Linda Wetzel

From: George Kraemer <george.kraemer@usenergyrenovations.com>
Sent: Wednesday, August 31, 2011 11:05 AM
To: publiccomments@njcleanenergy.com
Subject: Comments on the proposed budget changes
Attachments: image003.jpg; image004.jpg

Importance: High

I am a contractor working with the HPwES Program and have spoken to several other contractors who are opting not to go through the HPwES Program because of all the paperwork. Besides the upfront paperwork, most completion paperwork is over 30 pages, not including the EFS paperwork if clients opt for the $10,000 loan. When you compare this to the Warm and Cool Advantage Programs which have only two pages of paperwork and are not subject to any QC inspections, by the HPwES Program or BPI when they do their annual inspections, you can see why contractors are steering clients away from the HPwES Program.

My suggestion is to see if the paperwork for the HPwES Program could be substantially reduced. To reallocate funds away from the HPwES Program would be a mistake and do a tremendous disservice to the public where the primary reason for the program is to save energy and make homes safer and healthier. In my experience, most people that are utilizing the Warm and Cool Advantage Programs are the ones in which their furnace or AC failed and they would replace them anyway. Besides, just because you replace a furnace or AC with high efficiency systems and not do anything such as air sealing or insulation, only makes it more efficient in heating and air conditioning the neighborhood. Also, the comprehensive energy audits uncover many serious health and safety issues. Our estimate is that over 70% of the homes that we see have health and safety issues that need to be addressed. The Warm and Cool Advantage Program doesn't address these issues.

The HPwES program forces clients to review their energy usage and gives them incentives to take action.

Available for comments.

Warm Regards,

George F. Kraemer

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CHRIS CHRISTIE
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KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

August 25, 2011

Via Overnight Delivery and Electronic Mail
Honorable Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: In the Matter of Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for 2009-2012: 2011 Programs and Budgets: Proposed Changes to CORE and REIP Extension Policy and Proposal for Large Energy Users Pilot Incentive Program
BPU Docket Nos.: EO07030203 and EO10110865

Dear Secretary Izzo:

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

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

Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

By: Felicia Thomas-Friel

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In the Matter of Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for 2009-2012 Clean Energy Program: 2011 Programs and Budgets: Compliance Filings BPU Docket Nos. EO07030203 and EO10110865

Proposed Budget Changes

Comments of the New Jersey Division of Rate Counsel

August 25, 2011

Introduction

The Division of Rate Counsel ("Rate Counsel") would like to thank the Board of Public Utilities ("BPU" or "Board") for the opportunity to present our comments on the proposed changes to the Board-approved 2011 Clean Energy Program ("CEP") energy efficiency ("EE") program budget which were circulated to stakeholders for comment by the Applied Energy Group on behalf of the Office of Clean Energy ("OCE") in an e-mail notice issued August 11, 2011 (the "August 11 Notice") and subsequently revised on August 18, 2011 (the "August 18 Notice"). Rate Counsel's comments and recommendations are set forth below.

1. Proposed Residential Program Budget Transfers

The OCE proposes the following transfers of funds from the Home Performance with Energy Star ("HPwES") program budget: $2.7 million to the 2011 Heating, Ventilation, and Air Conditioning ("HVAC") program budgets (COOL and WARMAdvantage) and a transfer of $2 million to the 2011 Energy Star Products program budget. In sum, the OCE's proposed transfers would reduce the 2011 budget for the HPwES program by $4.7 million, from about $34.9 million to $29.7 million. However, the overall budget for CEP residential programs would not change.

In its August 11 Notice, the OCE notes that there has been "overwhelming market response" to the 2010 and 2011 COOL and WARMAdvantage programs. At the same time, HPwES has seen less participation than anticipated. Participation in the HPwES program has stagnated since mid-2010. However, as Rate Counsel has noted previously, increasing participation in the HPwES program relative to the other residential HVAC programs would be a good outcome, since HPwES takes a "whole building" approach to increasing the energy efficiency of a home. In contrast, by focusing only on HVAC improvements, the other CEP HVAC programs may result in lost opportunities for overall cost-effective energy efficiency.

Rate Counsel is aware that the Office of Clean Energy ("OCE"), the residential Market Manager (Honeywell), and the HPwES program administrator are taking steps to increase participation in the HPwES program. Earlier this year, the Board approved a summer promotion that increased incentives for HPwES on a temporary basis to try to create a sense of urgency in the marketplace. However, Honeywell has reported that the summer promotion results have been below expectation to date and that it is currently evaluating options to increase participation in the Fall. It appears that customer incentive levels are not the primary reason that participation is lacking, given the subdued response to the summer promotion.

Based on discussions at the CEP-EE committee meetings, it appears that contractors have been reluctant to participate in the HPwES program, in part due to long payment processing and inspection periods. Rate Counsel understands that the program administrator for the HPwES program is holding working group meetings in order to better understand and address contractor concerns, with the objective of increasing participation in the program.

A recent paper evaluated Wisconsin's EE programs, namely its HPwES and the Heating Equipment Bonus Program, and noted the importance of contractor education and outreach, including providing tools and techniques for encouraging participants to meet program requirements:[1]

> The HPwES Increased Incentives program did not come close to meeting its goals, whereas the Heating Equipment Bonus program far surpassed its goals. But the evaluation did not find that the lack of progress for the HPwES Increased Incentives program, nor the significant achievement of the Heating Equipment Bonus program, was due entirely to the sufficiency of the incentives offered to participants. Rather, there were a number of external influences that affected participation.
>
> First, we saw in these program evaluations that the trade ally market plays a significant role in customers' decisions. With this in mind, it is necessary to continue to impress the importance of adequately reaching out and providing information to participating (and even non-participating) trade allies. One change Focus is making to their HPwES Increased Incentives program is to provide greater education and outreach to their contractors, including providing tools and techniques for encouraging participants to meet program requirements.[2]

New Jersey may be facing a similar situation to Wisconsin. For this reason, Rate Counsel does not object to the proposed budget reallocation but recommends further investigation into the causes of low participation in the HPwES program and high participation in other programs. Rate Counsel also believes that the OCE, Honeywell, and the HPwES program administrator should consider further modifying the incentive structure and, more importantly, reassess the marketing strategies (education, training, and other outreach) for HPwES and other programs for the 2012 program cycle.

Finally, data on program spending to date should have been provided by the OCE, especially given the size of this proposed transfer. Rate Counsel's recommendations are based on the limited data provided by the OCE.

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[1] Laura Schauer, Carrie Koenig, and Tom Mauldin 2011.*Motivating Residential Customers: Is More Money Really the Answer?* from the International Energy Program Evaluation Conference 2011 proceedings, Boston, August 15 – 18.

[2] Ibid. page 12.

2. Proposed Commercial and Industrial Program Budget Transfers

The OCE's proposal notes that TRC, the C&I market manager, has experienced "tremendous response" to the C&I Retrofit and Direct Install programs. In order to accommodate this surge of interest, TRC is requesting the following transfers from other C&I programs: $6 million to the C&I Retrofit program and a transfer of $8 million to the Direct Install program. These funds would be reallocated from the following C&I programs: $2 million from the C&I New Construction program ("C&I NC"), $9 million from the Pay for Performance - Existing Buildings program ("P4P Existing"), and $3 million from the Local Government Energy Audit program ("LGEA"). The OCE's proposal states that, based on a careful review of all C&I program activities, TRC determined that funds can be allocated from the C&I NC, P4P Existing, and LGEA programs "without negatively affecting their operation for the remainder of the year."

Rate Counsel has the following reservations regarding the OCE's C&I proposal:

- First, data on program spending to date should have been provided with the proposal, especially given the size of the requested transfers.
- Second, it appears that Direct Install is 90% above its goal for job completions through July 2011.[3] TRC should consider reducing Direct Install incentives, especially if the trend from July 2011 continues.
- Third, C&I Retrofit is at roughly 50% of its completed projects goal for the year (12% above its goal for June 2011), yet it has expended 71% of the 2011 budget through June.[4] TRC should have provided an explanation for this in the proposal.
- Fourth, all C&I programs (except Pay for Performance – New Construction) surpassed their goals through June 2011.[5] TRC should provide a detailed explanation of what "without negatively affecting their operation" means, as referenced in the OCE's C&I proposal. If this means that the C&I NC, P4P Existing, and LGEA programs could meet their program goals even with the reduced funding level, Rate Counsel has no objection to the transfers. However, TRC should provide details on how it made such a determination for programs that are exceeding their year to date participation goals.

[3] Source: TRC's August 9, 2011 CEP-EE committee meeting presentation, slide 27.
[4] Source: TRC's August 9, 2011 CEP-EE committee meeting presentation, slides 20 and 28.
[5] Source: TRC's August 9, 2011 CEP- EE committee meeting presentation.

Conclusion

Rate Counsel does not oppose the proposed residential CEP program transfers set forth in the August 11 and 18 notices. However, as set forth above, Rate Counsel recommends that the OCE investigate the causes of the relatively low participation rate in the HPwES program. Furthermore, the incentives and marketing strategies for the residential programs should be re-evaluated for the 2012 program.

With respect to the proposed modifications to the C&I EE programs, additional program information is needed to evaluate the OCE's proposal. Therefore, Rate Counsel's recommendations are contingent upon the ability of the various C&I programs to meet their program goals. If the C&I NC, P4P Existing, and LGEA programs could meet their program goals even with the OCE's proposed reduced funding levels, Rate Counsel has no objection to the proposed transfers.