



June 12, 2014

Via Electronic Mail

New Jersey Board of Public Utilities  
44 South Clinton Avenue  
Trenton, NJ 08625

RE: Comprehensive Resource Analysis – Staff Straw Proposal

Dear NJBPU Staff:

The Environmental Defense Fund (“EDF”) thanks New Jersey’s Office of Clean Energy (“OCE”) and Board of Public Utilities (“BPU”) for this opportunity to comment on the May 23, 2014 Comprehensive Resource Analysis – Staff Straw Proposal (“Straw Proposal”). EDF is a national non-profit membership organization engaged in linking science, economics and law to create innovative, equitable and cost-effective solutions to society’s most urgent environmental problems. EDF has more than 750,000 members nationwide and over 32,000 in New Jersey. As an organization, EDF has been active in New Jersey on environmental issues since the 1970’s.

EDF appreciates OCE’s commitment to initiatives that ensure the adoption and implementation of the state’s energy efficiency and renewable energy programs. It is particularly timely given the recent U.S. Environmental Protection Agency announcement of the proposed carbon pollution standards for existing power plants that will require New Jersey to reduce carbon emissions from the power sector by forty-three percent. If the standards are enacted, states will have the flexibility to develop state-specific implementation plans that meet the prescribed emissions reductions. Energy efficiency and renewable energy present pathways for compliance.

We are pleased to see that the SBC funds that will be available to the Energy Resilience Bank (ERB) will be usable only for energy efficiency and renewable energy components of ERB projects. As such, it will strengthen the ERB while advancing New Jersey’s clean energy goals. Meeting New Jersey’s resilience objectives will require accelerated and aggressive deployment of energy efficiency and distributed generation technologies, including renewable energy, throughout the state.

We are also encouraged by the inclusion of EDF’s Investor Confidence Project (ICP) in the Staff recommendations for FY15. As we have previously described at the Energy Efficiency

Committee of the Office of Clean Energy on May 16, 2014 we conceived of the ICP protocols as an engine for breaking down barriers to private capital participating in energy efficiency financing at a very large scale. We believe that the adoption of ICP protocols by programs in New Jersey has the potential to contribute to scaling up energy efficiency financing in New Jersey and nationwide, making New Jersey a leader.

Respectfully submitted,

Mary Barber  
New Jersey Director, Clean Energy  
U.S. Climate and Energy



Opower, Inc.  
1515 N. Courthouse Road, 9<sup>th</sup> Floor  
Arlington, VA 22201

June 12, 2014

## **Opower Comments on the Draft NJCEP FY 2015 Programs**

### **I. Introduction**

Opower appreciates the opportunity to provide these timely filed comments on the New Jersey Clean Energy Program (NJCEP) Comprehensive Energy Efficiency and Renewable Energy Resource Analysis (CRA) for Fiscal Year (FY) 2015 and related programs and budgets for Fiscal Year 2015.

Opower is the leading global provider of behavioral energy efficiency and customer engagement solutions for the utility industry. Since our founding six years ago, we have delivered more than \$300 million in bill savings for residential customers, including low-income and seniors, and 3.14 TWh's in energy savings. Today, we work with 93 utilities in 8 countries to deliver energy saving information to over 20 million residential households. Our home energy reporting solution is an approved energy efficiency resource in 31 states and our impact has been consistently and independently verified 29 times.<sup>1</sup> Specifically, in the Northeast, over 4.5M utility customers are receiving our home energy reports. We officially went public last month and Opower is now traded on the New York Stock Exchange.

### **II. We Recommend the Inclusion of a Residential Behavioral Energy Efficiency Program**

The definition for "behavioral energy efficiency" is widely recognized. According to the State & Local Energy Efficiency Action Network (SEE Action), a state and locally-led effort facilitated by the U.S. Department of Energy and the U.S. Environmental Protection Agency, "behavioral-based energy efficiency programs are those that utilize strategies intended to affect consumer energy use behaviors in order to achieve energy and/or peak demand savings."<sup>2</sup> These programs provide customers with information that leads to a series of changes in behavior that lowers energy use in a measureable and verifiable way. This may include turning the lights off or adjusting the thermostat. These savings are measured and verified using randomized control trials, which is the gold standard of program evaluation according to the U.S. Department of Energy.<sup>3</sup> Behavioral efficiency delivers savings directly to all customers regardless of income or access to technology and can be clearly tracked and measured. Our experience has demonstrated that electric customers, gas customers, seniors, low-income individuals, and commercial customers all save energy and money cost effectively and cost efficiently.

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<sup>1</sup> See Appendix.

<sup>2</sup> SEE Action, "Evaluation, Measurement, and Verification (EM&V) of Residential Behavioral-Based Energy Efficiency Programs: Issues and Recommendations, May 2012, p. 1.

<sup>3</sup> *Id.*

All behavioral programs are designed so that benefits exceed costs in order to justify implementation. Multiple independent evaluations have verified the cost effectiveness of Opower's behavioral programs. Dr. Hunt Allcott (2011), for example, verified average cost effectiveness of 3.3 cents/kWh across seventeen separate Opower deployments, with a range from 1.3 – 5.4 cents/kWh.<sup>4</sup>

In the Office of Clean Energy 2nd Revised CRA Straw Proposal for Proposed Funding Levels for FY14 – FY17, dated June 3, 2013, Staff recommended several objectives for the Board's clean energy and renewable energy programs, including policy goal #10 which recognized the "opportunity to motivate behavioral change through outreach and education (p. 19)." We strongly agree with this recommendation to include behavioral programs and here in New Jersey, we are currently running a pilot program with New Jersey Natural Gas that has delivered cost-effective savings over a three-year period.

There is significant potential for additional electricity and gas behavioral savings in New Jersey. If deployed to all cost effective households in New Jersey, Opower estimates that we would empower approximately 2.8M electric households and 1.4M gas households to save 546 GWh's in annual savings and 12,500,000 therms in annual savings.

In the Office of Clean Energy Comprehensive Resource Analysis - Staff Straw Proposal New Jersey's Clean Energy Program Proposed Funding Levels FY15, dated May 23, 2014, Staff proposed "to increase EE program marketing from the current level of approximately \$2.4 million to \$5 million in FY15" since "marketing and outreach are key drivers that directly impact the success of New Jersey's Clean Energy Programs (p. 26)." One of the benefits of our Home Energy Reports Program is the proven ability to increase participation in existing energy efficiency programs by increasing awareness and by marketing these programs on our home energy reports. Accordingly, we strongly agree with Staff's recommendation to increase EE program marketing.

### **III. We Recommend the Inclusion of a Low-Income Behavioral Energy Efficiency Program, Small Medium Business (SMB) Behavioral Energy Efficiency Program, and Behavioral Thermostat Program**

Expanded behavioral energy efficiency programs will help New Jersey meet its objective of becoming a top state for efficiency in the country, provide the opportunity for all households, including low income and seniors, to participate in energy efficiency programs, and minimize costs while increasing reliability of electricity delivery. In addition, a Low-Income Behavioral Energy Efficiency Program, Small Medium Business (SMB) Behavioral Energy Efficiency Program, and Behavioral Thermostat Program will all serve to complete the proposed portfolio.

#### **A. Low-Income Behavioral Energy Efficiency Program**

Opower's results have shown that low-income households save consistently in response to the program and sometimes save even more than non-low income households. Table 1 below

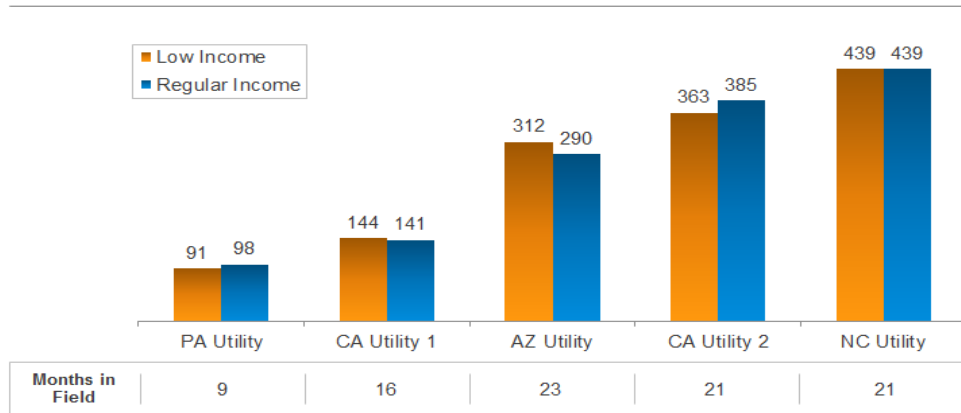
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<sup>4</sup> Allcott, Hunt. "Social Norms and Energy Conservation." October 2011. Journal of Public Economics Vol. 95 (9-10), pp. 1082 – 1095.

illustrates Opower’s internal analysis of savings between low-income and regular income households across five different utilities.

**Table 1: Select Opower Low Income Results**

Cumulative savings  
kWh savings per household



Independent evaluations of programs at Progress Energy in North Carolina and AEP Ohio have corroborated Opower’s findings. Navigant found that low-income households receiving Opower’s program in North Carolina reduced annual energy usage by 238 kWh (1.35%) on average in response to the program, compared to 225 kWh (1.22%) for non-low income participants.<sup>5</sup> Similarly, Navigant found that Opower’s program delivered an average of 1.25% savings or 179/kWh’s per household per year for the 16,000 low-income households receiving its program through AEP Ohio.

Low-income home energy reports contain some of the same normative messaging and behavioral science elements that drive Opower energy savings. Additionally, we add education on local low-income support, low-income program promotions and low-cost, high-impact, quick payback tips. This ensures that customers can take the right actions quickly to alleviate their utility bills. The Low-Income Behavioral Energy Efficiency Program would serve to complement other low-income residential programs such as the Comfort Partners Program.

## B. SMB Behavioral Energy Efficiency Program

Our SMB Behavioral Energy Efficiency Program delivers energy insights and tailored energy savings tips to small and medium businesses. In essence, we captivate the attention of small and medium-sized business customers by combining behavioral science with highly personalized data insights. We also provide a foundation for engaging customers in other programs by including marketing modules that promote specific programs. This SMB program would serve to complement the existing portfolio of commercial and industrial programs.

<sup>5</sup> Navigant Consulting. 2011-2012 Evaluation Report – Residential Energy Efficiency Benchmarking Program. Presented to Progress Energy, Raleigh, North Carolina. December 21, 2012. Stuart Schare. 303.728.2500.

### **C. Behavioral Thermostat Program**

The Opower Thermostat Program is designed to deliver an engaging experience and measurable energy results, and spans a mobile app, web platform, and customer service tool. We are currently partnering with several utilities on this program and we are able to show customers tangible benefits such as utilizing actual energy usage and billing data to calculate savings on a per degree basis, which leads to deeper engagement with energy efficiency and demand response programs. This Behavioral Thermostat program would serve to complement the existing portfolio of residential programs.

### **IV. Conclusion**

We respectfully request the inclusion of the following recommendations in the final version of the FY15 CRA:

- Include the savings attributable to a Residential Behavioral Energy Efficiency Program
- Include a Low-Income Behavioral Energy Efficiency Program, Small Medium Business (SMB) Behavioral Energy Efficiency Program, and Behavioral Thermostat Program

By accepting these proposed recommendations, New Jersey will send clearer signals to the market and will expedite cost effective and cost efficient investments in behavioral energy efficiency to help meet the state's ambitious efficiency goals.

Sincerely,

Ricky Gratz  
Manager, Market Development & Regulatory Affairs – East  
Opower, Inc.  
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(571) 483-3023  
[ricky.gratz@opower.com](mailto:ricky.gratz@opower.com)  
On behalf of Opower, Inc.

## Appendix

1. Klos, Mary, September 2009. “Impact Evaluation of OPOWER SMUD Pilot Study.” *Summit Blue Consulting, LLC*.
  - *Utility, State, Fuel:* Sacramento Municipal Utility Department, CA, Electric
  - *Results:* Summit Blue (d/b/a Navigant) verified an average of 2.2% savings in the first year, as well as a bump to 2.8% average savings in the first four months of year two
  - *Contact:* Mary Klos, 608-807-0083, mklos@summitblue.com
  
2. Ayres, Ian, et al., September 2009. “Evidence From Two Large Field Experiments That Peer Comparison Feedback Can Reduce Residential Energy Usage.” *NBER Working Paper*.
  - *Utility, State, Fuel:* Sacramento Municipal Utility Department & Puget Sound Energy, CA & WA, Electric & Gas
  - *Results:* There is evidence of a reduction in the early years of the program of 1.2% (natural gas) and 2.1% (electric) participants
  - *Contact:* 203-415-5587, ian.ayres@yale.edu
  
3. Allcott, Hunt, February 2010. “Social Norms and Energy Conservation.” *Working Paper, Massachusetts Institute of Technology’s Center for Energy and Environmental Policy Research*.
  - *Utility, State, Fuel:* Connexus, MN, Electric
  - *Results:* Using data from a randomized natural field experiment at 80,000 treatment and control households in Minnesota, it is estimated that the monthly program reduces energy consumption by 2.3 – 2.4% relative to baseline
  - *Contact:* Hunt Allcott, allcott@mit.edu
  
4. Allcott, Hunt and Sendhil Mullainathan, March 2010. “Behavior and Energy Policy.” *Science*, Vol. 327
  - *Utility, State, Fuel:* This article is a literature review
  - *Results:* Using randomized, controlled trials with hundreds of thousands of utility customers across the United States, these [OPOWER] reports have been shown to reduce electricity consumption in the average household by over 2%.
  - *Contact:* Hunt Allcott, allcott@mit.edu

5. Macke, Rich, June 2010. “Measurement and Verification Report of Lake Country’s OPOWER Energy Efficiency Pilot Program.” *Power System Engineering*.
  - *Utility, State, Fuel:* Lake Country Power, MN, Electric
  - *Results:* Average of 2.77% first-year savings with 99% statistical confidence
  - *Contact:* Rich Macke, 763-783-5349, macker@powersystem.org
  
6. Ivanov, Chris, July 2010. “Measurement and Verification Report of OPOWER Energy Efficiency Pilot Program.” *Power System Engineering*.
  - *Utility, State, Fuel:* Connexus, MN, Electric
  - *Results:* With 99% confidence, the program demonstrated an average of 2.07% savings across three distinct approaches to measuring and verifying the results
  - *Contact:* Chris Ivanov, 608-268-3516, ivanovc@powersystem.org
  
7. October 2010. “Puget Sound Energy’s Home Energy Reports Program.” *KEMA*.
  - *Utility, State, Fuel:* Puget Sound Energy, WA, Electric & Gas
  - *Results:* The savings rate of the most recent 12 months was significantly greater than for the first 12 months – improving from 1.87% to 2.28% average electric savings
  - *Contact:* Bobbi Wilhelm, 425-462-3432, bobette.wilhelm@pse.com
  
8. Gunn, Randy, December 2010. “Energy Efficiency / Demand Response Plan: Plan Year 2 (6/1/2009-5/31/2010), Evaluation Report: OPOWER Pilot.” *Navigant Consulting*.
  - *Utility, State, Fuel:* Commonwealth Edison Company (ComEd), IL, Electric
  - *Results:* “Average annual savings was 1.54% for high energy users, and was 1.27% for low energy users.”
  - *Contact:* Randy Gunn, 312-938-4242, [randy.gunn@navigantconsulting.com](mailto:randy.gunn@navigantconsulting.com)
  
9. Cooney, Kevin, February 2011. “Evaluation Report: OPOWER SMUD Pilot Year 2.” *Navigant Consulting*.
  - *Utility, State, Fuel:* Sacramento Municipal Utility Department, CA, Electric
  - *Results:* (i) 2.89% savings in the second year, 22% increase over first year; (ii) Highest savings—3.56% savings in July/August of 2009—occurred during peak season; and (iii) only signs of impact stability over the first 30 months of the program
  - *Contact:* Kevin Cooney, 312-583-5700



10. Davis, Matt, May 2011. “Behavior and Energy Savings: Evidence from a Series of Experimental Interventions.” *Environmental Defense Fund*.

- *Utility, State, Fuel:* Report verifies results from 11 different gas and electric utilities covering urban and suburban communities in 6 states in the Northeast, Midwest, and West. Specific utility names are not released for confidentiality purposes. Electric only.
- *Results:* Reports have driven electricity savings ranging from 1.1-2.9% across the 11 deployments, and, if fully deployed in the US, OPOWER programs would lead to \$3 billion in annual savings
- *Contact:* Matt Davis, mdavis@edf.org

11. Dougherty, Anne, June 2011. “Massachusetts Cross-Cutting Behavioral Program Evaluation.” *Navigant Consulting and Opinion Dynamics*.

- *Utility, State, Fuel:* National Grid, MA, Electric
- *Results:* 1.61% average savings, of which the majority came from actions that were taken outside other National Grid programs.
- *Contact:* Anne Dougherty, 617-492-1400

12. Todd, Annika, Steven Schiller, and Charles Goldman, October 2011. “Analysis of PSE’s Pilot Energy Conservation Project: “Home Energy Reports.” *Lawrence Berkeley National Laboratory*.

- *Utility, State, Fuel:* Puget Sound Energy, WA, Electric & Gas
- *Results:* “The evaluation study design for the HER pilot program utilized a randomized controlled experiment with an opt-out design, which is the best feasible method of inferring that a program caused energy savings.” Averaged 2.03% savings in the last 12 months for electricity, 1.40% for gas.
- *Contact:* Annika Todd, 510-486-6544, atodd@lbl.gov

13. Allcott, Hunt, October 2011. “Social Norms and Energy Conservation.” *Journal of Public Economics*, Vol 95 (9-10), pp. 1082 - 1095.

- *Utility, State, Fuel:* Report verifies savings achieved by 600,000 households across 17 Opower deployments in various geographic areas, Electric only.
- *Results:* Opower’s program is the most effective non-price efficiency intervention available at scale to date. Average savings range from 1.4 – 3.3% with an unweighted

mean of 2.0%, equivalent to a short-term price increase of 11 – 20% (or long-term increase of 5%), at a cost-effectiveness of \$0.013 - \$0.054 per kWh with an unweighted mean of \$0.033 per kWh.

- *Contact:* Hunt Allcott, allcott@mit.edu

14. April 2012. “Puget Sound Energy’s Home Energy Reports Program: Three Year Impact, Behavioral, and Process Evaluation.” *KEMA Energy & Sustainability*.

- *Utility, State, Fuel:* Puget Sound Energy, WA, Electric & Gas
- *Results:* In its third year, this program generated savings of 2.6% for electric customers and 1.3% for gas. Electric impact leapt from 169.7 kWh per household per year in Year 1 to 274.2 kWh in Year 3, an increase of 62%. Gas impact increased from 10.7 to 11.9 therms, a change of 11%. In the third year, reports were suspended for a sub-set of the treatment group. In this group, the electric savings rate dropped to 1.6% compared to a savings rate of 2.6% for the group that continued to receive the reports.
- *Contact:* N/A

15. Gunn, Randy, May 2012. “Evaluation Report: Home Energy Reports.” *Navigant Consulting*.

- *Utility, State, Fuel:* Commonwealth Edison, IL, Electric
- *Results:* In the second program year, savings range from 1.55 – 2.02% and 185.54 – 444.56 kWh per customer per year, depending on the treatment group. These results led the independent evaluator to conclude that, “average weather-normalized annual savings increased from 230 to 317 kWh per customer [from the first to second program year], and increase of 38%. This increase is statistically significant.”
- *Contact:* Randy Gunn, 312-583-5700

16. Dougherty, Anne, July 2012. “Massachusetts Three Year Cross-Cutting Behavioral Program Evaluation Integrated Report.” *Opinion Dynamics Corporation with Navigant Consulting*.

- *Utility, State, Fuel:* NSTAR & National Grid, MA, Electric & Gas
- *Results:* Electric savings range from 1.25 – 2.06% and gas savings range from 0.81 – 1.50%, depending on the number of years the program has been running. From the first to the second program year, electric savings increased from 1.61 – 2.06% in one program and 1.25 – 1.63% in another – increases of 28 and 30%, respectively. Gas savings increased from 0.81 to 1.25%, an increase of over 54%.
- *Contact:* Anne Dougherty, 617-492-1400

17. Sutter, Mary, October 2012. “Impact and Process Evaluation of 2011 (PY4) Ameren Illinois Company Behavioral Modification Program.” *Opinion Dynamics Corporation with The Cadmus Group, Navigant, and Michaels Engineering.*

- *Utility, State, Fuel:* Ameren Illinois Company (AIC), IL, Electric & Gas
- *Results:* Overall, the program achieved electric net savings of 1.14% per household and gas net savings at 0.70% per household.
- *Contact:* Mary Sutter, 510-444-5050

18. Wu, May, November 2012. “Impact & Persistence Evaluation Report: Sacramento Municipal Utility District Home Energy Report Program.” *Integral Analytics, Inc with BuildingMetrics Incorporated and Sageview.*

- *Utility, State, Fuel:* Sacramento Municipal Utility District (SMUD), CA, Electric
- *Results:* HERs had a net impact of 2.2% electricity savings per month per household (250 kWh) in the Wave 1 group (monthly report recipients, quarterly report recipients as well as a third group that stopped receiving reports). The Wave 2 group, which included UCLA Selection, SMUD Segmentation, High Use, E-reports and Seasonal Burst sub-groups, experienced a net impact of 1.6% electricity savings per month per household (216 kWh). The Seasonal Burst notifications yielded 1.2% mean annual savings (178 kWh), along with 0.06 kW reductions on summer peak days. Additionally, “the team found that homes that make a structural change with SMUD efficiency rebate dollars that also receive the HER go on to save more than homes that merely participate in a rebate program.”
- *Contact:* May Wu, [May.Wu@IntegralAnalytics.com](mailto:May.Wu@IntegralAnalytics.com)

19. Gunn, Randy, November 2012. “Energy Efficiency / Demand Response Plan: Plan Year 4 (6/1/2011-5/31/2012), Evaluation Report: Home Energy Reports.” *Navigant Consulting.*

- *Utility, State, Fuel:* Commonwealth Edison Company (ComEd), IL, Electric
- *Results:* Over the past two years, energy savings by Wave 1 customers do not show sign of diminishing and this evaluation calculated 2.20% savings for these participants. Participants who began receiving HERs later achieved lower savings rates (1.66% and 1.16%), although Navigant noted that “their savings are likely in a ramp-up phase” and that “Navigant expects that savings from Wave 4 participants will increase by at least 50% over the next year.”
- *Contact:* Randy Gunn, 312-938-4242, [randy.gunn@navigant.com](mailto:randy.gunn@navigant.com)

20. December 2012. "Verification of Hawaii Energy 2011 Programs." *Evergreen Economics*.

- *Utility, State, Fuel:* Hawaii Energy, HI, Electric
- *Results:* "The savings claimed by Hawaii Energy for this measure is a total of 1,704,648 kWh based on savings estimated by Opower."
- *Contact:* Evergreen Economics, 503-894-8676

21. March 2013. "Puget Sound Energy's Home Energy Reports: 2012 Impact Evaluation." *KEMA*

- *Utility, State, Fuel:* Puget Sound Energy, WA, Electric & Gas
- *Results:* "The overall credited savings for electric and gas were 300 kWh and 11 therms per household, respectively. These savings constitute 2.8% and 1.3% of the household's average electric and gas consumption, respectively."
- *Contact:* Bobbi Wilhelm, bobette.wilhelm@pse.com

22. April 2013. "Evaluation of Pacific Gas and Electric Company's Home Energy Report Initiative for the 2010-2012 Program." *Freeman, Sullivan & Company*

- *Utility, State, Fuel:* Pacific Gas and Electric Company, CA, Electric & Gas
- *Results:* Program waves have been running between 11 to 17 months. Total electric and gas savings for the program were 49.9 GWh and 1,469 thousand Therms respectively through December 2012. Percent impact ranges from 0.9% to 1.5% for electric and 0.4% to 0.9% for gas depending on number of program months.
- *Contact:* Michael Perry

23. May 2013. "Home Energy Reports Program: Program Year 2012 Evaluation Report." *Navigant Consulting*

- *Utility, State, Fuel:* American Electric Power Ohio, OH, Electric
- *Results:* The Home Energy Report Program reported 53,174 MWh of energy savings with an average savings rate of 2.0%.
- *Contact:* Randy Gunn, 312-583-5714, randy.gunn@navigant.com

24. June 2013. "Massachusetts Cross-Cutting Behavioral Program Evaluation Integrated Report." *Opinion Dynamics Corporation*

- *Utility, State, Fuel:* National Grid Massachusetts, NSTAR, Electric & Gas
- *Results:* Programs achieved 63 GWh and 344,681 MMBTu in 2012 for Massachusetts. Electric savings rate ranges from 0.89 - 2.47% and gas savings range from 0.50 - 1.80% depending on the number of years the program has been running. All

electric programs running for at least two years show increased savings from PY1 to PY2 and PY2 to PY3 where applicable. Gas savings rates are steady or increasing.

- *Contact:* Anne Dougherty, 617-492-1400



State of New Jersey  
DIVISION OF RATE COUNSEL  
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CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

STEFANIE A. BRAND  
*Director*

June 12, 2014

By Hand Delivery and Electronic Mail

Honorable Kristi Izzo, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
CN 350  
Trenton, NJ 08625-0350

Re: I/M/O Comprehensive Energy Efficiency and Renewable Energy Resource  
Analysis for Fiscal Years 2014-2017 Clean Energy Program  
BPU Docket No. EO11050324V

I/M/O the Clean Energy Programs and Budget for the Fiscal Year 2015  
BPU Docket No. QO14050489

Dear Secretary Izzo:

Please accept this original and ten copies of as Comments submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in connection with the above-captioned matter. Copies of the comments are being provided to all parties on the e-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 it in our self-addressed stamped envelope. Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND  
Director, Division of Rate Counsel

By:



Sarah H. Steindel, Esq.  
Assistant Deputy Rate Counsel

SHS/sm

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Caroline Vachier, DAG  
Marisa Slaten, DAG

**I/M/O Comprehensive Energy Efficiency and Renewable Energy  
Resource Analysis for Fiscal Years 2014-2017 Clean Energy Program  
BPU Docket No. EO11050324V**

**and**

**I/M/O the Clean Energy Programs and Budget for the Fiscal Year 2015  
BPU Docket No. QO14050489**

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

**June 12, 2014**

**INTRODUCTION**

The Division of Rate Counsel (“Rate Counsel”) would like to thank the Board of Public Utilities (“BPU” or “Board”) for the opportunity to present comments on the New Jersey Clean Energy Program (“NJCEP” or “CEP”) Fiscal Year 2015 (“FY15”) Straw Budget and proposed programs. The Board’s Notice in this matter dated May 23, 2014 (“Notice”) states that, due to the lack of a new program administrator and other factors, created challenges with regard to its ability of the Board’s Office of Clean Energy (“OCE” or “Staff”) to draft a three-year CRA straw proposal. Therefore, Staff proposes to extend the present NJCEP programs for another year. Notice, p. 2.

Staff has posted for comment an Excel workbook dated May 22, 2014, which summarizes Staff’s proposed FY15 funding levels by program, and an explanatory document dated May 23, 2014 entitled “Comprehensive Resource Analysis – Staff Straw Proposal New Jersey’s Clean Energy Program Proposed funding Levels FY15” (“Straw Proposal”).

The usual NJCEP annual budgeting process includes the submission of “compliance filings” by the Office of Clean Energy (“OCE”), the Board’s two contracted Market Managers, Honeywell and TRC, and the State’s electric and gas utilities, which administer the Comfort



Partners program. The compliance filings contain detailed descriptions of each of the NJCEP programs and details of the proposed budget allocations. The Board's Notice states that Staff is proposing at this time to extend the current compliance filings without revisions, and that revised compliance filings, which will include detailed breakdowns of Staff's proposed FY15 budget, will be forthcoming at a later date. Notice, p. 2.

**Summary of the 2015 Straw Proposal**

Staff proposes to collect approximately \$344.7 million from ratepayers during FY15. Straw Proposal, p. 37. Of that amount, about \$68.3 million is expected to be appropriated through the State budget process for State energy efficiency projects and utility costs,<sup>1</sup> and \$30 million is proposed to be allocated to supplement \$200 million in federal funding for an Energy Resiliency Bank ("ERB"). Straw Proposal, p. 24-24, 34-35. The remaining \$246.4 million, plus the estimated \$153.5 million in funds to be carried over from FY2014,<sup>2</sup> totaling approximately \$401.0 million, are proposed to be allocated among the Clean Energy programs administered by the Board.

**Summary of Rate Counsel's Comments**

Rate Counsel supports Staff's proposal to establish a budget for FY15 only and to defer a proposal for FY16 and FY17. Rate Counsel does, however, have some concerns about the proposed budget for FY15. Initially, Rate Counsel notes the incompleteness of the information provided for comment. Rate Counsel recognizes the impediments cited in the Notice which prevent the development of a comprehensive straw proposal with detailed line item breakdowns of program budgets at this time. Rate Counsel also recognizes the need to establish a FY15

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<sup>1</sup> Since this amount is expected to be appropriated through the state budget process, it is not addressed in these comments.

<sup>2</sup> This amount reflects the subtraction of an expected \$49.1 million supplemental lapse from a \$202.6 million in funds expected to remain unexpended at the end of FY14.

budget early on, in order to provide some certainty to utility customers, contractors, and other participants in the CEP programs who rely on the budget for planning. Therefore, Rate Counsel submits these comments based on the available information, but reserves its rights to comment further and, if appropriate, seek modifications to the proposed budget and programs, as additional information becomes available. At this time, Rate Counsel has a number of general concerns and a few particular concerns about the Straw Proposal. Rate Counsel's concerns about specific aspects of the FY15 Straw Proposal are set forth below.

## **I. General Concerns**

Rate Counsel wishes to note its continuing concern with the accuracy of OCE's budgeting process. As discussed in the sections below, the Straw Proposal includes proposed allocations for some programs that exceed the OCE's and the Market Managers' historical levels of expenditures. Program budgets should be based on realistic projections of program activities, and OCE should develop and propose a properly supported plan to expend the budgeted funds.

## **II. Energy Efficiency Budget and Programs**

The proposed overall budget for FY15 EE programs shows a slight increase over the FY14 budget, from \$304.3 million in FY14 to \$307 million in FY15.<sup>3</sup> While the proposed budget for Residential EE programs shows an increase, from \$91.5 million in FY14 to \$99.5 million in FY15, the proposed budget for C&I EE programs shows a decrease, from \$177.6 million in FY14 to \$172.5 million in FY15.

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<sup>3</sup> The proposed FY15 budget includes new FY15 funding and FY14 carryovers.

## **Marketing**

While Staff recommends an increase in the overall EE marketing budget from approximately \$2.4 million to \$5 million in 2015, the proposed FY15 EE marketing budget is unchanged from FY14. Straw Proposal, p. 26. The residential EE and C&I EE marketing budgets for FY15 remain at \$1.309 million and \$1.075 million, respectively. This discrepancy between the amount recommended in Staff's Straw Proposal and the proposed budget was not explained. Rate Counsel concurs with Staff that the marketing budget should be increased. An increase in the marketing budget would facilitate such activities as market research, contractor and retailer education programs, promotions, website development, etc.

Rate Counsel also notes that the NJCEP Administration budget for Outreach and Education/Community Partner Grants was eliminated for FY15. Rate Counsel submits that funding for these outreach functions should be restored, particularly for outreach activities directed towards low-income customers and rebuilding communities devastated by Superstorm Sandy.

## **Comfort Partners and Low-Income Programs**

The proposed FY15 budget reduces funding for the Comfort Partners program, from \$35.1 million in FY14 to \$35 million in FY15. Rate Counsel recommends that the Board should actively monitor the adequacy of the proposed FY15 Comfort Partners budget on an ongoing basis throughout FY15, taking into consideration such indices as billings in arrears, utility shut-off figures and other measures, and adjust the budget going forward on an "as-needed" basis.

## **Program Evaluation**

Rate Counsel strongly supports Staff's recommendations regarding evaluation activities, as set forth in the Straw proposal. Straw Proposal, pp. 19-21. The proposed FY15 budget shows

a slight increase in the Program Evaluation budget, from \$2 million in FY14 to \$2.3 million in FY15. FY15 evaluation activities include a Baseline Study and a Portfolio Level Process Evaluation study, as well as Benchmarking and Metrics study. Straw Proposal, pp. 20-21.

### **III. Renewable Energy**

The Straw Proposal includes a proposed budget of approximately \$18.7 million for Renewable Energy (“RE”) programs, consisting of \$9.6 million in “new funding,” plus a carryover from FY14 of approximately \$9.1 million. OCE should provide additional information to justify this proposed budget.

The \$18.7 million budget compares to actual estimated expenditure of less than \$6.3 million in FY2014, as shown on the spreadsheet entitled “Proposed FY15 Renewable Energy Program Budget” in the OCE’s Excel workbook dated May 22, 2014. The information provided to date does not adequately support a total budget of \$18.7 million.

The Straw Proposal addresses specifically only the proposed \$9.6 million in “new funding.” This amount is proposed to be allocated as follows:

- \$200,000 to fund consultants to review offshore wind applications,
- \$3.4 million for SREC program administration,
- \$3 million for biopower project solicitation,
- \$3 million for energy storage project solicitations.

Straw Proposal. p.32. The Straw Proposal does not adequately explain or justify these items.

The proposal to budget \$200,000 to review offshore wind applications is seemingly inconsistent with the statement that “[t]hese funds are expected to be reimbursed through application fees.” Id. The Board has in the past required offshore wind applicants to fund BPU’s consultant. There is no reason to charge ratepayer for this cost. If no net expenditure is expected, this item should be budgeted at \$0.

The proposed \$3.4 million allocation for SREC Registration Program administration is not explained. Neither the Straw Proposal nor the Excel workbook contains supporting detail for this amount. The Excel spreadsheet entitled “Proposed Renewable Energy Program Budget by Program Manager” indicates that about \$17.8 million of the total budget is allocated to Honeywell, with the remaining \$0.8 million allocated to OCE. The further detail for the “Honeywell Detailed Budget” shows its entire \$17.8 million allocation as related to the Renewable Energy Incentive Program (“REIP”) with \$1.4 million allocated to “Administration, IT and Program Development,” \$14.5 million allocated to “Rebates, Grants and Other Direct Incentives,” and \$1.9 million allocated to “Rebate Processing, Inspection and Other Quality Control” for that program. The information shown for the “OCE FY15 Detailed RE Program Budget” shows its allocated \$0.8 million allocated among “Evaluation and Related Research” concerning Offshore Wind, and Rebates, and “Grants and Other Direct Incentives” for Grid Connected projects and for the Edison Innovation Clean Energy Fund. Based on this information, it is impossible even to identify the budget allocation(s) for the SREC Registration Program, much less determine whether the proposed \$3.4 million allocation, which appears to be in addition to the OCE administration budget, is reasonable or consistent with past experience.

With regard to the proposed Biopower program, as noted in the Straw Proposal a solicitation intended to offer the \$2.5 million in incentives budgeted for FY2014 was issued in February 2014. Straw Proposal, p. 30. OCE’s website indicates that responses have been received, but no incentives have been awarded to date. With regard to Energy Storage, the \$2.5 million budgeted for Energy Storage incentives in FY14 will not be expended in FY14. As noted in the Straw Proposal, Staff is still in the process of developing a proposal for the first competitive solicitation for incentives for electricity storage project. Straw Proposal, p. 31. Until

more information is available, it is uncertain whether either the proposed \$3 million allocation for Biopower incentives or the \$3 million allocation for Energy Storage is reasonable.

Additionally, the Straw Proposal does not explain the need for collecting an additional \$9.6 million from ratepayers for the above items, when there is an estimated \$9.1 million carryover from FY2014. While some of this amount could be intended to cover the \$9.3 million in “estimated commitments,” recent experience suggests that actual expenditures to cover commitments are likely to be much lower. See Straw Proposal, p. 32. Further information should be provided to explain the need for additional collections from ratepayers.

In the absence of additional details on OCE’s plans for spending both the \$9.6 million in “new funding” and the \$8.4 million carryover from FY14, Rate Counsel has concerns about the reasonableness of the proposed RE program budget. Rate Counsel reserves its rights to suggest modifications to the RE budget as additional information becomes available.

#### **IV. Combined Heat And Power (“CHP”) And Fuel Cells**

For the Combined Heat and Power (“CHP”) and Fuel Cells program, Staff is proposing to carry over approximately \$15.4 million in unexpended funds from FY14 and allocate and additional \$25 million in “New FY15 Funding,” for a total budget of about \$40.4 million. Additionally, a portion of the \$3 million in “new funding” proposed to be allocated to biomass projects, as well as a portion of the \$8.4 million proposed to be carried over from the FY14 for the REIP program, could be used to support renewable fueled CHP and fuel cells. Finally, as Staff notes in the Straw Proposal, a portion of the ERB with \$230 million in combined federal and SBC funding, will provide additional support for CHP and fuel cells at critical public facilities. Straw Proposal, p. 24-25, 28.

While Rate Counsel is generally supportive of CHP, it has concerns about this proposed funding level. Although this proposed budget represents a reduction from the \$65.6 million budgeted amount for FY14,<sup>4</sup> it remains significantly higher than past expenditures for the CHP-Fuels Cell program. As noted in Rate Counsel's April 26, 2013 comments on the FY14 budget, in 2012 the Small CHP program was only able to issue rebates of a little over \$2 million in 2012, and the first solicitation for the Large CHP program received only \$11 million in applications. Rate Counsel Comment on Revised Straw Proposal, BPU Docket No. EO11050503V, p. 23 (Apr. 26, 2013). A second Large CHP solicitation in early 2013 had received only one application as of mid-April 2013. *Id.* For FY14, the Straw Proposal notes that only \$1.1 million was expended and \$5.2 million was committed for CHP and fuel cells as of the end of January 2014. Straw Proposal, p. 28. The table entitled "Proposed FY15 Energy Efficiency and CHP Program Budget" shows estimated expenditures of only \$3.5 million through the end of FY14, out of the \$65.6 million originally budgeted for this program in the FY14 budget.

The Straw Proposal states that Staff anticipates an influx of new applications when applicants found ineligible for ERB funding decide to seek funding through from the NJCEP. Straw Proposal, p. 28. However, as noted in the April 26, 2013 comment cited above, the historical trend of insufficient interest in this program predates Superstorm Sandy and the potential availability of federal funding to support CHP and fuel cell projects. It remains unclear whether unsuccessful applicants for ERB funding will have an interest in the NJCEP programs.

Rate Counsel urges further review of the reasons for this program's past failures to expend available funds before additional funds are budgeted for CHP. OCE's ongoing and

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<sup>4</sup> The Straw Proposal cites a FY14 budgeted amount of approximately \$38 million. Straw Proposal, p. 28, Excel spreadsheet entitled "Proposed FY15 Energy Efficiency and CHP Program Budget." However, the originally budgeted amount was \$65,632,249.55. The approximately \$38 million cited in the Straw Proposal was the result of a budget reduction approved in the Board's FY14 budget true-up Order. *I/M/O The Clean Energy Programs and Budget for Fiscal Year 2014 – Revised FY14 Programs and True Up Budget*, p. 7 (Dec. 19, 2013)

planned program evaluations may provide valuable insights into changes that could be made to attract more applicants to this program.

#### **V. Energy Resiliency Bank**

As noted in the Introduction above, the Straw Proposal includes an allocation of \$30 million to the ERB to supplement \$200 million in federal funding for Superstorm Sandy rebuilding and recovery. As explained in the Straw Proposal, the ERB will be used to support “resilient EE and projects at critical infrastructure, public facilities, non-for-profit hospitals” and other critical facilities.” These projects could include a variety of technologies including CHP with blackstart capability, solar PV with dynamic inverters, energy storage, and micro-grids. , The Straw Proposal states that the SBC funds will be limited to “projects that contain a qualifying EE or RE component.” Straw Proposal, p. 24.

Rate Counsel supports OCE’s efforts to work with other State agencies to leverage federal funds to rebuild the State’s critical facilities. NJCEP Program guidelines and criteria should be developed to assure that the SBC funds are spent on projects that are consistent with NJCEP program goals. In this regard, Rate Counsel notes that the FY14 NJCEP budget included similar proposal to allocate \$30 million to the New Jersey Environmental Infrastructure Trust (“NJEIT”) to provide state matching funds for federal funds for the rebuilding of infrastructure in the aftermath of Superstorm Sandy. See Office of Clean Energy 2<sup>nd</sup> Revised CRA Straw Proposal Proposed Funding Levels FY14-FY17, p. 56 (June 3, 2013). In the FY14 budget, these funds were to be used “to fund energy efficient upgrades and CHP/Fuel Cell projects for critical, water-related infrastructure projects.” Id. The current proposal would allow funds to be targeted to a wider variety of facilities and technologies. Eligibility criteria and other program rules



should be carefully developed to assure that SBC funds are used to promote the energy efficiency and renewable energy goals contemplated under EDECA.

Rate Counsel notes also that the \$30 million allocated to the NJEIT was not expended for that purpose in FY2014. See I/M/O the Clean Energy Programs and Budget for Fiscal Year 2014 – Revised FY14 Programs and True Up Budget, p. 5-7 (Dec. 19, 2013).<sup>5</sup> It is also important to develop a plan to assure that the \$30 million to be allocated to the ERB is fully expended in FY15.

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<sup>5</sup> As shown in the table entitled Revised FY14 Funding Levels on page 6 and Revised FY14 Energy Efficiency and CHP-FC Program Budget on page 7 of the Board Order, the \$30 million allocated to the NJEIT was one of the “Line Item Transfers/Funding Adjustments” made to fund \$161,855,255 in funds appropriated from the Clean Energy under P.L. 2013, c. 77.



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

June 12, 2014

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

IN THE MATTER OF THE COMPREHENSIVE  
ENERGY EFFICIENCY AND RENEWABLE  
ENERGY RESOURCE ANALYSIS FOR THE  
2014 -2017 CLEAN ENERGY PROGRAM  
DOCKET NO. EO11050324V

IN THE MATTER OF THE CLEAN ENERGY  
PROGRAMS AND BUDGET FOR THE  
FISCAL YEAR 2015  
DOCKET NO. QO14050489

Dear Secretary Izzo:

New Jersey Natural Gas Company (“NJNG”) has reviewed the Comprehensive Resource Analysis Staff Straw Proposal for New Jersey’s Clean Energy Program (“NJCEP”) Funding Levels for Fiscal Year 2015 (“Straw Proposal”), which was released on May 23, 2014 by the Staff of the New Jersey Board of Public Utilities (“BPU” or “Board”). Through this letter, NJNG hereby provides a few comments related to the Straw Proposal for Fiscal 2015.

Prior to providing comment, NJNG would like to acknowledge the efforts of Office of Clean Energy (“OCE”) Staff. NJNG recognizes that is extremely challenging working parallel paths for policy and programs, especially when there is a need to balance priorities and stakeholder interests. OCE Staff has done a great job trying to advance these efforts while continuing to provide oversight of the current NJCEP programs.

### **Economic impacts**

NJNG has had energy efficiency programs that complement NJCEP programs in place since 2009. Our energy efficiency programs are generally marketed to our customers as the SAVEGREEN Project (“SAVEGREEN”). Our programs have always worked in partnership with NJCEP. SAVEGREEN is a great example of the comprehensive approach referenced as an objective in the 2015 CRA straw proposal.

Our experience running SAVEGREEN has helped us see the benefits of these energy efficiency programs firsthand- both for the participating customers and for many small to medium size contractors. NJNG is anxious to see the results of the Clean Energy Economy Study that The Center for Energy, Economics and Environmental Policy (CEEPP) is performing for the BPU. It will help frame the tremendous impact that these programs are having at the local level.

### **One Year Approach**

NJNG supports Staff’s proposal to develop a one year funding level again. As an active participant in some of the Work Group efforts, NJNG agrees that that it would be more productive to wait to establish longer term budgets or consider larger scale program changes until some key milestones are met. Staff will be in a much stronger position to propose any adjustments to longer term funding levels or program approaches after:

- A Strategic Plan is developed;
- Preliminary results from evaluations are available; and
- The Board considers stakeholders feedback on the recommendations from the Work Group report.

### **Work Group Efforts**

In regard to the Work Group process, NJNG would like to commend OCE for taking a broad perspective. The efforts to bring in experts from the State and Local Energy Efficiency Action Network (SEE Action) like Lawrence Berkeley National Labs and the Regulatory Assistance Project, as well as the perspectives of the Environmental Defense Fund, the American Council for an Energy Efficiency Economy and the National Resources Defense Council should provide a lot of insight in lessons learned in other jurisdictions. While each of these experts has a unique perspective, they acknowledge that there is no “one size fits all” answer. OCE Staff is taking a tremendous step in trying to understand that there are tradeoffs in many approaches and looking to gain stakeholder input to develop the solution that should work best for New Jersey.

While OCE Staff will have a lot on their plate in Fiscal 2015 related to the issuance of the RFP and the release of the Work Group report, the proposed Work Group to review the composition of NJCEP programs is a great idea. Attending industry conferences and reviewing industry reports provides an excellent sense of variation in program approaches that exist across the industry. OCE has also worked hard to bring in more topical experts to the monthly NJCEP Energy Efficiency Committee meetings. While lots of interesting ideas and approaches are out there, they are often challenging to consider, relative to NJCEP, given the constraints of the prolonged transition and many other issues competing for time and resources. Creating a new Work Group with a focused objective to review the slate of programs should assist OCE in considering new approaches that could better serve the needs of specific market segments once the transition is underway.

### **Trend in Spending**

NJNG would like to recognize the efforts of OCE Staff, the NJCEP Program Administrator and Market Managers and all of the trade allies and industry stakeholders regarding the trend in spending shown in the tables on pages 27 and 28 of the Straw Proposal. Collectively, we are often so focused on running programs or involved in specific pending proceedings, that we forget to recognize the accomplishments of the industry. These tables tell a great story that should be further enhanced by the result of the CEEEP Clean Energy Economy Study.

### **Marketing**

NJNG strongly supports the proposed increase in the NJCEP Marketing budgets. Despite aggressive outreach in our own service territory, we continually meet customers who are not aware of the programs or mistakenly believe that they may not be eligible for any programs. Since there is often such an overload of information available on the web, we think the face to face discussions are some of the most productive. The plans to increase presence and participation at trade shows and events are a worth-while investment to grow program participation.

As a quick example, last week we hosted another NJCEP lighting fair. Hundreds of members of the public attended. Many of our customers, including a significant number of senior citizens, were excited about the discounts but had a lot of questions about the products and needed some guidance. The ability to have the conversation with the customer often results in identifying leads for other energy efficiency programs as well as energy assistance programs.

Given the detailed nature of some programs, changing codes and standards, and longer payback periods for some investments due to lower natural gas commodity costs, a well thought out Marketing approach will be critical to growing the market.

### **Continuation of Enhanced Superstorm Sandy Incentives**

While the Straw Proposal isn't intended to provide program level proposals, NJNG wanted to take this opportunity to request that the enhanced incentives for residential customers affected by Superstorm Sandy for fiscal 2015 be continued. We often encounter Sandy affected customers at events and sense their concern and frustration with the prolonged recovery process. We know that these enhanced incentives don't solve all of their problems, but many residents are patching together financial solutions so any incentives that help make more efficient equipment more affordable are important.

### **Distributed Generation**

NJNG agrees with the Staff belief that the Energy Resiliency Bank ("ERB") presents an opportunity to advance toward the Combined Heat and Power (CHP) goal within the Energy Master Plan. Careful coordination between NJCEP and the ERB should help expand stakeholder knowledge about the technologies and approaches that can support both resiliency and efficiency. However, it will be critical for both the NJCEP and the ERB to explore opportunities to establish longer term program parameters and incentive levels to allow customers to better plan for and accommodate these large capital projects into their planning cycles.

### **Serving Low Income Customers**

As a final note, NJNG would like to thank the Board and its Staff for its continued commitment to the Comfort Partners programs. In addition to providing energy savings, comfort and safety benefits to the participants, this program also has the potential to reduce future costs for all customers by reducing the costs associated with the Universal Service Fund program as the work performed, i.e. energy efficiency measures installed, through the Comfort Partners program directly reduces the energy burden of participating customers.

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

Sincerely,



Anne-Marie Peracchio

Director- Conservation and Clean Energy Policy



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**MURRAY E. BEVAN**  
mbevan@bmgzlaw.com

June 12, 2014

**VIA ELECTRONIC AND REGULAR MAIL**

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

***Re: Comments on the Fiscal Year 2015 Draft NJCEP Programs***

Dear Secretary Izzo:

On behalf of our client, Bloom Energy Corporation (“Bloom Energy”), please accept these comments regarding the New Jersey Clean Energy Program (NJCEP) Fiscal Year 2015 Straw Budget (“Straw Budget”) issued by the Board of Public Utilities (“Board”) on May 23, 2014. For the reasons detailed below, Bloom Energy; (1) strongly supports Board Staff’s recommendation of \$25 million in new CHP-Fuel Cell funding and \$40 million in the FY 2015 CHP- Fuel Cell Budget, (2) opposes the suggestion that projects eligible for Energy Resiliency Bank (“ERB”) financing and rebates would be ineligible for NJCEP rebates, and (3) suggests that the Board revisit the issue of compensating for the additional costs associated with projects that are designed to isolate from the electric grid in the event of an outage.

Bloom Energy is a provider of breakthrough solid oxide fuel cell technology that generates clean, reliable, and highly-efficient onsite power using an environmentally superior non-combustion process. Bloom Energy currently has over 125 megawatts (“MW”) of operating

systems at over 100 locations across the United States and in Japan. In New Jersey, Bloom Energy is seeing growing demand from customers, including telecommunications providers, data centers, office buildings, nursing homes, supermarkets, and other customers who desire a highly reliable distributed power generation solution, but may not have the thermal requirements necessary to support traditional CHP solutions. Bloom Energy has submitted two applications under the Small CHP/Fuel Cell Program for rebates in the current fiscal year and anticipates increased demand for its unique distributed power generation solution in FY 2015.

Bloom Energy notes that FY 2014 participation in the CHP/Fuel Cell Program was below expectations. However, Bloom agrees with the Straw Proposal's assessment that continuing budget lapses in the program have eroded participation and confidence and that many developers were awaiting the design and eligibility requirements of the ERB before going forward with CHP and Fuel Cell projects. Moreover, the distributed generation project development cycle is often a lengthy process. The Board should be aware that a low number of submitted applications is not necessarily a reflection the amount of activity actually occurring in the market, nor is it a forward indicator of the potential for high-value projects in FY 2015. In fact, this is a critical moment for New Jersey to stay the course. Bloom applauds the Staff decision to slightly increase funding from \$38 million in FY 2014 to \$40 million in FY 2015.

Bloom would ask Board Staff to reconsider the Straw Proposal recommendation that projects eligible for ERB financing and rebates would be ineligible for NJCEP rebates. The purpose of the NJCEP is to promote energy efficiency improvements for residents, business and government, while the State's resiliency initiatives serve the much needed purpose of hardening

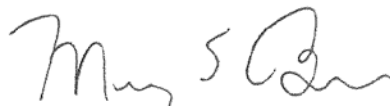
Hon. K. Izzo  
June 12, 2014  
Page 3 of 3

the State's infrastructure to increase critical facility resiliency and energy reliability. Projects that meet both of these State objectives should be allowed to compete in both incentive programs.

Finally, in early 2013 the Board considered adjustments to the CHP/Fuel Cell program to accommodate the significant additional costs associated with building distributed generation projects that are capable of isolating from the electric grid and continuing to supply power in the event of a widespread outage. At the time the Board indicated it would re-visit the issue of an incremental incentive for grid-isolating projects, but no action has yet been taken. The Board should take up this issue again in the near term with the expectation that an incremental incentive for projects that are capable of isolating from the grid and continuing to supply power will serve to significantly increase overall participation in the CHP/Fuel Cell program.

Please do not hesitate to contact me should you have any questions or concerns.

Very truly yours,

A handwritten signature in black ink, appearing to read "Murray E. Bevan". The signature is fluid and cursive, with the first name "Murray" being the most prominent part.

Murray E. Bevan





June 12, 2014

Re: Draft NJCEP FY 2015 Programs

***VIA EMAIL TO: [publiccomments@njcleanenergy.com](mailto:publiccomments@njcleanenergy.com)***

Kristi Izzo, Secretary  
Board of Public Utilities  
44 South Clinton Avenue  
CN 350  
Trenton, New Jersey 08625-0350

Dear Secretary Izzo:

Enclosed please find Sierra Club's comments on the above-referenced matter. Should the Board have any questions about the comments, please contact me by phone, (202) 548-4595, or email, [Diana.Csank@sierraclub.org](mailto:Diana.Csank@sierraclub.org).

Sincerely,

/s/ Diana A. Csank

Diana A. Csank  
Associate Attorney  
Sierra Club  
50 F St. NW, 8th Floor  
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Enc.

## Sierra Club Comments on Draft NJCEP FY 2015 Programs

Sierra Club appreciates this opportunity to offer comments on the New Jersey Clean Energy Program (NJCEP) Comprehensive Energy Efficiency and Renewable Energy Resource Analysis (CRA) for Fiscal Year (FY) 2015 and related programs and budgets for Fiscal Year 2015. Specifically, Sierra Club's comments focus on the May 23, 2014, CRA Staff Straw Proposal. The Proposal reflects commendable efforts by Staff and other stakeholders, especially to redesign the delivery and financing of State energy efficiency programs. Yet these efforts have not and cannot address the central flaws that are undercutting New Jersey's energy efficiency programs—insecure funding and protracted administrative challenges. Sierra Club maintains that the Board should set and enhance regulatory support for binding, long-term, fully-funded energy efficiency targets consistent with N.J.S.A. 48:3-87(g), (h), and N.J.S.A. 48:3-98.1.

Today, *secure funding* is perhaps the most important form of regulatory support that the Board can provide to advance clean energy in New Jersey. Sierra Club has consistently urged the Board to secure clean energy funding against diversions to the State's General Fund, so that New Jerseyans, including Sierra Club's more than 17,000 New Jersey members, may secure all cost-effective energy efficiency and the great, related benefits. Specifically, Sierra Club has submitted comments and public hearing testimony in relevant proceedings, including the 2011 Energy Master Plan and the FY14-FY17 CRA budget proceedings. To further elevate these issues, in January 2014, Sierra Club petitioned the Board to use its authority to adopt Energy Efficiency Portfolio Standards (EEPS) for electric and natural gas utilities, N.J.S.A.48:3-87(g) and (h), and to establish the appropriate funding mechanisms for the underlying utility energy efficiency programs, N.J.S.A. 48:3-98.1. EEPS are fundamentally different from what New Jersey

has done to date because they are long-term, fully-funded energy savings targets that are binding on the utilities in the State.

The Proposal and Staff-convened working groups are missing the opportunity to develop an EEPS for New Jersey. Sierra Club understands that the working groups have discussed certain aspects of an EEPS, but the Proposal fails to mention any effort to learn from the success of the binding, long-term, fully-funded energy savings targets adopted by the preponderance of states. Moreover, page 18 of the Proposal states: “Uncertainty regarding funding levels and the annual need to reduce NJCEP budgets due to funding lapses undercuts market confidence, makes long-term planning difficult, and impacts customer and contractor participation. Industry participants have consistently indicated their unwillingness to make investments in clean energy due to the uncertainty of funds availability when projects are completed or ready to apply to the NJCEP for rebates.” Nothing in this Proposal addresses these problems, whereas an EEPS would by insuring New Jersey’s utilities spend SBC funds directly on efficiency programs without the State accessing those funds. The Board’s recent proposal to deny Sierra Club’s Petition also denied members of the public the opportunity to contribute to the decision-making record—through public testimony and comments—to help inform the Board’s consideration of an EEPS.

At the time of this writing, the \$2.7 billion shortfall in the State Budget casts a long shadow over the proposed budget increases in the Proposal. There is nothing to prevent the money budgeted for clean energy programs from being redirected to the General Fund, thus jeopardizing the State’s ability to meet its savings goals. Protecting against such redirection should be the Board’s top priority.

Sierra Club looks forward to continuing to work with the Board, Staff, and other stakeholders to achieve New Jersey's clean energy potential. In particular, Sierra Club is eager to review the working group reports, and to participate in a redesign of the energy efficiency programs to increase their cost-effectiveness and the level of savings they achieve. The remainder of Sierra Club's comments offer praise for the strengths of the Proposal and recommendations to improve its weaker parts relating to energy efficiency programs.

**1) Strengths of the Proposal**

- Projected program savings in FY15 are increasing from FY14. The increase is about 14% for gas and 11% for electricity.
- The energy efficiency program administrators have improved their ability to spend their budget allocations and avoid "lapsing" to the General Fund.
- The plan is for one year instead of the usual three years to allow the Board to review the yet to be released working group recommendations, and make progress on selecting a program administrator. Given past energy efficiency program underperformance, the various studies undertaken by the working groups have the potential to inform policy and budget decisions going forward. Again, Sierra Club looks forward to reviewing the groups' recommendations.

**2) Weaknesses of the Proposal**

- There is no accountability for underperformance. The savings goals carry no apparent penalty if they are not met.
- The recent practice has been to shift funding from programs that are underspending to programs that are fully utilizing their budgets. This should help reduce the threat of the funds being diverted to the General Fund. However, it is unclear whether the funding transfers go to the most cost-effective efficiency programs. For example, modest participation in a program may be a sign of ineffective marketing. These transfer decisions should be based on a transparent evaluation of key metrics, including the past and forecasted energy savings, energy cost savings, avoided emissions, and perhaps qualitative measures, not merely on which programs can spend money the fastest.

## Sierra Club Comments on Draft NJCEP FY 2015 Programs

- The target savings are not sufficiently broken down by program, so it is difficult to judge the cost-effectiveness of the individual programs. Greater transparency here would support independent third-party analysis.
- It is unclear how the utility program offerings compliment or compete with the Clean Energy Programs. Greater transparency here would support independent third-party analysis.