staff recommends a "multifactor approach" to evaluate the utilities' performance. These metrics will be used to track, review, and evaluate the utilities' performance.[29]

According to the Straw Proposal, the metrics:

- Ensure that programs are delivered consistently to all customer segments; and
- Integrate the policies of the state into EE.

Each metric will have an associated weight and a specific Quantitative Performance Indicator

[26] Straw Proposal, p. 33.
[27] Straw Proposal, p. 33.
[28] Straw Proposal, p. 34.
[29] Straw Proposal, p. 36.

("QPI") associated with each metric for each utility. Utility performance will be based on each metric's associated QPI. The Board will review the utilities' achievement of each metric's associated QPI and will subsequently measure the utility's overall performance based on the weighting structure, in order to apply performance incentives and penalties.[30]

The metrics and associated percentage weights for each metric, will be consistent among all utilities but the QPIs associated with each metric would vary by each specific utility and be based on each utility's potential for energy efficiency and peak demand reduction.[31]

The metrics and the associated QPIs would be reviewed regularly, as required; the option for additional, key metrics would also be considered during QPI reviews.[32]

According to the Straw Proposal, the metrics were shared with stakeholders during the spring 2019 release of the Optimal study, "stakeholders had the opportunity to comment on them ahead of the release of the final study," and "the Board preliminarily adopted the metrics on May 28, 2019. According to the Straw Proposal, Staff presented the metrics, along with their purpose, to stakeholders at the September 30, 2019 Energy Efficiency Transition Stakeholder meeting, and "feedback on the metrics was accepted through subsequent written comments."[33]

Staff asserts that the "multifactor approach to performance incentives" accomplishes the following:

- Best positions New Jersey to achieve its energy goals while simultaneously promoting other policy objectives, such as equitable access and reasonable rates;
- Emphasizes cost-effectiveness and the need to achieve deeper, longer-term energy savings, metrics; and
- Adopts a diverse set of metrics in order to encourage utilities to avoid the pitfalls of only pursuing "low hanging fruit" and instead develop long-term portfolios that balance multiple priorities, including cost.[34]

Staff proposes the following metrics to develop "QPIs and eventually to support the application of performance incentives and penalties." Staff includes the proposed metrics in the Straw Proposal so they can be included as inputs to future discussions on development of the performance incentive/penalty structure and the development of QPIs.[35]

Recommended Metrics:

The Straw Proposal identifies and recommends the use of the following metrics:

[30] Straw Proposal, p. 37.
[31] *Id.*
[32] *Id.*
[33] *Id.*
[34] *Id.*
[35] *Id.*

- Annual Energy Savings;
- Annual Demand Savings;
- Lifetime Energy Savings;
- Lifetime of Persisting Demand Savings;
- Utility Cost Test (UCT) Net Present Value (NPV) of Net Benefits;
- Low-income Lifetime Savings; and
- Small Business Lifetime Savings.

Straw Proposal also states that these metrics will:

- Encourage a well-rounded portfolio of EE and peak demand savings programs;
- Align these EE and demand savings programs with New Jersey's climate and clean energy goals; and
- Encourage utilities to develop "balanced portfolios with attention to cost efficiency, low-income customers, and deeper, long- term savings."[36]

Rockland Comment: Rockland makes the same objection as above. The utilities were not given sufficient time to review the Optimal Report or the study Appendices.

Rockland agrees with the comments made by the utilities at the January 9, 2020 Utility Working Group meeting that the number of QPIs should be reduced. Additional QPIs add unnecessarily to the costs of the EE programs. In New York, O&R's EE programs have two QPIs, an annual energy savings target, and an effective useful life threshold.

As noted in NJUA's comments, during the stakeholder session for the Market Potential Study efforts and the formal comments submitted in response to the draft MPF, several utilities expressed concern that the proposed structure was too complicated. A review of the posted comments on that draft study illustrated that other independent entities shared those same concerns.

[36] Straw Proposal, p. 38.

ReVireo

January 17, 2020

VIA Electronic Mail
Honorable Aida Camacho-Welch, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue
9th Floor, Post Office Box 350
Trenton, New Jersey 08625-0350
EnergyEfficiency@bpu.nj.gov

Re: Energy Efficiency and Peak Demand Program Administration Straw Proposal

Dear: Secretary Camacho-Welch:

ReVireo is an energy efficiency and green building services company founded in 2009 and headquartered in Cranford, NJ. We are partners in both the NJ Clean Energy Program (NJCEP) Residential New Construction (RNC) and Pay for Performance (P4P) programs. We also provide energy code consulting and verification services for developers, homebuilders, and contractors throughout the State of New Jersey. ReVireo is active in the NJ Home Builders Association (NJBA) and Mixed-Use Developers Association (MXD) and advise NJBA/MXD leadership and members on matters related to energy code and above-code energy efficiency utility rebate programs.

Beyond my role as CEO of ReVireo, I am also an Executive Board Member and Treasurer of the NJ Chapter of the U.S. Green Building Council (USGBC), and a lifelong resident of the State of New Jersey. Below are my comments on the Energy Efficiency and Peak Demand Program Administration Straw Proposal. Overall, ReVireo supports the straw proposal and would like to highlight three key areas that will serve to help the state achieve its energy reduction goals.

1. **Support Residential New Construction and Pay for Performance New Construction to be served by the Clean Energy Program Statewide.**

It is critical that markets for new construction (real estate developer and homebuilder) to be served statewide with consistent incentives, eligibility criteria and rules across all service territories.

Developers and homebuilders work across utility service territories and any differentiation between one service territory to another would create significant trepidation, hurdles, and dramatically depress participation in the long run. The entity that administers the various programs for new construction needs to ensure those programs are the same everywhere in every aspect.

That entity should also strive to achieve continuity with the programs currently offered by NJCEP, as many development/construction/renovation projects have been in the planning stages for years and any sudden major changes would significantly disrupt participation in energy efficiency programs for new construction and large building owners statewide.

ReVireo also recommends that the rebate program for new construction to use national certifications like ENERGY STAR and Department of Energy Zero Energy Ready Homes (DOE ZERH) as the only requirement for achieving rebates. Adding rebate specific requirements in addition to the national certifications create confusion for builders and developers and it makes the program more difficult to implement and enforce.

Also, developers, homebuilders, and large building owners need to be able to choose from an open market of qualified partner organizations in any energy efficiency programs for new construction or large existing buildings. This is because many developers, homebuilders, and large building owners have established relationships with one or more partner organizations, who in turn encourage participation by developers, homebuilders, and large building owners in such programs. Severing those relationships would decrease participation in such programs. Also, the various partner organizations compete with each other to keep consulting/verification costs down for the developers, homebuilders, and large building owners. This in turn reduces the cost of participation in such programs thereby increasing participation in the long run.

2. Enforce NJ UCC Energy Subcode Consistently

Currently, there is significant variation from one municipality to another in the enforcement of the Energy Subcode referenced in the NJ UCC. There are various reasons for this, but the result end result is that:

a) Many, if not most, newly constructed buildings are not actually compliant with the Energy Subcode referenced in the NJ UCC. This has a long-term effect on NJ's energy usage;
b) NJ's efforts (including NJCEP/utility incentives) to encourage developers to participate in "above code" energy efficiency programs are undercut because the actual baseline for cost comparison is, on average, less energy efficient than minimum Energy Subcode requirements since they are often consistently enforced.

ReVireo fully supports energy code training for both code officials and industry professionals. Additionally, ReVireo recommends providing resources for code official to use to properly enforce the code such as checklists for permit documentation review and what energy code inspections are required.

Also as additional initiatives are introduced in order achieve the Energy Master Plan, ReVireo foresees that the "Flex Freeze" code adoption process may cause an unknown burden on the new construction industry due to the unpredictable way changes to the code could be adopted.

ReVireo recommends that this be investigated further by either the State Lead Energy Codes and Standards Initiative or the State Lead Research and Development Initiative.

3. Ensure Multifamily program will have the same energy efficiency program across the state.

ReVireo understands the benefits of having utilities manage the existing multifamily program, however we feel there is a need to keep the program consistent across the state. The market is more concentrated than other existing building types, with management companies and organizations holding properties across service areas. We believe it is of utmost importance to keep the programs the same across utilities since changes in programs across utilities will create trepidation and hurdles that could impact overall participation from such building owners.

Thank you for taking the time to listen to our comments and concerns. We appreciate the efforts taken by all to put this proposal together.

Matthew Kaplan, MBA, LEED AP
CEO

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Sent via Email from Richard Claire, energyadvocate007@gmail.com, RE: Program Administration Straw Proposal to EnergyEfficiency@bpu.nj.gov, Date: 1/17/2020

In regards to utilities managing Home Performance with Energy Star programs. The intent of the home performance program, as per DOE, is to address the house using a whole house approach. If a gas or electric utility managed home performance program is working with a homeowner, are they not conflicted to promote the fuel they provide? How would a gas utility managed program address an all electric home? Would an electric managed program promote a homeowner to convert from natural gas to efficient electric heat pump heating as electrification is promoted by the Energy Master Plan, if so, who counts the gas savings, how does the electric utility claim savings when this adds kWh load? If a home has both natural gas and efficient electric heat pump heating and the homeowner only needs envelope upgrades, which utility program would address this home equitably, gas or electric, who would count the savings, who would pay the incentives?

In addition, who will offer home performance services to homes with oil, propane or served by an municipal electric utility?

For these reasons above it would seem very impractical for the utilities to manage programs that are supposed to address homes as a whole and impact both gas and electric fuels.

Thank you
Concerned rate payer

SJI Utilities

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Deborah M. Franco, Esq.
Director, Regulatory Affairs Counsel

January 17, 2020

VIA UNITED PARCEL SERVICE & ELECTRONIC MAIL (EnergyEfficiency@bpu.nj.gov)

Honorable Aida Camacho-Welch,
Secretary New Jersey Board of Public Utilities
44 S. Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: December20, 2019 Energy Efficiency and Peak Demand Program Straw Proposal

Dear Secretary Camacho-Welch:

Please accept these comments on behalf of South Jersey Gas Company ("SJG") and Elizabethtown Gas Company ("ETG") (collectively, the "Companies") in response to the Energy Efficiency and Peak Demand Program Administration Straw Proposal ("Straw Proposal") released by the New Jersey Board of Public Utilities ("Board") on December 20, 2019.

Preliminarily, SJG and ETG reiterate that they remain committed to supporting the State's energy efficiency goals and appreciate the key role they play in achieving the energy consumption reduction targets contained in the New Jersey Clean Energy Act of 2018 (the "Act"). The Companies have been regularly engaged in the promotion of energy efficiency in New Jersey for many years with much success and will continue to support programs that encourage a reduction in energy consumption.

On this same day, the New Jersey Utilities Association ("NJUA") submitted comments regarding the Straw Proposal which the Companies hereby incorporate and support by reference. The Companies fully support the NJUA comments in their entirety. As noted in the NJUA comments, there are specific elements of the Straw Proposal that could inhibit the ability to achieve the target reductions required under the Act. Those elements need to be addressed in the manner explained by NJUA to ensure that the utilities are able to meet customer needs and energy savings targets.

Relatedly, regarding the issue of New Jersey Clean Energy Program ("NJCEP") savings discussed on page 33 of the Straw Proposal, the Companies respectfully urge that savings anticipated to come from the NJCEP be included in each utility's quantitative performance indicators and that each utility's incentives reflect credit for NJCEP savings. While Straw Proposal (at 33) indicates that energy savings achieved through programs administered by NJCEP "…will count towards utility savings, it suggests that this will only be the case for co-managed programs.

Given the aggressive reduction targets established by the Act, the utilities should receive credit for NJCEP savings both for co-managed programs and for NJCEP-only programs, particularly to the extent that the utility does not otherwise have the opportunity to participate in the type of program offered by NJCEP. In addition, the process to determine savings from non-utility sources should be clearly defined and calculated in advance of each program year. With that, the value of the contributions from other sources should be presented to each utility with sufficient time to allow the utility to consider how to administer a cost-effective portfolio or program to achieve or exceed remaining energy and demand reduction targets. The utilities should not be penalized for the potential failure of other sources to deliver anticipated savings contributions.

SJG and ETG appreciate the opportunity to submit these comments and look forward to continued collaboration with all stakeholders.

Respectfully yours,

Deborah M. Franco

/DMF

January 17, 2020

Via E-mail (EnergyEfficiency@bpu.nj.gov)

Aida Camacho-Welch, Secretary of the Board
Board of Public Utilities
44 S. Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: Energy Efficiency and Peak Demand Program Administration Straw Proposal

Dear Secretary Camacho-Welch:

Please accept these comments on behalf of the Urban League of Essex County and myself in my role as a member of the Energy Efficiency Advisory Group regarding the above matter.

The Urban League of Essex County (ULEC) has a long history of serving disadvantaged individuals and families - working to improve lives by giving help, hope and the tools needed to access America's social and economic opportunities. For over 100 years, ULEC has empowered local residents based on our belief that everyone should have an equal opportunity to achieve success and prosperity through hard work, determination, and initiative.

As New Jersey continues its transformation to a clean energy state, it is crucial that there are energy efficiency programs enacted that specifically target disadvantaged residents. At the same time, there must be a serious and concerted effort to identify and enroll low-income people in these programs so that they have the opportunity to live more comfortably in their homes and spend less on their energy bills.

Time is of the essence when it comes to creating meaningful energy efficiency programs that directly help New Jersey's disadvantaged residents. It has been nearly two years since Governor Murphy signed the Clean Energy Act, and the state's procrastination is costing low-income residents money on their energy bills and also costing them in terms of the new jobs and economic development that a renewed emphasis on energy efficiency would bring. By not allowing disadvantaged residents the opportunity to participate fully in the clean energy economy, we are passing up opportunities to help our fellow residents who need it the most. The longer we wait the greater these impacts will be.

For the following reasons, I firmly believe that utilities in New Jersey are the best entities available to both design effective low-income energy efficiency programs and enroll disadvantaged people into these efforts.

First, the State of New Jersey has historically done a poor job of making disadvantaged residents a priority in terms of energy efficiency programs, while at the same time utilities are managing nearly all of the most successful and most creative energy efficiency efforts across the country.

Therefore, it is crucial that the State of New Jersey, through the Board of Public Utilities (BPU), move away from its lackluster program management role and instead focus efforts on its role as a regulatory agency. Specifically, the BPU must prioritize energy efficiency public policy targeted at low-income residents and subsequently order utilities to use their expertise and creativity to devise and manage programs that will be beneficial to low-income customers. The BPU must also exercise its regulatory authority to mandate that utilities utilize their deep knowledge of New Jersey's population and their existing customer information to make a concerted effort to enroll marginalized residents who might otherwise not have the opportunity to participate in energy efficiency programs.

Second, energy efficiency is one of, if not the most, cost effective ways that we can help the environment and mitigate the effects of climate change by reducing pollution from the production of electricity. It also has the major benefit of helping people who participate in energy efficiency programs and efforts save money on their energy bills, which is critically important for low-income residents. However, these benefits are only realized when energy efficiency efforts are run in a cost-effective way and this is another area where the BPU and Office of Clean Energy (OCE) falter. The cost of energy efficiency programs managed by the BPU and the OCE are too high as compared to the benefits that they provide to all New Jersey residents, including the disadvantaged population. In the January 2016 New Jersey Clean Energy Program (NJCEP) Process Evaluation Study it was noted that the NJCEP is generally less cost-effective than peer programs and that there is a general lack of focus on performance. This means that, despite the fact that New Jersey may have a typical-size budget for energy efficiency it gets less "bang for the buck" because of the higher cost per energy unit saved as compared to many other energy efficiency programs with similar portfolios.

Third, by shifting the management of energy efficiency programs exclusively to New Jersey utilities, the BPU could ensure that the efforts will receive an appropriate, and more importantly, untouchable source of funding from year-to-year. For far too long, state funding for energy efficiency and other important clean energy efforts has been subject to political whims and the ups-and-downs of state government budgeting. During the past 10 years, the Governor's Office and others in state government have raided the OCE for more than $1.5 billion in funding earmarked for clean energy in order to close state budget gaps. Allowing utilities exclusively to run energy efficiency programs would eliminate this serious impediment. Utilities would be responsible for developing and winning BPU approval for appropriate energy efficiency programs and responsible for funding them, which would put these dollars out-of-reach of those in Trenton who see energy efficiency and clean energy as less of a priority around budget-time.

Finally, the straw proposal indicates that the programs for low and moderate income residents should be managed or co-managed by the OCE. I believe managing or running programs diverts valuable focus that is needed on setting standards, measuring outcomes and ensuring the most efficient deployment of resources. Approximately 50% of the low and moderate households that are entered to receive energy upgrades are not receiving them because of other safety and environmental issues in the homes. The OCE should focus on making systems changes that are needed to better leverage and deploy of federal and other resources to ensure the safety of these households. What is needed from OCE is the identification, coordination and deployment of resources not the co-management of programs. These families are the hardest to reach and for

that reason the state is the least likely to be able to reach them. While this comment opportunity is only focused on the administration of the programs, we need to examine how the services are delivered, how the programs operate and what upgrades are funded under the programs. There is pressing need to allocate funds to pre-weatherization and other abatement/safety issues activities so that more homes can be served.

Helping low-income residents in New Jersey access the benefits of energy efficiency is an urgent matter. Energy insecurity among low-income households is a major problem and energy bills can eat up as much as 10% of a disadvantaged family's income. In addition, the poorer you are the less money you have to take advantage of energy efficiency products or home improvements that could help reduce utility bills. Utilities are the most reliable and effective way to spread the benefits of energy efficiency to low income households and the BPU should move rapidly to direct utilities exclusively to lead energy efficiency programs to achieve maximum effectiveness and to give all of their customers the greatest opportunity to participate.

I appreciate the opportunity to provide these comments regarding this critical matter. I look forward to continued dialogue on this issue.

Sincerely,

Vivian Cox-Fraser

January 17, 2020

Secretary of the Board of Public Utilities
Attn: Aida Camacho-Welch
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350

Re: Response Comments to NJ BPU Staff Energy Efficiency and Peak Demand Program Administration Straw Proposal

Uplight is a nationwide software-as-a-service ("SaaS") company that helps utilities engage their residential and business customers to realize a decarbonized energy future that is efficient, equitable, and resilient. Our 300 employees serve our 93 energy provider clients, including PSE&G, Exelon, First Energy, Orange & Rockland, New Jersey Natural Gas, and South Jersey Gas / Elizabethtown Gas, to provide connected customer journeys to over 100 million energy customers in North America and Europe. As a certified B-Corp, we share the New Jersey BPU's commitment to providing consumers bill savings while reducing energy and associated greenhouse gas emissions to build a more sustainable future.

We appreciate the opportunity to share our perspective and expertise with the New Jersey Board of Public Utilities ("BPU") on the demand side management ("DSM") straw proposal for program administration under the Clean Energy Act ("CEA"). Overall we were very encouraged by the contents of the proposal, as they generally reflect both the State's commitment to DSM as a tool for decarbonization, job creation, system resilience, social equity, and an improved consumer experience. However, several improvements can be made:

1. Energy efficiency (and demand response) retail marketplaces should be integrated into the utility program portfolio for holistic energy management, and therefore utility-administered.
2. The QPIs should be both restructured and expanded.
3. Program flexibility needs to be expanded (i.e., rebate levels).

With these improvements, New Jersey utilities and the State will be able to effectively implement programs now and in the future while providing the most value to ratepayers.

Recommendations for the Administration of Energy Efficiency Products Marketplaces

As the leader in utility-branded marketplaces with over 30 across the country, we have learned some best practices implementing these programs: (a) marketplaces go beyond selling hardware, (b) building a new brand requires a significant amount of resources, and (c) disruption must be handled with care. The best marketplaces serve as a cornerstone of the connected customer journey - integrating all other EE programs for increased energy savings, lower operational costs, and increased customer satisfaction.[1]

Marketplaces go beyond selling hardware. The marketplace provides a one-stop-shop for customers to transact with their utility, purchasing products and services directly and signing up for other core programs. Customers can purchase enabling technologies, explore HVAC programs, sign up for home services like Home Performance with Energy Star®, and more. In the future when additional programs are created and integrated, customers could buy electric vehicle chargers or gather information on solar installation. Marketplace tied with demand response pre-enrollment (DRPE) provides one example of how retail marketplaces can be integrated with other utility administered programs.[2] Simply put, retail marketplaces can provide

[1] Uplight marketplaces receive a Net Promoter Score of about 69 (70 is considered "world-class" with this metric while 50 is "excellent").
[2] Unconnected marketplace smart thermostat purchases and demand response programs are associated with 10-20% program conversion rates and $35-50 cost per customer. Marketplace/DRPE integration, however, can be as high as 70-80% conversion rates, and $7-9 cost per customer, based on Uplight's experience with utilities in Illinois, Indiana, Michigan, and New York.

a foundation for a connected consumer experience, integration of energy efficiency programs as a portfolio,[3] and holistic energy management.

Building a new brand requires a significant amount of resources. A marketplace is only as powerful as its associated customer acquisition investment - predominantly accomplished through marketing efforts. Every utility consumer across the country knows their electric and gas utilities by name and logo. The Mass Save® program, for example, took decades of effort and significant investment; attempting to quickly replicate this program's success could exceed $100 million in marketing efforts alone. The risk of brand confusion remains high even if significant resources are devoted to implementation of conflicting branding and marketing, which is why any new branding would benefit from state/utility co-branding to build upon the brand recognition of the utilities.

Disruption must be handled with care. We fully support the BPU's goal in creating forward-looking, best-in-class energy efficiency programs, which will require some disruption in order to reach ambitious goals quickly. However, not all programs must be disrupted in order to produce nation-leading results. Over 70% of New Jersey residents currently have access to a utility marketplace, and these utility marketplaces have proven successful in increasing the number of energy saving devices in homes and businesses across the state. PSE&G, for example, met their 2-year program goal in 4 months by selling over 36,000 smart thermostats—many of them with bundled installation services—while achieving world-class customer satisfaction.[4]

In an effort to be brief, we have included only 3 factors that go into our recommendations for utilities to administer marketplaces and manage associated marketing, with state program acknowledgement and cross promotion. The reasoning and data go beyond what has been presented here. We do agree that equity across the state should be a key priority in not only providing access, but engaging the remaining 30% of residents through marketplace platforms. This will require state/utility coordination on state policy goals and initiatives. The State,

[3] ACEEE research further details the benefits of integration. https://aceee.org/research-report/u1906
[4] PSE&G's marketplace earns a Net Promoter Score of 74 (70 is world-class customer satisfaction).

however, cannot provide the personalized customer experience connecting the elements of an EE portfolio that New Jersey utilities can.

Recommendations for Quality Performance Indicators (QPIs)

The list of performance metrics as outlined in the straw proposal presents a good list with which to start. However, we see some missing elements: **Carbon savings and customer experience (CX)** should all be incorporated in measures. The development of these metrics with key stakeholders will ensure that New Jersey energy efficiency programs are driven to achieve societal benefits and state policy goals.

In the interim, standard customer satisfaction scores like the J.D. Power Customer Satisfaction Index or Net Promoter Score (NPS) could be used as CX metrics. J.D. Power's studies score utilities on a 1,000 point scale to gauge their customer satisfaction. NPS is already standard for measuring customer satisfaction on marketplaces and could be extended to measure CX across all programs. These metrics may not be sufficient for all aspects of CX, and so we offer these with the expectation that something more robust may be created with more time for development.

The long-term objective of the BPU should be move toward the resource value test (RVT), as referenced and suggested in the National Standard Practice Manual (NSPM). In the interim, the BPU may consider modifying existing costs tests, such as the Utility Cost Test (UCT) to incorporate societal benefits for programs launched before at RVT framework can be established for New Jersey.

We provide additional explanation on these points in our comments submitted in response to staff questions on Energy Efficiency EM&V and Filing & Reporting.

Recommendations for Program Flexibility

In order to allow for program flexibility, limits on changing rebate amounts should be removed. The BPU has already allowed for rebate levels to have some change in order to manage transactional velocity. With full flexibility, program administrators can use rebates as a tool to meet market changes, work within budget constraints to ensure a cost effective program, and optimize program design to boost the success of other programs and initiatives—such as demand response enrollment.

QPIs (the "what should be done") allows the BPU to set targets and objectives for programs. Program flexibility like removing limits on rebate changes allows utilities to figure out the best path to achieve cost effectiveness while deploying technologies (the "how it should be done"). In creating effective programs, the BPU is responsible for detailing what should be done while the program administrators are responsible for how it should be done. Thus, developing robust QPIs should be the focus of the BPU to establish the expectations for utilities to administer quality programs.

Thank you once again for the opportunity to share our insights and perspectives. We look forward to continuing these conversations as part of the BPU's continued efforts to develop a sustainable and cost-effective energy system for the people and businesses of New Jersey.

Sincerely,

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VEIC

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January 17, 2020

Ms. Ada Camacho-Welch, Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
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Trenton, NJ 08625-0350

Via e-mail to EnergyEfficiency@bpu.nj.gov

Subject: Draft Straw Proposal – Energy Efficiency and Peak Demand Reduction

Dear Ms. Camacho-Welch:

Thank you for the opportunity to provide comments on New Jersey's Energy Efficiency and Peak Demand Program Administration Straw Proposal. For 33 years, VEIC has been a national leader in clean energy planning, program design, policy, research, and implementation. Driven by our mission to act with urgency to enhance the economic, environmental, and societal benefits of clean and efficient energy use for all people, we have hundreds of clients for whom we design and administer energy efficiency, clean energy, and clean transportation programs.

VEIC has deep experience in New Jersey in particular. VEIC provided consulting expertise to the utility collaborative from 2000-2003, and to a large-scale project on achieving the 2020 Energy Master Plan goals in 2009. From 2007 through February 2016, VEIC designed the New Jersey Clean Energy Program's (NJCEP) residential energy efficiency programs and implemented the renewable energy programs (as part of the residential Market Manager team). In that role, VEIC created the first generation of NJCEP programs, updated them to increase savings and cost-effectiveness, and facilitated the Leadership Team's activity, which focused on improving results and clarifying policy aims.

Although NJCEP has made significant accomplishments, New Jersey now has the opportunity to become a national leader in energy efficiency and achieve its 100% clean energy by 2050 goal. We strongly support New Jersey's plans to significantly ramp up energy efficiency and peak demand reduction programs, as articulated in the Energy Efficiency and Peak Demand Program Administration Straw Proposal (Program Straw).

VEIC specifically supports the following aspects of the Program Straw:

- **The delineation of responsibilities between utilities and the State for Core Programs in the energy efficiency and peak demand reduction portfolio.** We agree with Staff that the utilities are best positioned to deliver energy efficiency and peak

demand reduction programs that rely heavily on utility customer relationships and utility data, while the State is best positioned to lead market transformation activities and those involving close coordination with state efforts (e.g., State buildings, codes and standards). The proposed allocation of core programs between utilities and the State is also consistent with best practices we have seen in other states and regions, including California, New York, and the Pacific Northwest.

- **The emphasis on statewide consistency for Core Programs and marketing efforts.** We agree with Staff that core program offerings should be consistent across utility service territories to ensure equitable access for customers and market actors. New Jersey utilities can learn from the successful structures and processes in states like Maryland and Massachusetts to support utility collaboration. We also agree that a single, statewide brand and coordinated marketing efforts between utilities and the State are key to driving customer engagement and participation.

- **The ability for utilities to experiment and learn through Additional Initiatives.** We agree that utilities should have the ability to develop initiatives to address specific opportunities and policy priorities in their service territories – and to pilot new approaches that have potential to scale up. We encourage utilities to actively share learnings to inform future program offerings.

- **The flexibility to make program adjustments.** Given how rapidly the energy market is changing, it is crucial that utilities have the ability to adapt quickly to avoid market disruption. We support the approach laid out in the Program Straw, which proposes to allow utilities to make minor modifications to program design, shift budgets between programs up to 3%, and adjust incentive and rebate levels up to 15% with Board notification.

- **The proposed program metrics.** VEIC supports the multifactor approach to program metrics, which aligns with best practice. The proposal strikes an appropriate balance between annual and lifetime savings, and between energy efficiency and peak demand reduction, which supports a comprehensive portfolio. The inclusion of metrics for utility net benefits and lifetime savings for low-income customers and small businesses further encourages development of a balanced portfolio that provides robust offerings for customer segments that are harder to reach.

While VEIC strongly supports the Program Straw overall, we would like to highlight the following areas for additional consideration and potential inclusion as New Jersey scales up energy efficiency and peak reduction programs:

- **Statewide midstream program for products sold through wholesale distributors.** While Retail Products is identified as a Core Program for State administration, the Program Straw does not include a midstream/upstream program for products and equipment sold via wholesale distributors. This is a growing program model that is

rapidly scaling up in leading states such as Massachusetts and California. Midstream and upstream programs for distributed products, such as HVAC and commercial lighting equipment, transform the market by engaging the supply chain. Because distributors influence 90 percent of all equipment sales, understanding their business models and working with them in a consistent manner can deliver significant participation and energy savings. As with products sold through retail products, a statewide approach is better positioned establish relationships with distributors and manufacturers, who often work across utility service territories. A consistent, statewide program design is thus more likely to achieve the scale necessary to transform markets. In California, the Public Utilities Commission recognized this in its August 2016 guidance for the utility business plans relating to energy efficiency rolling portfolios. The order specified that "all upstream and midstream programs, as well as those with market transformation objectives, will be required to be administered by a lead statewide administrator."[1]

- **Research and development.** VEIC supports the Program Straw's proposal to have the State administer R&D programs. However, additional detail is needed on the scope of the R&D program, the types of emerging technology investments it will support, and how the R&D program will coordinate with utility-led pilots and Additional Initiatives. Given the rapidly changing energy landscape, a robust, transparent, and collaborative process to efficiently vet and onboard new technologies and program models is critical to the success of energy efficiency and peak demand reduction programs. VEIC currently administers innovation and R&D portfolios for program administrators in Vermont and Wisconsin, and suggests looking to these and other leading states, such as California, for best practices to apply in New Jersey.

- **Building electrification and GHG reduction goals.** New Jersey's Global Warming Response Act establishes a 2050 goal to reduce carbon emissions statewide by 80 percent below 2006 levels, and the draft 2019 Energy Master Plan calls for transitioning existing buildings to electric appliances, prioritizing the electrification of existing oil- and propane-fueled buildings. Given the importance of building electrification through technologies such as air-source heat pumps and heat pump water heaters to achievement of the State's energy and greenhouse gas (GHG) reduction goals, it is surprising that the Program Straw does not emphasize building electrification as part of the Core Program portfolio, either for utility or state administration. Presumably, heat pumps and heat pump water heaters will be incentivized as part of the WARMAdvantage and COOLAdvantage programs, but many states are also now ramping up fuel switching offerings that provide enhanced incentives and assistance for heat pump installations that displace the use of fossil fuels. For example, Massachusetts is now offering such "energy optimization" programs, New York has included heat pump programs in its enhanced utility offerings under New Efficiency: New York, and California is currently designing a statewide building decarbonization initiative. VEIC encourages deeper

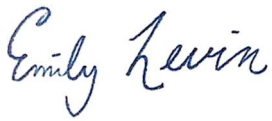
[1] California Public Utilities Commission. *Decision Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filings.* Decision 16-08-019 (August 18, 2016).

consideration of building electrification in New Jersey as a core component of the energy efficiency and peak demand reduction portfolio. If building electrification does become a core strategy in New Jersey, then we also suggest consideration of an additional program metric for the energy efficiency and peak demand reduction portfolio: GHG reduction. Energy efficiency programs in several states, including Hawaii, New York, and Vermont are currently in the process of adding such metrics, and the Sacramento Municipal Utility District (SMUD) recently adopted a carbon metric in place of a kWh reduction metric for all of its energy efficiency programs.

- **Stakeholder participation.** While the Clean Energy Act establishes an Energy Efficiency Advisory Group (EEAG), the Program Straw does not provide detail on the process and systems that will be used for ongoing stakeholder engagement and oversight of energy efficiency and peak demand reduction programs. Robust stakeholder engagement and oversight is critical to success in leading states where energy efficiency programs are delivered by investor-owned utilities. VEIC recommends reviewing the stakeholder advisory models in Massachusetts and Rhode Island to inform the approach in New Jersey. In Massachusetts, the Energy Efficiency Advisory Council (EEAC) provides robust oversight and guidance to the energy efficiency programs delivered by multiple utilities and program administrators. In Rhode Island, the Energy Efficiency Resource Management Council (EERMC) oversees the programs administered by the sole utility, National Grid. The EEAC and EERMC contribute to program planning at every stage and report annually to the regulatory commission and legislature on results. In Rhode Island, the EERMC has an annual budget of approximately $780,000, or 0.68 percent of total efficiency program spending.

We look forward to supporting New Jersey's efforts to advance the Clean Energy Act's laudable goals and scale up energy efficiency and peak demand reduction. Should you have any questions about our comments, please contact me at 802-540-7694 or elevin@veic.org.

With best wishes,



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